

COLLEGE OF OUR LADY OF THE ELMS

***CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION***

***JUNE 30, 2020
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2019***

**COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED FINANCIAL STATEMENTS**

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MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
College of Our Lady of the Elms

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of College of Our Lady of the Elms (the "College"), Elms College Foundation, Inc. (the "Foundation"), and The Friends of Elms College, Inc. (the "Friends of Elms") (all nonprofit organizations, collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2020, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and our report dated October 4, 2019, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 30 - 33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayus Brothers Kalicka, P.C.

Holyoke, Massachusetts
October 16, 2020

COLLEGE OF OUR LADY OF THE ELMS

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 14,339,645	\$ 11,417,861
Restricted cash	-	67,248
Student accounts receivable, net	906,321	267,685
Notes receivable - students, net	668,015	751,219
Other receivables	212,428	27,563
Pledges receivable, net	1,853,389	1,999,629
Prepaid expenses	515,738	490,439
Investments	13,466,719	12,821,240
Beneficial interest in perpetual trust	2,171,414	2,163,593
Cash value of life insurance	93,119	111,634
Note receivable - MHIC	-	8,752,625
Investment in plant, net	<u>35,129,820</u>	<u>32,424,536</u>
Total assets	<u>\$ 69,356,608</u>	<u>\$ 71,295,272</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 2,291,715	\$ 2,124,073
Deferred revenue	1,467,523	1,223,206
Assets held for others	280,154	303,484
Annuity obligations	34,576	43,459
Grants refundable	511,042	553,958
Bonds payable, net	13,049,320	11,578,634
Note payable - bank	2,932,970	300,592
Notes payable - MHIC	<u>-</u>	<u>11,979,500</u>
Total liabilities	<u>20,567,300</u>	<u>28,106,906</u>
Net assets		
Without donor restrictions	33,611,739	28,235,972
With donor restrictions	<u>15,177,569</u>	<u>14,952,394</u>
Total net assets	<u>48,789,308</u>	<u>43,188,366</u>
Total liabilities and net assets	<u>\$ 69,356,608</u>	<u>\$ 71,295,272</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	2020		2019
	Without Donor Restrictions	With Donor Restrictions -	Total
			Total
Tuition and fees	\$ 36,670,949		\$ 36,670,949
Residence and dining	3,891,812		3,891,812
Less: scholarships and awards	<u>(14,418,034)</u>		<u>(14,418,034)</u>
Net tuition and fees	26,144,727		26,144,727
Revenue, gains and other support			
Gifts and grants, net	552,012	\$ 1,891,722	2,443,734
CARES Act grants	-	1,361,647	1,361,647
Dividend and interest income	119,255	96,921	216,176
Other auxiliary activities	77,075	-	77,075
Other income	381,239	-	381,239
Endowment spending allocation	88,943	397,573	486,516
Investment return released for current operations	461,322	(461,322)	-
Net assets released from restrictions	<u>1,845,978</u>	<u>(1,845,978)</u>	<u>-</u>
Total tuition and fees, revenue, gains, and other support	<u>29,670,551</u>	<u>1,440,563</u>	<u>31,111,114</u>
Expenses			
Programs:			
Student instruction	11,881,559	-	11,881,559
Student services	5,347,363	-	5,347,363
Auxiliary activities	1,326,279	-	1,326,279
Supporting services:			
Management and general	8,949,785	-	8,949,785
Fundraising	<u>609,313</u>	<u>-</u>	<u>609,313</u>
Total expenses	<u>28,114,299</u>	<u>-</u>	<u>28,114,299</u>
Change in net assets from operations	<u>1,556,252</u>	<u>1,440,563</u>	<u>2,996,815</u>
Other changes			
Net assets released for acquisition of plant assets	659,855	(659,855)	-
Endowment spending allocation	(88,943)	(397,573)	(486,516)
Net realized and unrealized (losses) gains on investments, net of fees	101,272	(165,781)	(64,509)
Net change in beneficial interest in perpetual trusts	-	7,821	7,821
Forgiveness of MHIC notes payable, net	<u>3,147,331</u>	<u>-</u>	<u>3,147,331</u>
Total other changes	<u>3,819,515</u>	<u>(1,215,388)</u>	<u>2,604,127</u>
Change in net assets	5,375,767	225,175	5,600,942
Net assets, beginning of year	<u>28,235,972</u>	<u>14,952,394</u>	<u>43,188,366</u>
Net assets, end of year	<u>\$ 33,611,739</u>	<u>\$ 15,177,569</u>	<u>\$ 48,789,308</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Management and General	Fundraising Expenses	Total
Advertising	\$ 9,950	\$ 349,099	\$ -	\$ 359,049
Depreciation and amortization	1,658,982	800,174	54,477	2,513,633
Equipment rental and maintenance	98,196	1,770,665	30,436	1,899,297
Fees for service	296,426	354,084	10,000	660,510
Food services	1,065,161	-	-	1,065,161
Institutional support	72,063	932,019	-	1,004,082
Interest	419,724	202,445	13,783	635,952
Occupancy	139,897	832,176	-	972,073
Office expneses	1,752,006	123,685	32,855	1,908,546
Other	147,538	88,552	3,590	239,680
Salaries and benefits	12,529,165	3,383,815	451,741	16,364,721
Travel, meetings and conferences	<u>366,093</u>	<u>113,071</u>	<u>12,431</u>	<u>491,595</u>
	<u>\$ 18,555,201</u>	<u>\$ 8,949,785</u>	<u>\$ 609,313</u>	<u>\$ 28,114,299</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Advertising	\$ 929	\$ 310,423	\$ -	\$ 311,352
Depreciation and amortization	1,603,080	784,279	54,691	2,442,050
Equipment rental and maintenance	92,732	2,035,865	27,439	2,156,036
Fees for service	207,585	411,555	98,125	717,265
Food services	1,344,825	-	-	1,344,825
Institutional support	82,624	463,357	-	545,981
Interest	365,685	178,904	12,476	557,065
Occupancy	193,784	967,984	-	1,161,768
Office expnses	1,492,065	135,302	31,076	1,658,443
Other	216,651	244,386	4,051	465,088
Salaries and benefits	12,766,121	3,505,660	398,720	16,670,501
Travel, meetings and conferences	<u>502,293</u>	<u>193,255</u>	<u>17,132</u>	<u>712,680</u>
	<u>\$ 18,868,374</u>	<u>\$ 9,230,970</u>	<u>\$ 643,710</u>	<u>\$ 28,743,054</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 5,600,942	\$ 4,972,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of MHIC program	(3,226,875)	-
Depreciation expense	2,513,633	2,432,174
Interest expense, debt issuance costs	8,543	9,876
Write off of debt issuance costs	173,653	-
Net realized and unrealized (losses) gains on investments	31,617	(654,471)
Net change in beneficial interest in perpetual trusts	(7,821)	23,941
Bad debt provision and present value discount	230,491	(113,272)
Contributions restricted for long-term investments	(383,997)	(482,659)
Net changes in operating assets and liabilities:		
Student accounts receivable	(868,679)	227,343
Other receivables	(184,865)	31,607
Pledges receivable	112,018	(1,309,721)
Prepaid expenses	(25,299)	(64,085)
Cash value of life insurance	18,515	13,773
Accounts payable and accrued expenses	167,642	(159,994)
Deferred revenue	244,317	(332,757)
Assets held for others	<u>(23,330)</u>	<u>33,604</u>
Net cash provided by operating activities	<u>4,380,505</u>	<u>4,628,017</u>
Cash flows from investing activities		
Notes receivable, student - repayments	116,978	49,533
Purchase of property and equipment	(3,718,917)	(3,885,254)
Purchases of investments	(677,096)	(1,102,275)
Proceeds from sales of investments	<u>-</u>	<u>82,955</u>
Net cash used in investing activities	<u>(4,279,035)</u>	<u>(4,855,041)</u>
Cash flows from financing activities		
Change in annuity obligations	(8,883)	(9,087)
Change in grants refundable	(42,916)	(23,005)
Proceeds from note payable	2,932,970	-
Principal payments on note payable	(300,592)	(149,474)
Principal payments on bonds payable	(211,510)	(453,205)
Contributions restricted for long-term investments	<u>383,997</u>	<u>482,659</u>
Net cash provided by (used in) financing activities	<u>2,753,066</u>	<u>(152,112)</u>
Net increase (decrease) in cash and restricted cash	2,854,536	(379,136)
Cash and restricted cash, beginning of year	<u>11,485,109</u>	<u>11,864,245</u>
Cash and restricted cash, end of year	<u>\$ 14,339,645</u>	<u>\$ 11,485,109</u>

(Continued)

COLLEGE OF OUR LADY OF THE ELMS

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash included in:		
Unrestricted cash	\$ 14,339,645	\$ 11,417,861
Restricted cash	<u>-</u>	<u>67,248</u>
Cash, end of the year	<u>\$ 14,339,645</u>	<u>\$ 11,485,109</u>
 Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 456,925	\$ 555,743
 Schedule of noncash investing and financing activities		
Investment in plant with bond refinancing	\$ 1,500,000	\$ -
Repayment of outstanding bond and note payable via refinancing	11,757,225	-
Debt issuance costs financed with bond refinancing	216,284	
MHIC notes payable of \$8,752,625 were offset by a note receivable of \$8,752,625 as part of the MHIC unwind		

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF BUSINESS:

College of Our Lady of the Elms (the “College”) is a co-educational, Catholic liberal arts college founded in 1928 by the Sisters of St. Joseph. The College's mission is to challenge students to embrace change without compromising principle, to respond creatively to the demands of their chosen careers, and to advocate for people in need. The College is a community rooted in faith, educated in mind, compassionate in heart, and responsive to civic and social obligations. The College offers undergraduate and graduate programs, both full-time and part-time, during the day and evening hours, and on weekends.

The College has a non-profit supporting organization called Elms College Foundation, Inc. (the “Foundation”) to solicit, hold and administer funds on behalf of the College.

The College also had a non-profit supporting organization called The Friends of Elms College, Inc. (the “Friends of Elms”) whose mission was to enhance the continuation of the educational mission of the College. As a Qualified Active Low Income Community Business, Friends of Elm's specific role was to hold the net assets of the Center for Natural and Health Sciences (“CNHS”). The entity transferred all its assets to the College during the year ended June 30, 2020.

All entities are collectively referred to as the “Organization”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The statements of financial position present assets and liabilities based upon their relative liquidity.

Principles of consolidation

The consolidated financial statements include the accounts of the College, the Foundation and Friends of Elms. All significant inter-entity accounts and transactions have been eliminated upon consolidation.

Comparative financial information

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Accounting policies adopted

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by subsequent ASUs (collectively, “ASU 606”) which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods or services. The College adopted this ASU effective July 1, 2019. The adoption of this ASU did not have a material impact on the way the Organization recognizes revenue.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue recognition (continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance assists organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. College of Our Lady of the Elms adopted this ASU effective July 1, 2019. The adoption of this ASU did not have a material impact on the way the Organization recognizes contributions.

All unconditional contributions, donations, legacies and gifts are recorded as revenue in operations without donor restrictions, unless specifically restricted by the donor, when received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a risk-free rate. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors.

Tuition revenue is recorded per semester at the College's established rates, net of institutional financial aid and endowment scholarships provided directly by the College for students. Tuition and fees are reported in the year the student attends, withdraws or is dismissed from the College.

Other auxiliary activity revenue consists of bookstore and dining hall commissions as well as fitness center income. Bookstore commissions are based on a percent of sales and are recorded quarterly. Dining hall commissions are based on a percent of sales and are recorded monthly. Fitness center revenue is recorded over the period of membership.

Federal work study revenue is awarded based on number of students and financial need.

Gifts with donor restrictions that impact more than one reporting period are recognized as revenue in the net assets with donor restrictions and are released to funds without donor restrictions when the donor purpose restrictions or time restrictions, are met.

Student deposits along with advance payments for tuition, room, and board related to the next fiscal year have been deferred and will be reported as revenue without donor restrictions in the year in which the semester is completed. Any deferred revenue from exchange transactions is recognized as revenue when earned.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefit. Indirect costs are allocated based on the square footage of facilities used by each program. Depreciation and interest are allocated based on total expenses by function area.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions - Net assets with donor restrictions represents amounts subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed stipulations are perpetual in nature whereby the donor stipulates that they be maintained permanently.

Net assets without donor restrictions - Net assets without donor restrictions represents amounts not subject to donor-imposed stipulations. These funds are available to be used for the general purposes of the College and may be designated for specific purposes by action of the Board of Trustees.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions for time or purpose (i.e., not held into perpetuity, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases between the applicable classes of net assets. Revenue with donor-imposed restrictions is recognized in net assets without donor restrictions if the restriction is met in the year the revenue is received.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Promises to give that are scheduled to be received after the balance sheet date, or which are restricted by the donor to a specific purpose which has not been met as of the balance sheet date, are shown as increases in net assets with donor restrictions. Contributions with donor restrictions for the acquisition of plant assets are recorded as revenue with donor restrictions. This revenue is reclassified to net assets without donor restrictions when the time or purpose of the restrictions are met. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Dividends, interest and net gains or losses of endowments and similar funds are reported as follows:

- i. as increases in net assets with donor restrictions if the terms of the gift or the College's interpretation of relevant state law require that they be added to the principal of a permanent endowment;
- ii. as increases (decreases) in net assets with donor restrictions if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains; and
- iii. as increases (decreases) in net assets without donor restrictions in all other cases.

Reclassification

Certain amounts in the in the prior year financial statements have been reclassified to conform with the current year presentation due to the change in classification of an investment to a beneficial interest in a perpetual trust. This reclassification removes amounts from interest and dividends, realized and unrealized gain(loss), bank fees, and gifts and grants to net change in beneficial interest in perpetual trust. The reclassifications did not impact the change in net assets for 2019.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Student accounts receivable

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Accounts receivable are billed and collected monthly in the ordinary course of business. The receivable balance is recorded at the aggregate unpaid amount less any allowance for doubtful accounts. The College's method for estimating an allowance is based upon historical bad debt experience and specific identification of certain accounts. Accounts are continuously reviewed and written off only when all collection means have been exhausted. On any balance for currently enrolled students which is more than 60 days past due, an assessment of 1½% of the outstanding balance is charged to the account. The allowance for doubtful accounts was \$462,620 and \$232,577 at June 30, 2020 and 2019, respectively.

Notes receivable

Notes receivable for student loans are recorded at the aggregate unpaid principal balance less any allowance for doubtful accounts. The notes receivable are serviced by a third party and the allowance is determined based upon the specific composition of the notes receivable balance as well as trends of delinquencies and write-offs. The allowance for doubtful accounts was \$351,048 and \$317,274 at June 30, 2020 and 2019, respectively. The third party servicer determines delinquency status. As of June 30, 2020, \$361,826 in notes are past due of which \$351,048 are in default.

For the year ended June 30, 2019, note receivable – MHIC was recorded at the aggregate unpaid principal balance less any allowance for doubtful accounts. No allowance was recorded as of June 30, 2019. As part of the MHIC unwind that occurred during the year ended June 30, 2020, the note receivable was settled in full and effectively eliminated between the related entities.

Investments including endowments

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 9). Fair value is defined as the amount that would be recovered as a result of selling an asset or, the amount that would be paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Dividend and interest income are accrued when earned and reported net of investment advisory fees.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the consolidated financial statements.

The College's investments consist of donor restricted endowment funds and funds functioning as quasi-endowment funds (Note 8). Endowments with donor restrictions consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of purpose funds with donor restrictions which are gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments including endowments (continued)

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts "Uniform Prudent Management of Institutional Funds Act" statute, which was effective June 2009 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Trustees (the "Board") of the College interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair 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 College classifies as net assets with donor restrictions held into perpetuity the original value of gifts donated to the endowment.

The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions held into perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the funds, the purpose of the College and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the College, and the investment policies of the College.

UPMIFA allows prudent appropriation of the total return on donor restricted endowment funds taking into consideration the College's long and short-term needs, present and anticipated financial requirements, expected future total return on its investments, price level trends and general economic conditions. The Board has authorized a spending policy where the College may appropriate up to 5%, after fees, of a twelve quarter average market value of these funds as of December 31 preceding the fiscal year. This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and provide a predictable flow of funds to support operations. This approach emphasizes total return which consists of current yield (interest and dividends) as well as appreciation (realized and unrealized gains). Although not required by state law, the same spending policy is followed for the quasi-endowment funds. The appropriations were \$486,516 and \$450,377 for the years ended June 30, 2020 and 2019, respectively.

Beneficial interest in perpetual trusts

The College has been named as a beneficiary of the income from the Margaret E. O'Donnell and Agnes K. O'Donnell Trust and the Antoinette B. Hurst Trust, which are held in perpetuity by an independent trustee. The income from the trusts has been designated to benefit students of the College through scholarships. The principal of these funds are neither in the possession, nor under the control of the College and therefore, are not recorded in the accompanying consolidated financial statements.

The present values of the estimated future cash flow receipts from the trusts are recorded as net assets with donor restrictions held into perpetuity and contribution revenues at the date the trusts were established. Distributions from the trusts are recorded as income and the carrying value of the assets are adjusted for changes in estimates of future receipts.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investment in plant

Land, buildings and improvements, equipment and computers and books are stated at cost, or fair value at the date of donation in the case of gifts, less accumulated depreciation. Works of art, historical treasures, and similar assets are stated at fair value based upon appraisals at the date of donation. Buildings and improvements, equipment and computers and books are depreciated over their estimated useful lives using the straight-line method. Works of art, historical treasures, and similar assets are not subject to depreciation. The College's policy is to capitalize plant asset purchases greater than \$1,000 with a useful life greater than one year. Depreciation expense totaled \$2,513,633 and \$2,432,174 for the years ended June 30, 2020 and 2019, respectively. Depreciation is recorded in net assets without donor restrictions. The College evaluated the carrying value of its long-lived assets and no impairment was recorded.

Maintenance and repairs are charged to expense in net assets without donor restrictions. The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement.

Assets held for others

Assets held for others, which are reported as liabilities in the accompanying consolidated financial statements, represent funds placed on deposit with the College as custodian.

Annuity obligations

The College has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the College is obligated to provide an annuity to the donor for the remainder of their life with any remainder at death reverting to the College. The liability is recognized for the estimated present value of the annuity obligation at the time of the gift and the investment is recorded at their gross market value. The portion attributable to the present value of the future benefits to be received by the College is recorded in the consolidated statements of activities as a contribution with donor restrictions in the period the obligation is established. Assets held in investments totaled \$3,200 and \$6,506 as of June 30, 2020 and 2019, respectively, and are reported at fair market value in the College's consolidated statements of financial position. The present value of the estimated future payments was calculated using discount rates ranging from 2.4% to 6.6% as of June 30, 2020 and 2019, based on applicable mortality tables. Circumstances affecting these estimates can change the estimate of the liability in future periods.

Grants refundable

The College participates in the Federal Perkins Loan Program. This program was funded through a combination of Federal and Institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. Government upon the termination of the College's participation in the program and therefore, is recorded as a liability.

Congress did not renew the Perkins Program after September 30, 2017 and no disbursements were permitted after June 30, 2018. As a result, as loans are repaid, the federal portion of the repayment must be returned to the federal government.

As a result of all of these changes, many institutions are considering liquidating the Program which will require that outstanding loans either be assigned to the Department of Education or purchased by the College. The College is presently evaluating their portfolio.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Tax-exempt status

The College was granted an exempt status under Internal Revenue Code (“IRC”) Section 501(a) as a College described under Internal Revenue Code Section 501(c)(3). Under IRC 501(a), the College is generally exempt from income taxes on related income. The College monitors its activities and it considers the potential for income taxes if any activities are not related to its exempt purpose.

The Friends of Elms College, Inc. and Elms College Foundation, Inc. were granted exempt status under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for federal or state income taxes have been made.

Debt issuance costs

These costs are recorded net of bonds payable and are being amortized on the straight-line basis over the life of the related debt. Amortization recorded as interest expense was \$8,543 and \$9,876 for the years ended June 30, 2020 and 2019, respectively. Amortization recorded as interest expense is estimated to be approximately \$7,200 for each of the next five years.

Advertising and promotions

The Organization expenses the cost of advertising as incurred.

Uncertain tax positions

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The College, the Foundation and Friends of Elms tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2017.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. The Organization’s significant estimates include the valuation of investments, valuation allowances for receivables and its valuation of contributions. Accordingly, actual results could differ from those estimates.

Donated materials, equipment and services

Donated materials, equipment and services are recorded as contributions in the year received at their estimated values at date of receipt if an objective basis is available to measure such values. When measurable, donated services are recorded as contributions when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Amounts recorded for donated materials and equipment were \$3,479 and \$16,916 for the years ended June 30, 2020 and 2019, respectively. Amounts recorded for volunteer services were \$12,192 and \$24,230 for the years ended June 30, 2020 and 2019, respectively.

Asset retirement obligations

The Organization is required to recognize a liability for a conditional asset retirement obligation. Management has considered this, specifically as it relates to its legal obligations to perform asset retirement activities, on its existing properties.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Asset retirement obligations (continued)

The Organization has no plans to do major renovation in, or demolition of, campus buildings that would require removal of sealed asbestos, if any, in those buildings. The Organization expects to maintain these buildings by repairs and maintenance activities that would not involve the removal of the asbestos, if any. Because the settlement date, or range of potential settlement dates, cannot be reasonably estimated, the liability for the cost of the asset retirement obligation cannot be estimated in the campus buildings that may contain sealed asbestos. The Organization will recognize any liability for the campus buildings containing sealed asbestos as decisions about future facilities needs and plans are made so that there is sufficient information to allow for reasonable estimates of the cost of asbestos remediation in the case of extensive renovation or removal in the case of demolition.

3. REVENUE RECOGNITION:

The following table represents net revenue by type for the years ended June 30, 2020 and 2019:

	2020		2019	
	Amount	%	Amount	%
Tuition and fees, net of scholarships disbursed	\$ 22,252,915	66.00	\$ 22,751,279	67.48
Residence and dining	3,891,812	11.54	5,054,078	14.99
Other auxiliary activities	77,075	0.23	98,096	0.29
Federal work study	141,150	0.42	121,550	0.36
Gifts and grants, net*	3,805,381	11.29	4,700,329	13.94
Dividend and interest income*	216,176	0.64	272,529	0.81
Other income*	240,089	0.71	168,032	0.50
Net realized and unrealized gains(losses) on investments, net of fees*	(64,509)	(0.19)	573,310	1.70
Net change in beneficial interest in perpetual trusts*	7,821	0.02	(23,491)	(0.07)
Forgiveness of MHIC notes payable*	3,147,331	9.34	-	0.00
Total revenue	\$ 33,715,241	100.00	\$ 33,715,712	100.00

*This revenue category is not subject to ASC 606.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 14,339,645
Student accounts receivable, net	906,321
Quasi endowment funds without donor restrictions	4,007,273
Total	\$ 19,253,239

The College manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow the College to meet its liabilities and other obligations as they become due while also striving to maximize the investment of its available funds. The College also has available a \$4,500,000 line of credit.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. RESTRICTED CASH:

The College maintains the following cash funds which are limited to particular uses:

Capital Campaign Fund: \$28,723, as of June 30, 2019 – this fund consisted of contributions related to the Center for Natural and Health Sciences Project and was used for its intended purpose in fiscal year 2020.

Friends of Elms Escrow Fund: \$38,525 as of June 30, 2019 – these funds were set aside as an asset management fee reserve. In fiscal year 2019, the College paid \$56,244 which was reimbursed from the Friends of Elms Escrow Fund in August 2019.

6. PLEDGES RECEIVABLE, NET:

Net pledges receivable consisted of the following components at June 30th:

	<u>2020</u>		<u>2019</u>
Gross pledges receivable:			
Due within one year	\$ 1,391,521	\$	1,568,482
Due within one to five years	565,850		569,350
Total gross pledges receivable	<u>1,957,371</u>		<u>2,137,832</u>
Present value adjustment	(21,082)		(32,248)
Allowance for doubtful accounts	<u>(82,900)</u>		<u>(105,955)</u>
 Pledges receivable, net	 <u>\$ 1,853,389</u>	 <u>\$</u>	 <u>1,999,629</u>

The fair value of long-term pledges receivable is estimated by discounting future cash flows using a risk-free rate of return ranging from 0.29% - 2.76% and 1.79% - 2.76% in 2020 and 2019, respectively.

7. INVESTMENTS:

The Board of Trustees of the College, as the governing authority, is responsible for oversight of the College's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board of Trustees to its Finance Committee. Investments authorized by the Finance Committee include marketable equity and fixed income securities and other types of investments may be made with the prior approval of the Finance Committee.

The College's investment portfolio consists of an investment pool in which a large number of individual funds (donor restricted endowment funds and funds functioning as quasi-endowment funds) participate in order to benefit from the diversification and economies of scale. Funds added or withdrawn from the pool are recorded at their share of the then current value of the pool. Investment income is recognized and posted on a quarterly basis.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

7. INVESTMENTS: (CONTINUED)

The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the College. Long term, the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities. The long-term investment objective of the portfolio is to attain real total returns (interest and dividend income and capital gains), net of all management and brokerage fees, at least equal to the endowment fund spending rate.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions. At June 30, 2020 and 2019, there were no cumulative losses on the investments of donor restricted endowment funds.

Investments at June 30, 2020 and 2019 consist of the following fair values:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 790,164	\$ 756,590
Mutual funds	7,993,468	7,819,830
Common stocks	809,816	494,294
Fixed income fund	1,619,835	1,488,389
Limited partnerships	2,253,436	2,262,137
	<u>\$ 13,466,719</u>	<u>\$ 12,821,240</u>

At June 30, 2020 and 2019, approximately 82% and 82%, respectively, of investments are reported at fair value based on quoted market prices. The remaining investments are reported at estimated fair value or net asset value as determined by management based upon various valuation techniques developed by the general partners or investment managers. Because these investments are not readily marketable, their reported values are subject to additional uncertainty, and therefore values realized upon disposition may vary, even significantly, from the currently reported amounts. The estimated value of these alternative investments is based on quarterly valuations and other data provided by the external investment managers, updated for capital calls and distributions and other market activity. The valuations for these alternative investments involve appraisals, assumptions, and methods that are reviewed by the College's management, as well as the Finance Committee.

Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed. Such differences could be material. Limited partnerships consists of collective funds, hedge funds, and other types of private investments with underlying investment holdings.

The College's total return on its invested assets consisted of the following components as reported on the consolidated statement of activities:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 216,176	\$ 272,529
Net realized and unrealized (loss) gain, net of advisory fees	(64,509)	573,310
	<u>\$ 151,677</u>	<u>\$ 845,839</u>

Investment advisory fees were \$32,892 and \$30,321 for the years ended June 30, 2020 and 2019, respectively.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

8. ENDOWMENTS:

Endowments by net asset class and type at June 30, 2020 and 2019 consist of:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020			
Quasi endowment funds	\$ 4,007,273	\$ 1,588,217	\$ 5,595,490
Donor restricted Endowment funds	-	8,065,416	8,065,416
	<u>\$ 4,007,273</u>	<u>\$ 9,653,633</u>	<u>\$ 13,660,906</u>
June 30, 2019			
Quasi endowment funds	\$ 2,174,960	\$ 2,054,603	\$ 4,198,237
Donor restricted endowment funds	-	7,667,471	7,698,797
	<u>\$ 2,174,960</u>	<u>\$ 9,722,074</u>	<u>\$ 11,897,034</u>

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments - June 30, 2018	\$ 1,966,169	\$ 8,778,578	\$ 10,744,747
Investment income	15,331	70,258	85,589
Realized and unrealized gain	127,620	606,400	734,020
Contributions - cash	153,000	656,661	809,661
Investment fees	(4,746)	(21,860)	(26,606)
Appropriation of endowment assets for operations	(82,414)	(367,963)	(450,377)
Endowments - June 30, 2019	<u>2,174,960</u>	<u>9,722,074</u>	<u>11,897,034</u>
Investment income	25,749	96,921	122,670
Realized and unrealized gain (losses)	163,346	(142,633)	20,713
Contributions - cash	1,738,364	397,948	2,136,312
Investment fees	(6,203)	(23,104)	(29,307)
Appropriation of endowment assets for operations	(88,943)	(397,573)	(486,516)
Endowments - June 30, 2020	<u>\$ 4,007,273</u>	<u>\$ 9,653,633</u>	<u>\$ 13,660,906</u>

9. FAIR VALUE MEASUREMENTS:

The College follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

9. FAIR VALUE MEASUREMENTS: (CONTINUED)

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

Assets measured at fair value on a recurring basis at June 30, 2020 and 2019 were as follows:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
June 30, 2020 - Assets				
Investments measured at fair value:				
Mutual funds:				
Stock fund	\$ 4,391,222	\$ 4,391,222		
Bond fund	1,298,172	1,298,172		
International stock fund	1,631,799	1,631,799		
Real estate stock fund	672,276	672,276		
Fixed income fund	1,619,835		\$ 1,619,835	
Common stocks:				
Medical instruments	122,512	122,512		
Oil and gas	36,312	36,312		
Industrial electrical equipment	299,962	299,962		
Agricultural chemicals	2,079	2,079		
Personal services	6,779	6,779		
Consumer goods	11,622	11,622		
Metals and minerals	3,825	3,825		
Shipping services	5,370	5,370		
Technology	321,354	321,354		
Total investments at fair value	\$ 10,423,119	\$ 8,803,284	\$ 1,619,835	\$ -
Investments measured at net asset value:				
Limited partnerships	\$ 2,253,436			
Beneficial interest in perpetual trust	\$ 2,171,414	\$ -	\$ -	\$ 2,171,414

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

9. FAIR VALUE MEASUREMENTS: (CONTINUED)

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
June 30, 2019 - Assets				
Investments measured at fair value:				
Mutual funds:				
Stock fund	\$ 4,102,161	\$ 4,102,161		
Bond fund	263,204	263,204		
Commodity futures	178,467		\$ 178,467	
International stock fund	2,625,067	2,625,067		
Real estate stock fund	650,931	650,931		
Fixed income fund	1,488,389		1,488,389	
Common stocks:				
Medical instruments	238,841	238,841		
Oil and gas	61,666	61,666		
Industrial electrical equipment	43,906	43,906		
Agricultural chemicals	7,560	7,560		
Personal services	6,915	6,915		
Consumer goods	16,500	16,500		
Metals and minerals	5,817	5,817		
Shipping services	18,786	18,786		
Technology	94,303	94,303		
Total investments at fair value	\$ 9,802,513	\$ 8,135,657	\$ 1,666,856	\$ -
Investments measured at net asset value:				
Limited partnerships	\$ 2,262,137			
Beneficial interest in perpetual trust	\$ 2,163,593	\$ -	\$ -	\$ 2,163,593

Investments

Mutual funds and common stocks are reported at fair value based on quoted market prices, where available, and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fair value for certain other investments and limited partnerships not actively traded was determined by management based upon various valuation techniques developed by the general partners or investment managers (Note 5).

The fair value of investments classified as Level 2 such as fixed income fund, consumer goods, commodity futures, and diversified emerging market is determined using a fundamental analysis model. This includes a review of the underlying assets of the funds, review of the financial statements of the fund, the types of assets and risks involved, and the investor's exit and termination parameters.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

9. FAIR VALUE MEASUREMENTS: (CONTINUED)

Investments (continued)

Limited partnerships are valued at net asset values received on monthly or quarterly statements received from the fund managers adjusted for any capital calls or distributions from the funds from the valuation date received from the fund managers to year end. As such, the net asset value is determined by a third party and the College is not applying any unobservable inputs to measure these investments.

As of June 30, 2020, there were no withdrawal restrictions on Level 3 investments.

Redemption frequencies are as follows:

Mutual funds and common stocks:	Daily, 1 day notice.
Limited partnerships:	Not applicable.

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the years ended June 30, 2020 and 2019:

	Level 3 Perpetual Trusts 2020	Level 3 Perpetual Trusts 2019
Balance, beginning of year	\$ 2,163,593	\$ 2,187,084
Total gain (loss)	7,821	(23,491)
Balance, end of year	<u>\$ 2,171,414</u>	<u>\$ 2,163,593</u>

Quantitative information about significant unobservable inputs used in level 3 fair value measurements

Beneficial interests in perpetual trust are valued based upon the College's allocable share of the community foundation's pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the allocable share of the pooled investment portfolio at the community foundation that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

The beneficial interests in investments are valued monthly by the community foundation and are allocated based upon each organization's calculated share of the community foundation's pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the community foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The College calculates the fair value of its beneficial interest in the pooled investment assets held by the community foundation based on the estimated fair value of the underlying assets. The community foundation controls the investments and makes all management and investment decisions.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

10. CASH VALUE OF LIFE INSURANCE:

The College is the owner and the beneficiary on a number of life insurance policies with a cash value of \$93,119 and \$111,634 as of June 30, 2020 and 2019, respectively. These policies had a total face value of \$173,542 and \$425,890 at June 30, 2020 and 2019, respectively.

11. NOTE RECEIVABLE - MHIC:

In conjunction with the New Markets Tax Credit transaction (See Note 23), the College loaned \$8,752,625 to Elms College Investment Fund, LLC. The note receivable had an interest rate of 1.36% commencing on August 8, 2012. It had an original maturity date of September 1, 2044 with interest only payments through September 1, 2019 and principal and interest payments of \$34,432 from October 1, 2019 to maturity. Interest earned on the note receivable was \$13,804 and \$119,036 for the years ended June 30, 2020 and 2019. As part of the MHIC unwind that occurred during the year ended June 30, 2020, the note receivable was settled in full by effectively eliminating two balances between the related entities.

12. INVESTMENT IN PLANT:

Investment in plant consisted of the following at June 30:

	2020	2019	Estimated Useful Lives
Land	\$ 144,370	\$ 144,370	
Buildings and improvements	47,254,415	42,777,303	15-75 years
Equipment and computers	19,631,590	18,216,009	3-10 years
Books	2,314,996	2,311,273	5-10 years
	69,345,371	63,448,955	
Less accumulated depreciation	(34,789,731)	(32,276,087)	
	34,555,640	31,172,868	
Construction in progress	503,310	1,180,798	
Works of art and fine metals	70,870	70,870	
Net investment in plant	\$ 35,129,820	\$ 32,424,536	

As of June 30, 2020, there was approximately \$461,000 of outstanding purchase commitments for various projects on campus.

13. BORROWINGS UNDER LINE OF CREDIT:

The College has a general line of credit of \$4,500,000, with interest payable at the prime rate, 3.25% and 5.00% as of June 30, 2020 and 2019, respectively, which is due on demand and is subject to annual review. There was no outstanding borrowing on the line of credit at June 30, 2020 and 2019. The general line of credit is secured by junior positions on all available assets of the College.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

14. BONDS PAYABLE:

The College's bonds payable at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
\$14,986,00 Massachusetts Development Finance Authority bonds with interest at 3.39%. Interest only monthly payments to December 2021, then monthly installments of principal and interest of \$61,174 until December 2049. These bonds are secured by assignment and pledge of revenues. Additional availability was \$1,725,240 at June 30, 2020.	\$ 13,260,760	\$ -
\$14,000,000 Massachusetts Development Finance Authority bonds with interest at 3.50%, fixed for ten years until September 2022 then adjusts to the greater of 3.50% or .67 times the Federal Home Loan Bank Rate plus 2.75% for ten years and the last five years. Monthly installments of principal and interest of \$73,267 until August 2037. These bonds are secured by all of the assets of the College. These bonds were refinanced in December 2019.	-	11,757,225
Less: unamortized costs	(211,440)	(178,591)
Total bonds payable, net debt issuance costs	\$ <u>13,049,320</u>	\$ <u>11,578,634</u>

15. NOTES PAYABLE:

The College's notes payable - bank at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Westfield Bank:		
\$2,932,970 Westfield Bank - U.S. Small Business Administration (SBA) Paycheck Protection Program ("PPP") Note, payable in monthly installments of \$331,359, including interest of 1%, commencing after the 24 week covered period (October 2020) plus an additional 10 months after this date, or until the SBA makes a conclusion on loan forgiveness. Repayments are made over a two year period. This note is unsecured. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan may be forgiven and the College will apply for forgiveness.	\$ 2,932,970	\$ -
\$999,807 secured note payable with interest at 3.25% through maturity in May 2021. Monthly installments of principal and interest of \$13,505. The note is secured by a junior mortgage to the bank and assignment of rents and leases on real property. This note was repaid in fiscal year 2020 with new bond financing.	-	300,592
Total notes payable	\$ <u>2,932,970</u>	\$ <u>300,592</u>

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

15. NOTES PAYABLE: (CONTINUED)

Friends of Elms notes payable - MHIC at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
\$8,752,625 MHIC NE CDE II Subsidiary 15 LLC note with interest fixed at 1.00% through September 2044, interest only payments through September 2019 followed by monthly installments of principal and interest of \$29,423 until February 2036, \$33,836 until February 2040, and \$46,783 until September 2044. This note is secured by a mortgage on the CNHS. (See Note 23)	\$ -	\$ 8,752,625
\$2,492,256 MHIC NE CDE I Subsidiary 7 LLC note with interest fixed at 1.00% through September 2044, interest only payments through September 2019 followed by monthly installments of principal and interest of \$8,378 until February 2036, \$9,635 until February 2040, and \$13,321 until September 2044. This note is secured by a mortgage on the CNHS. (See Note 23)	-	2,492,256
\$734,619 MHIC NE CDE II Subsidiary 15 LLC note with interest fixed at 1.00% through September 2044, interest only payments until September 2019 and followed by monthly installments of principal and interest of \$2,470 until February 2036, \$2,840 until February 2040, and \$3,927 until September 2044. This note is secured by a mortgage on the CNHS. (See Note 23)	-	734,619
Friends of Elms total notes payable - MHIC	\$ -	\$ <u>11,979,500</u>

The aggregate maturities of bonds and notes payable during the next five years and thereafter are as follows:

<u>June 30,</u>	<u>Notes</u>	<u>Bonds</u>
2021	\$ -	\$ -
2022	2,932,970	143,264
2023	-	293,907
2024	-	304,027
2025	-	314,495
Thereafter	-	12,205,067
	\$ <u>2,932,970</u>	\$ <u>13,260,760</u>

Total interest expense was \$439,951 and \$566,941 during the years ended June 30, 2020 and 2019, respectively.

Certain debt requires that the College maintain a debt service ratio, as defined of 1.35:1. As of and for the year ended June 30, 2020, the College was in compliance with this covenant.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

16. LEASES:

The College leases various office, computer and telecommunications equipment under non-cancelable operating leases with payments due through November 2023. Rental expense for the years ended June 30, 2020 and 2019 was \$77,640 and \$77,641, respectively, for these leases.

The following is a schedule of future minimum lease payments required under operating leases as of June 30:

	<u>June 30,</u>	
	2021	\$ 70,644
	2022	67,281
	2023	41,050
	2024	125
Total required minimum lease payments		\$ <u>179,100</u>

17. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at June 30, consisted of pledges receivable and net assets with restrictions related to:

	<u>2020</u>	<u>2019</u>
Purpose driven:		
Educational	\$ 1,418,417	\$ 993,563
Institutional support	1,199,985	777,448
Capital projects	380,373	925,891
Financial aid	478,290	416,654
Accumulated gains	1,523,694	2,053,846
Held in perpetuity	8,005,396	7,621,398
Perpetual trusts	2,171,414	2,163,593
	\$ <u>15,177,569</u>	\$ <u>14,952,394</u>

18. NET ASSETS RELEASED FROM RESTRICTIONS:

The net assets with donor restrictions released from restriction in 2020 related to the following:

Net assets with donor restrictions released:	
Educational	\$ 951,554
Institutional support	17,656
Capital projects	659,855
Financial aid	1,338,090
	\$ <u>2,967,155</u>

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

19. RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2019, a member of the Board of Trustees of the College was a Senior Vice President of Commercial Lending at Westfield Bank. As of June 30, 2019, the College had an outstanding note payable in the amount of \$300,592 due to this bank. There were no outstanding balances on pledges from Westfield Bank as of June 30, 2019.

The College utilized a manufacturing company to purchase equipment whose Chief Operating Officer is a member of the Board of Trustees. The College paid approximately \$1,060 and \$250 to this company during the years ended June 30, 2020 and 2019, respectively. The College had an outstanding payable to this company in the amount of \$11,500 at June 30, 2020.

The College utilized a construction company for the renovation of the Gaylord Mansion Project whose President is a member of the Board of Trustees. The college paid approximately \$2,436,100 and \$449,000 during the year ended June 30, 2020 and 2019, respectively.

20. RETIREMENT PLANS:

A contributory retirement annuity 403(b) plan, is provided by the College through the Teachers Insurance and Annuity Association of America ("TIAA") for its faculty, administration and support staff. The College matches an employee's contribution up to 5% of that employee's compensation. The College's retirement expense was \$447,490 for 2020 and \$484,097 for 2019.

A 457(b) eligible deferred compensation plan was established in fiscal year 2018 for eligible employees of the College. There were no contributions or expenses during 2020 or 2019.

21. CONCENTRATION OF CREDIT RISK:

The College maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Balances in excess of this amount are insured by the Deposit Insurance Fund. The College has not experienced any losses on these accounts. The College believes it is not exposed to any significant credit risk on cash.

22. COMMITMENTS AND CONTINGENCIES:

The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase, increased annually by the Consumer Price Index plus 2%. The potential cost associated with this program cannot be determined, as it is contingent on future tuition increases and the number of bond purchasers who attend the College.

The College participates in a number of federal programs that are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the College does not expect these amounts, if any, to be material to the consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

22. COMMITMENTS AND CONTINGENCIES: (CONTINUED)

The College may be involved in certain litigation arising in the normal course of business. In the opinion of management, after consultation with legal counsel, none of these matters will have a material effect on the College's financial position or results of operations.

In 2010, the College entered into a ten year contract with Aramark Educational Services, LLC ("Aramark") to operate its campus food service program and related facilities. Under the financial commitment provisions of the contract, Aramark agreed to pay the College (a) \$750,000 in grants and (b) \$82,000 for the repayment of the outstanding loan balance owed to Aramark under the previous contract. These amounts have been considered exchange transactions and were recorded as deferred revenue. This deferred revenue is recognized as revenue without donor restrictions as earned, over a period of ten years, commencing in August 2010. Upon termination of this agreement, by either party for any reason prior to the end of the contract, any remaining deferred revenue becomes payable to Aramark. As of June 30, 2020 and 2019, deferred revenue related to this contract was \$52,946 and \$93,200, respectively. Effective October 1, 2018, the term of the contract was updated to extend through June 30, 2021. Accordingly, Aramark re-amortized that balance on a straight-line basis over a period of thirty-three months ending June 2021.

The 2019 novel coronavirus ("COVID-19") has adversely affected and may continue to adversely affect the economic activity globally, nationally, and locally. While the College's campus closed in March, classes continued in a remote setting. The Campus re-opened for the fall 2020 semester with a hybrid approach offering both in-person and remote learning. The extent of any impact on the College's operations will depend on future developments, including the duration of the outbreak, business interruption, and any related governmental or other regulatory actions, which cannot be predicted at this time. Also, the fair value of the College's investments have seen a decline and the College's management believes this is temporary in nature.

23. NEW MARKETS TAX CREDITS TRANSACTION:

During fiscal year 2013, Friends of Elms financed the construction of the Center for Natural and Health Sciences ("CNHS") located at 291 Springfield Street in Chicopee. This was accomplished by entering into several debt transactions in order to fund CNHS, including accessing the New Markets Tax Credit ("NMTC") program. The NMTC program offers credits against federal income taxes over a seven year period for Qualified Equity Investments ("QEI") in designated Community Development Entities ("CDEs") pursuant to section 45D of the Internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. Friends of Elms is a Qualified Active Low Income Community Business for the purposes of the NMTC program.

Friends of Elms received an allocation of New Markets Tax Credit authority from CDE's managed by the Massachusetts Housing Investment Corporation ("MHIC") to develop the CNHS. MHIC created an investment fund (the "Fund") which was funded by a loan of \$8,752,625 from the College and an investment of NMTC equity from an investor ("Fund Investor"). The Fund invested in two CDE's controlled by MHIC ("MHIC CDE") which made loans to Friends of Elms on August 8, 2012 as follows:

MHIC NE CDE II Subsidiary 15 LLC - QLICI A loan	\$	8,752,625
MHIC NE CDE II Subsidiary 15 LLC - QLICI B loan		734,619
MHIC NE CDE I Subsidiary 7 LLC - QLICI C loan		2,492,256
	\$	<u>11,979,500</u>

COLLEGE OF OUR LADY OF THE ELMS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

23. NEW MARKETS TAX CREDITS TRANSACTION: (CONTINUED)

Friends of Elms and the College entered into a 99 year ground lease for Friends of Elms to use the land with a one-time rent payment of \$25,000 beginning August 2012 and then annual rent payments of \$1. They also entered into a 32 year lease for the College to use the CNHS with annual rent payments due which increase annually thereafter. The payments were \$14,000 and \$139,000 in fiscal years 2020 and 2019, respectively. These transactions are eliminated in consolidation.

QLICI A, B, and C have an interest rate of 1.00% commencing on August 8, 2012 and mature on September 1, 2044 with interest only payments through September 1, 2019 and principal and interest payments from October 1, 2019 to maturity. All three loans are secured by a mortgage on the CNHS. The College has provided a completion guaranty to the MHIC CDE for completion of the CNHS.

The College loaned \$8,752,625 to the Fund. This loan has an interest rate of 1.36% commencing on August 8, 2012. This loan has a maturity date of September 1, 2044 with interest only payments through September 1, 2019 and principal and interest payments from October 1, 2019 to maturity. The Fund used the proceeds of the loan to make a QEI in MHIC CDE, which in turn made a loan to Friends of Elms. Because there is no right of offset between the note receivable due to the College and the note payable by MHIC, the note receivable and long-term debt are presented separately in the Consolidated Statements of Financial Position.

On August 13, 2019, the Fund Investor exercised its right to require the College to purchase all of the Fund Investor's interest in the Fund for a put exercise price of \$1,000. The College recorded a gain of \$3,147,331 associated with the exercise of the option as essentially the two loans were forgiven. The gain is equal to the total of the QLICI B and C loans less expenses related to the unwind of the program. The College loan of \$8,752,625 to the Fund and settled the outstanding balance of the QLICI A loan. There was no gain as a result of that transaction.

The interest paid on QLICI A, B, and C by Friends of Elms for the years ended June 30, 2020 and 2019 was \$13,810 and \$203,004, respectively. Interest income received by the College related to the note receivable from the Fund for the years ended June 30, 2020 and 2019 was \$13,804 and \$119,036, respectively.

Total expenses incurred by Friends of Elms for the years ended June 30th are as follows:

	2020	2019
General expenditures	\$ 5,372	\$ 56,244
Legal and accounting fees	-	22,046
MHIC loan interest	13,804	119,795
Depreciation expense	9,833	245,839
	<u>\$ 29,009</u>	<u>\$ 443,924</u>

24. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 16, 2020, the date which the consolidated financial statements were available to be issued.

CONSOLIDATING INFORMATION

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	<u>College</u>	<u>Friends of Elms</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Cash	\$ 14,289,645		\$ 50,000		\$ 14,339,645
Restricted cash	-				-
Student accounts receivable, net	906,321				906,321
Notes receivable, net - students	668,015				668,015
Other receivables	212,428				212,428
Pledges receivable, net	1,903,389			\$ (50,000)	1,853,389
Prepaid expenses	515,738				515,738
Investments	13,466,719				13,466,719
Beneficial interest in perpetual trust	2,171,414				2,171,414
Cash value of life insurance	93,119				93,119
Investment in plant, net	<u>35,129,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,129,820</u>
Total assets	<u>\$ 69,356,608</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>\$ 69,356,608</u>

LIABILITIES AND NET ASSETS

Liabilities					
Accounts payable and accrued expenses	\$ 2,291,715				\$ 2,291,715
Deferred revenue	1,467,523				1,467,523
Assets held for others	280,154				280,154
Annuity obligations	34,576				34,576
Grants refundable	511,042				511,042
Bonds payable, net	13,049,320				13,049,320
Note payable - bank	2,932,970				2,932,970
Due to Foundation and College	<u>-</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>-</u>
Total liabilities	<u>20,567,300</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>20,567,300</u>
Net assets					
Without donor restrictions	33,611,739	-			33,611,739
With donor restrictions	<u>15,177,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,177,569</u>
Total net assets	<u>48,789,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,789,308</u>
Total liabilities and net assets	<u>\$ 69,356,608</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (50,000)</u>	<u>\$ 69,356,608</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

	<u>College</u>	<u>Friends of Elms</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Cash	\$ 11,367,861		\$ 50,000		\$ 11,417,861
Restricted cash	28,723	\$ 38,525			67,248
Student accounts receivable, net	267,685				267,685
Notes receivable, net - students	751,219				751,219
Other receivables	27,563				27,563
Pledges receivable, net	2,049,629			\$ (50,000)	1,999,629
Prepaid expenses	490,439				490,439
Investments	14,401,532				14,401,532
Beneficial interest in perpetual trust	583,301				583,301
Cash value of life insurance	111,634				111,634
Note receivable - MHIC	8,752,625				8,752,625
Investment in plant, net	22,309,002	10,115,534			32,424,536
Due from College	-	91,162	-	(91,162)	-
Total assets	<u>\$ 61,141,213</u>	<u>\$ 10,245,221</u>	<u>\$ 50,000</u>	<u>\$ (141,162)</u>	<u>\$ 71,295,272</u>

LIABILITIES AND NET ASSETS

Liabilities					
Accounts payable and accrued expenses	\$ 2,070,451	\$ 53,622			\$ 2,124,073
Deferred revenue	1,223,206				1,223,206
Assets held for others	303,484				303,484
Annuity obligations	43,459				43,459
Grants refundable	553,958				553,958
Bonds payable, net	11,578,634				11,578,634
Note payable - bank	300,592				300,592
Notes payable - MHIC	-	11,979,500			11,979,500
Due to Foundation and College	91,162	-	\$ 50,000	\$ (141,162)	-
Total liabilities	<u>16,164,946</u>	<u>12,033,122</u>	<u>50,000</u>	<u>(141,162)</u>	<u>28,106,906</u>
Net assets					
Without donor restrictions	30,023,873	(1,787,901)			28,235,972
With donor restrictions	14,952,394	-	-	-	14,952,394
Total net assets	<u>44,976,267</u>	<u>(1,787,901)</u>	<u>-</u>	<u>-</u>	<u>43,188,366</u>
Total liabilities and net assets	<u>\$ 61,141,213</u>	<u>\$ 10,245,221</u>	<u>\$ 50,000</u>	<u>\$ (141,162)</u>	<u>\$ 71,295,272</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>College</u>	<u>Friends of Elms</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Tuition and fees	\$ 36,670,949				\$ 36,670,949
Residence and dining	3,891,812				3,891,812
Less: scholarships and awards	<u>(14,418,034)</u>				<u>(14,418,034)</u>
Net tuition and fees	26,144,727				26,144,727
Revenue, gains and other support					
Gifts and grants, net	2,443,734				2,443,734
CARES Act grants	1,361,647				1,361,647
Dividend and interest income	216,176				216,176
Other auxiliary activities	77,075				77,075
Other income	381,239	\$ 13,887	\$ -	\$ (13,887)	381,239
Endowment spending allocation	<u>486,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,516</u>
Total tuition and fees, revenue, gains, and other support	<u>31,111,114</u>	<u>13,887</u>	<u>-</u>	<u>(13,887)</u>	<u>31,111,114</u>
Expenses					
Programs:					
Student instruction	11,881,559				11,881,559
Student services	5,347,363				5,347,363
Auxiliary activities	1,326,279				1,326,279
Supporting services:					
Management and general	8,934,663	29,009		(13,887)	8,949,785
Fundraising	<u>609,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,313</u>
Total expenses	<u>28,099,177</u>	<u>29,009</u>	<u>-</u>	<u>(13,887)</u>	<u>28,114,299</u>
Change in net assets from operations	<u>3,011,937</u>	<u>(15,122)</u>	<u>-</u>	<u>-</u>	<u>2,996,815</u>
Other changes					
Net realized and unrealized gains on investments, net	(64,509)	-	-	-	(64,509)
Endowment spending allocation	(486,516)				(486,516)
Net change in beneficial interest in perpetual trust	7,821	-	-	-	7,821
Forgiveness of MHIC notes payable	<u>-</u>	<u>3,147,331</u>	<u>-</u>	<u>-</u>	<u>3,147,331</u>
Total other changes	<u>(543,204)</u>	<u>3,147,331</u>	<u>-</u>	<u>-</u>	<u>2,604,127</u>
Change in net assets	2,468,733	3,132,209	-	-	5,600,942
Net assets, beginning of year	44,976,267	(1,787,901)	-	-	43,188,366
Transfer in unrestricted net assets	<u>1,344,308</u>	<u>(1,344,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 48,789,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,789,308</u>

The accompanying notes are an integral part of these consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>College</u>	<u>Friends of Elms</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Tuition and fees	\$ 35,666,901				\$ 35,666,901
Residence and dining	5,054,078				5,054,078
Less: scholarships and awards	<u>(12,915,622)</u>				<u>(12,915,622)</u>
Net tuition and fees	27,805,357				27,805,357
Revenue, gains and other support					
Gifts and grants, net	4,700,329				4,700,329
Dividend and interest income	272,529				272,529
Other auxiliary activities	98,096				98,096
Other income	289,582	\$ 139,000	\$ -	\$ (139,000)	289,582
Endowment spending allocation	<u>370,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,377</u>
Total tuition and fees, revenue, gains, and other support	<u>33,536,270</u>	<u>139,000</u>	<u>-</u>	<u>(139,000)</u>	<u>33,536,270</u>
Expenses					
Programs:					
Student instruction	11,987,777				11,987,777
Student services	5,185,512				5,185,512
Auxiliary activities	1,695,085				1,695,085
Supporting services:					
Management and general	8,926,043	443,927		(139,000)	9,230,970
Fundraising	<u>643,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,710</u>
Total expenses	<u>28,438,127</u>	<u>443,927</u>	<u>-</u>	<u>(139,000)</u>	<u>28,743,054</u>
Change in net assets from operations	<u>5,098,143</u>	<u>(304,927)</u>	<u>-</u>	<u>-</u>	<u>4,793,216</u>
Other changes					
Net realized and unrealized gains on investments	573,310	-	-	-	573,310
Endowment spending allocation	(370,377)	-	-	-	(370,377)
Net change in beneficial interest in perpetual trust	<u>(23,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,491)</u>
Total other changes	<u>179,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,442</u>
Change in net assets	<u>5,277,585</u>	<u>(304,927)</u>	<u>-</u>	<u>-</u>	<u>4,972,658</u>
Net assets, beginning of year	<u>39,698,682</u>	<u>(1,482,974)</u>	<u>-</u>	<u>-</u>	<u>38,215,708</u>
Net assets, end of year	<u>\$ 44,976,267</u>	<u>\$ (1,787,901)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,188,366</u>

The accompanying notes are an integral part of these consolidated financial statements.