

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023 (WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED JUNE 30, 2022)



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**COLLEGE OF OUR LADY OF THE ELMS
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(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
College of Our Lady of the Elms
Chicopee, Massachusetts

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of College of Our Lady of the Elms, which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of College of the Lady of the Elms as of June 30, 2023, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of College of Our Lady of the Elms and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about College of the Lady of the Elms ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

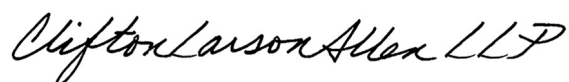
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 College of Our Lady of the Elms 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bucknell University and its subsidiaries' 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.

Report on Summarized Comparative Information

We have previously audited College of Our Lady of the Elm's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 18, 2023

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 13,860,038	\$ 14,314,580
Student Accounts Receivable, Net	2,002,167	1,767,786
Notes Receivable - Students, Net	476,030	360,239
Other Receivables	1,511,842	3,415,929
Pledges Receivable, Net	1,899,126	2,334,451
Prepaid Expenses	438,001	469,799
Right-Of-Use Assets, Net	43,734	46,286
Investments	21,699,764	17,525,774
Beneficial Interest in Perpetual Trust	2,206,874	2,068,462
Cash Value of Life Insurance	38,040	97,836
Investment in Plant, Net	<u>35,114,886</u>	<u>34,029,621</u>
Total Assets	<u><u>\$ 79,290,502</u></u>	<u><u>\$ 76,430,763</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,944,907	\$ 2,557,621
Deferred Revenue	1,566,146	2,715,868
Assets Held for Others	232,476	180,114
Annuity Obligations	9,232	16,293
Operating Lease Liability	43,734	46,286
Bonds Payable, Net	<u>14,354,089</u>	<u>14,642,828</u>
Total Liabilities	<u>18,150,584</u>	<u>20,159,010</u>
NET ASSETS		
Without Donor Restrictions	41,055,293	39,045,754
With Donor Restrictions	<u>20,084,625</u>	<u>17,225,999</u>
Total Net Assets	<u>61,139,918</u>	<u>56,271,753</u>
Total Liabilities and Net Assets	<u><u>\$ 79,290,502</u></u>	<u><u>\$ 76,430,763</u></u>

See accompanying Notes to Consolidated Financial Statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE, SUPPORT, AND GAINS				
Tuition and Fees	\$ 35,179,259	\$ -	\$ 35,179,259	\$ 36,775,926
Residence and Dining	3,146,158	-	3,146,158	3,453,726
Less: Scholarships and Awards	(15,192,129)	-	(15,192,129)	(15,342,453)
Net Tuition and Fees	23,133,288	-	23,133,288	24,887,199
Gifts and Grants, Net	779,810	3,782,925	4,562,735	3,344,556
CARES Act Grants	-	2,968,157	2,968,157	1,674,982
Dividend and Interest Income	322,070	-	322,070	138,014
Other Auxiliary Activities	119,246	-	119,246	27,689
Other Income	289,325	-	289,325	196,253
Employee Retention Tax Credit	-	-	-	3,117,530
Endowment Spending Allocation	263,324	450,147	713,471	591,578
Investment Return Released for Current Operations	403,378	(403,378)	-	-
Net Assets Released from Restrictions	4,825,335	(4,825,335)	-	-
Total Revenue, Support, and Gains	30,135,776	1,972,516	32,108,292	33,977,801
EXPENSES				
Program Services Expense:				
Student Instruction	10,934,507	-	10,934,507	10,851,363
Student Services	6,411,881	-	6,411,881	5,853,581
Auxiliary Activities	1,221,878	-	1,221,878	1,369,236
HEERF	163,617	-	163,617	1,674,982
Total Program Expenses	18,731,883	-	18,731,883	19,749,162
Supporting Services Expense:				
Management and General	10,415,364	-	10,415,364	10,670,368
Fundraising	687,064	-	687,064	578,333
Total Supporting Services Expenses	11,102,428	-	11,102,428	11,248,701
Total Expenses	29,834,311	-	29,834,311	30,997,863
CHANGE IN NET ASSETS FROM OPERATIONS	301,465	1,972,516	2,273,981	2,979,938
OTHER CHANGES				
Net Assets Released for Acquisition of Plant Assets	172,841	(172,841)	-	-
Contributions for Long-Term Purposes	-	46,020	46,020	100,020
Investment Return, Net of Amount Designated for Operations	411,984	874,519	1,286,503	(3,079,149)
Net Change in Beneficial Interest in Perpetual Trusts	-	138,412	138,412	(504,433)
Gain (Loss) on Liquidation of Perkins Portfolio	-	-	-	(225,486)
Loss on sale of Property	(18,459)	-	(18,459)	-
Gain on Water Damage	1,141,708	-	1,141,708	-
Total Other Changes	1,708,074	886,110	2,594,184	(3,709,048)
CHANGE IN NET ASSETS	2,009,539	2,858,626	4,868,165	(729,110)
Net Assets - Beginning of Year	39,045,754	17,225,999	56,271,753	57,000,863
NET ASSETS - END OF YEAR	<u>\$ 41,055,293</u>	<u>\$ 20,084,625</u>	<u>\$ 61,139,918</u>	<u>\$ 56,271,753</u>

See accompanying Notes to Consolidated Financial Statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Program Service Expense				Program Services Expense	Supporting Services Expense		2023	2022
	Student Instruction	Student Services	Ancillary Activities	HEERF		Management and General	Fundraising	Total	Total
Advertising	\$ 17,785	\$ 22,010	\$ -	\$ -	\$ 39,795	\$ 325,910	\$ -	\$ 365,705	\$ 379,796
Depreciation and Amortization	937,671	549,841	104,780	-	1,592,292	954,656	58,918	2,605,866	2,611,083
Equipment Rental and Maintenance	75,520	85,511	5,520	-	166,551	571,490	29,657	767,698	2,107,877
Fees for Service	50,930	370,791	-	-	421,721	562,083	-	983,804	870,218
Food Services	-	49,356	993,253	-	1,042,609	-	-	1,042,609	1,152,290
Institutional Support	26,814	120,464	-	-	147,278	1,351,628	-	1,498,906	1,058,265
Interest	188,636	110,614	21,079	-	320,329	179,680	11,853	511,862	516,547
Occupancy	55,936	44,031	72,532	-	172,499	656,713	-	829,212	886,662
Office Expenses	424,530	404,069	2,477	-	831,076	275,481	26,411	1,132,968	1,161,387
Other	71,028	152,110	-	-	223,138	94,041	4,588	321,767	499,834
Salaries and Benefits	8,967,855	4,104,105	22,237	-	13,094,197	5,267,481	536,862	18,898,540	17,514,430
Travel, Meetings, and Conferences	117,802	398,979	-	-	516,781	176,201	18,775	711,757	564,492
Higher Education Emergency Relief (HEERF)	-	-	-	163,617	163,617	-	-	163,617	1,674,982
Total Functional Expenses	<u>\$ 10,934,507</u>	<u>\$ 6,411,881</u>	<u>\$ 1,221,878</u>	<u>\$ 163,617</u>	<u>\$ 18,731,883</u>	<u>\$ 10,415,364</u>	<u>\$ 687,064</u>	<u>\$ 29,834,311</u>	<u>\$ 30,997,863</u>

See accompanying Notes to Consolidated Financial Statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,868,165	\$ (729,110)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization Expense	2,605,866	2,611,083
Gain on Extraordinary Event	(1,141,708)	-
Interest Expense, Debt Issuance Costs	7,210	7,210
Net Realized and Unrealized (Gains) Losses on Investments	(1,521,986)	3,145,539
Net Loss on Perkins Liquidation	-	225,486
Net Change in Beneficial Interest in Perpetual Trusts	(138,412)	504,433
Bad Debt Provision and Present Value Discount	44,275	561,188
Contributions Restricted for Long-Term Investments	(46,020)	(165,870)
Changes in Operating Assets and Liabilities:		
Student Accounts Receivable	(316,775)	(1,483,792)
Perkins Notes Receivable	-	109,889
Other Receivables	2,299,209	(3,192,469)
Pledges Receivable	472,463	292,159
Prepaid Expenses	31,798	93,136
Cash Value of Life Insurance	59,796	(1,000)
Accounts Payable and Accrued Expenses	(1,042,440)	(1,204,319)
Deferred Revenue	(1,149,722)	1,560,539
Assets Held for Others	52,362	(4,251)
Net Cash Provided by Operating Activities	5,084,081	2,329,851
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes Receivable, Student Payments	(114,810)	(18,587)
Purchases of Property and Equipment	(3,383,443)	(1,439,323)
Insurance proceeds from extraordinary event	930,127	-
Purchases of investments	(4,838,389)	(13,386,556)
Proceeds from sales of investments	2,186,385	11,324,104
Net Cash Used by Investing Activities	(5,220,130)	(3,520,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Annuity Obligations	(7,061)	(7,796)
Change in Grants Refundable	-	(537,214)
Purchase of Perkins Portfolio	-	(377,073)
Payments of Lease Liabilities	(61,503)	(67,416)
Proceeds from Bonds Payable	-	368,754
Principal Payments on Bonds Payable	(295,949)	(144,912)
Contributions Restricted for Long-Term Investments	46,020	165,870
Net Cash Used by Financing Activities	(318,493)	(599,787)
NET CHANGE IN CASH	(454,542)	(1,790,298)
Cash - Beginning of Year	14,314,580	16,104,878
CASH - END OF YEAR	<u>\$ 13,860,038</u>	<u>\$ 14,314,580</u>

See accompanying Notes to Consolidated Financial Statements.

COLLEGE OF OUR LADY OF THE ELMS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 505,489</u>	<u>\$ 507,557</u>
Capital Assets Acquired with Accounts Payable	<u>\$ 429,726</u>	<u>\$ 449,522</u>

See accompanying Notes to Consolidated Financial Statements.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 nonprofit supporting organization called Elms College Foundation, Inc. (the Foundation) to solicit, hold, and administer funds on behalf of the College.

All entities are collectively referred to as the Organization.

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 (GAAP). 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, Friends of Elms and the Foundation. All significant inter-entity accounts and transactions have been eliminated upon consolidation.

Comparative Financial Information

The consolidated statement of activities and consolidated statement of functional expenses 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The College adopted the requirements of the guidance effective July 1, 2021 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with a right-of-use asset of \$113,700 and lease liability of \$113,700 with certain practical expedients available.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Adoption of New Accounting Standard (Continued)

The College has elected to adopt the package of practical expedients available in the year of adoption. The College has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the College's ROU assets.

The College has elected to separate nonlease components from lease components.

The standard did not have a material impact on the statements of financial position, the statements of activities and statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the College's accounting for finance leases remained substantially unchanged. Lease liabilities and right-of-use assets represent the present value of the remaining operating lease payments discounted by the incremental borrowing rate of each lease.

Measure of Operations

The statement of activities reports the changes in net assets from operating and non-operating activities. Operating revenues consist of revenues attributable to the College's undergraduate and graduate programs, investment return utilized or appropriated for operations, and contributions without restriction or for long-term investment. Investment return in excess of the College's spending policy, and contributions for capital are reported as non-operating revenue.

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, depreciation, and interest are allocated based on total expense.

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.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Net Assets (Continued)

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 recognized.

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 financial position date, or which are restricted by the donor to a specific purpose which has not been met as of the financial position 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 assets are placed into service.

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:

1. 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;
2. 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
3. as increases (decreases) in net assets without donor restrictions in all other cases.

Reclassification

Certain amounts in the summarized comparative consolidated financial statements have been reclassified to conform with the current year presentation.

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.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Student Accounts Receivable (Continued)

On any balance for currently enrolled students which is more than 60 days past due, an assessment of 1.5% of the outstanding balance is charged to the account. The allowance for doubtful accounts was \$602,872 and \$520,478 at June 30, 2023 and 2022, respectively.

At June 30, 2023 and 2022, respectively, the balance of the contract assets shown as student accounts receivable, net on the statements of financial position was \$2,002,167 and \$1,767,786. At the beginning of 2022, the balance of contract assets was \$449,514.

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 \$403,802 and \$404,783 at June 30, 2023 and 2022, respectively. The third-party servicer determines delinquency status. As of June 30, 2023, \$184,786 in notes are past due, of which \$-0- are in default.

Investments Including Endowments

Investments are stated at fair value using methodologies as discussed in Fair Value Measurements (Note 7). 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 6). 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, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND 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 nonprofit 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 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 12-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 \$713,471 and \$591,578 for the years ended June 30, 2023 and 2022, 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 is neither in the possession, nor under the control of the College and therefore, is not recorded in the accompanying consolidated financial statements.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Beneficial Interest in Perpetual Trusts (Continued)

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.

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 \$2,544,363 and \$2,543,666 for the years ended June 30, 2023 and 2022, 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 \$-0- as of both June 30, 2023 and 2022, 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 0% to 2.4% as of June 30, 2023 and 2022, based on applicable mortality tables. Circumstances affecting these estimates can change the estimate of the liability in future periods.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND 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 IRC 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.

Elms College Foundation, Inc. was granted exempt status under IRC 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 \$7,210 and \$7,210 for the years ended June 30, 2023 and 2022, 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, 2018.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 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.

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
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JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 ORGANIZATION AND 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.

NOTE 2 REVENUE RECOGNITION

The following table represents net revenue by type for the years ended June 30:

	2023		2022	
	Amount	Percent	Amount	Percent
Tuition and Fees, Net of Scholarships Disbursed	\$ 19,987,130	60.81%	\$ 21,433,473	80.02%
Residence and Dining	3,146,158	9.57	3,453,726	12.89
Other Auxiliary Activities	119,246	0.36	27,689	0.10
Federal Work Study	115,889	0.35	130,349	0.49
Gifts and Grants, Net*	7,576,912	23.05	5,119,558	19.11
Dividend and Interest Income*	322,070	0.98	138,014	0.52
Other Income*	173,436	0.53	65,904	0.25
Net Realized and Unrealized (Gains) Losses on Investments, Net of Fees*	1,286,503	3.91	(3,079,149)	(11.50)
Net Change in Beneficial Interest in Perpetual Trusts*	138,412	0.42	(504,433)	(1.88)
Total Revenue	<u>\$ 32,865,756</u>	100.00	<u>\$ 26,785,131</u>	100.00

*This revenue category is not subject to ASC 606.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 REVENUE RECOGNITION (CONTINUED)

Deferred Revenue and Student Deposits

Contract liabilities arise when payment is received in advance of the satisfaction of performance obligations. The University had contract liabilities to students, reported as deferred revenue, comprising of deposits and prepayments for future academic terms and services for which performance obligations have not yet been satisfied.

The activity and balances of contract liabilities are shown in the following table.

	Net Tuition, Fees, Room and Board	HEERF Funds	Other	Total
Balance at June 30, 2021	\$ 1,109,934	\$ 1,500	\$ 43,895	\$ 1,155,329
Revenue Recognized	(1,109,934)	(1,500)	(43,895)	(1,155,329)
Amounts Received for Future Performance				
Obligations	942,251	1,677,907	95,710	2,715,868
Balance at June 30, 2022	942,251	1,677,907	95,710	2,715,868
Revenue Recognized	(942,251)	(1,677,907)	(95,710)	(2,715,868)
Amounts Received for Future Performance				
Obligations	1,014,317	-	551,829	1,566,146
Balance at June 30, 2023	\$ 1,014,317	\$ -	\$ 551,829	\$ 1,566,146

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2023 and 2022, the following table shows the total financial assets held by the College and the amounts of those financial assets that are expected to be available within one year of the statement of financial position date to meet general expenditures:

	2023	2022
Financial Assets:		
Cash	\$ 13,860,038	\$ 14,314,580
Student Accounts Receivable, Net	2,002,167	1,767,786
Other Receivables	1,511,842	3,415,929
Pledges Receivable, Net	1,899,126	2,334,451
Investments	21,699,764	17,525,774
Total	40,972,937	39,358,520
Less: Financial Assets not for Current Use		
Less: Investments not Appropriated for Policy Draw	(20,891,694)	(16,812,303)
Less: Pledges Receivable for Future Periods	(1,107,618)	(1,001,703)
Total	(21,999,312)	(17,814,006)
Financial Assets Available to Meet General Expenditures	\$ 18,973,625	\$ 21,544,514

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The College has adopted a policy that requires sizing operating cash sufficient to cover three months of forecasted net operating cash needs as well as an emergency cash reserve of one month's operations to manage temporary liquidity disruptions. The College also 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. In addition, the financial assets available to meet general expenditures of the College at its discretion could utilized investments not appropriated by its policy draw to satisfy general obligations. The College also has available a \$4,500,000 line of credit.

NOTE 4 PLEDGES RECEIVABLE, NET

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

	<u>2023</u>	<u>2022</u>
Gross Pledges Receivable:		
Due Within One Year	\$ 810,777	\$ 1,410,573
Due Within One to Five Years	1,207,000	1,079,667
Total Gross Pledges Receivable	<u>2,017,777</u>	<u>2,490,240</u>
Present Value Adjustment	(70,982)	(52,281)
Allowance for Doubtful Accounts	<u>(47,669)</u>	<u>(103,508)</u>
Pledges Receivable, Net	<u>\$ 1,899,126</u>	<u>\$ 2,334,451</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 0.07% to 3.21% in 2023 and 2022.

NOTE 5 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 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
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(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 5 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, 2023 and 2022, there were no cumulative losses on the investments of donor-restricted endowment funds.

Investments at June 30 consist of the following fair values:

	2023	2022
Cash and Cash Equivalents	\$ 30,808	\$ 124,275
Mutual Funds	14,859,626	8,917,730
Fixed Income Fund	3,963,977	6,165,927
Limited Partnerships	2,845,353	2,317,842
Total	<u>\$ 21,699,764</u>	<u>\$ 17,525,774</u>

At June 30, 2023 and 2022, approximately 87% and 87%, 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.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 5 INVESTMENTS (CONTINUED)

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

	2023	2022
Dividend and Interest Income	\$ 477,987	\$ 657,968
Net Realized and Unrealized Gain (Loss), Net of Advisory Fees	1,521,987	(3,145,539)
Total	<u>\$ 1,999,974</u>	<u>\$ (2,487,571)</u>

Investment advisory fees were \$37,013 and \$35,089 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 ENDOWMENTS

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

June 30, 2023	Without Donor Restriction	With Donor Restrictions	Total
Quasi Endowment Funds	\$ 6,948,213	\$ -	\$ 6,948,213
Donor Restricted Endowment Funds	-	14,039,891	14,039,891
Total	<u>\$ 6,948,213</u>	<u>\$ 14,039,891</u>	<u>\$ 20,988,104</u>

June 30, 2022	Without Donor Restriction	With Donor Restrictions	Total
Quasi Endowment Funds	\$ 6,407,621	\$ -	\$ 6,407,621
Donor Restricted Endowment Funds	-	10,953,690	10,953,690
Total	<u>\$ 6,407,621</u>	<u>\$ 10,953,690</u>	<u>\$ 17,361,311</u>

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

June 30, 2023	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 6,407,621	\$ 10,953,690	\$ 17,361,311
Investment Income	172,966	305,021	477,987
Realized and Unrealized Gain (Loss)	515,080	1,043,919	1,558,999
Contributions - Cash	128,608	2,211,682	2,340,290
Investment Fees	(12,738)	(24,274)	(37,012)
Appropriation of Endowment Assets for Operations	(263,324)	(450,147)	(713,471)
Endowment Net Assets - End of Year	<u>\$ 6,948,213</u>	<u>\$ 14,039,891</u>	<u>\$ 20,988,104</u>

COLLEGE OF OUR LADY OF THE ELMS
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JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 6 ENDOWMENTS (CONTINUED)

June 30, 2022	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 5,921,537	\$ 11,979,093	\$ 17,900,630
Investment Income	247,404	410,564	657,968
Realized and Unrealized Gain (Loss)	(1,152,067)	(1,958,383)	(3,110,450)
Contributions - Cash	1,599,370	940,461	2,539,831
Investment Fees	(12,903)	(22,187)	(35,090)
Appropriation of Endowment Assets for Operations	(195,720)	(395,858)	(591,578)
Endowment Net Assets - End of Year	<u>\$ 6,407,621</u>	<u>\$ 10,953,690</u>	<u>\$ 17,361,311</u>

NOTE 7 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:

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.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023
(COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis were as follows at June 30:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value:				
Mutual Funds:				
Stock Fund	\$ 7,881,468	\$ -	\$ -	\$ 7,881,468
Bond Fund	3,963,977	-	-	3,963,977
International Stock Fund	5,592,609	-	-	5,592,609
Real Estate Stock Fund	392,432	-	-	392,432
Real Asset Stock Fund	993,116	-	-	993,116
Total Investments at Fair Value	<u>\$ 18,823,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,823,602</u>
Investments Measured at Net Asset Value:				
Limited Partnerships				<u>\$ 2,845,353</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,206,874</u>	<u>\$ 2,206,874</u>
	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value:				
Mutual Funds:				
Stock Fund	\$ 5,995,790	\$ -	\$ -	\$ 5,995,790
Bond Fund	3,418,452	-	-	3,418,452
International Stock Fund	4,386,315	-	-	4,386,315
Real Estate Stock Fund	357,705	-	-	357,705
Real Asset Stock Fund	925,395	-	-	925,395
Total Investments at Fair Value	<u>\$ 15,083,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,083,657</u>
Investments Measured at Net Asset Value:				
Limited Partnerships				<u>\$ 2,317,842</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,068,462</u>	<u>\$ 2,068,462</u>

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 6).

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
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NOTE 7 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, 2023, there were no withdrawal restrictions on Level 3 investments.

Redemption frequencies are as follows:

Mutual Funds and Common Stock	Daily, one day notice
Limited Partnerships	Not applicable

During the years ended June 30, 2023 and 2022, there were no transfers in or out of, purchases or issuances of Level 3 assets and liabilities.

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.

NOTE 8 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 \$38,040 and \$97,836 as of June 30, 2023 and 2022, respectively. These policies had a total face value of \$45,000 and \$173,542 at for June 30, 2023 and 2022.

COLLEGE OF OUR LADY OF THE ELMS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 INVESTMENT IN PLANT

Investment in plant consisted of the following at June 30:

	2023	2022	Estimated Useful Lives
Land	\$ 144,370	\$ 144,370	
Buildings and Improvements	52,170,559	49,594,589	15 to 75 Years
Equipment and Computers	21,252,480	20,718,498	3 to 10 Years
Books	2,318,506	2,318,506	5 to 10 Years
Subtotal	75,885,915	72,775,963	
Less Accumulated Depreciation	(42,131,173)	(39,826,331)	
Subtotal	33,754,742	32,949,632	
Construction in Progress	1,289,274	1,009,119	
Works of Art and Fine Metals	70,870	70,870	
Net Investment in Plant	<u>\$ 35,114,886</u>	<u>\$ 34,029,621</u>	

As of June 30, 2023 and 2022, there were approximately \$1,301,333 and \$917,371, respectively, of outstanding purchase commitments for various projects on campus.

NOTE 10 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% as of June 30, 2023 and 2022, which is due on demand and is subject to annual review. There was no outstanding borrowing on the line of credit at June 30, 2023 and 2022. The general line of credit is secured by junior positions on all available assets of the College.

NOTE 11 BONDS PAYABLE

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

<u>Description</u>	<u>2023</u>	<u>2022</u>
\$14,986,000 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 \$66,736 until December 2049. These bonds are secured by assignment and pledge of revenues.	\$ 14,545,140	\$ 14,841,088
Less: Unamortized Costs	<u>(191,051)</u>	<u>(198,260)</u>
Total Bonds Payable, Net Debt Issuance Costs	<u>\$ 14,354,089</u>	<u>\$ 14,642,828</u>

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NOTE 11 BONDS PAYABLE (CONTINUED)

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

<u>Year Ending June 30,</u>	<u>Bonds</u>
2024	\$ 304,920
2025	316,930
2026	327,996
2027	339,449
2028	350,065
Thereafter	12,905,780
Total	<u>\$ 14,545,140</u>

Total interest expense was \$511,862 and \$509,339 during the years ended June 30, 2023 and 2022, respectively.

Certain debt required that the College maintains a debt service ratio as defined of 1.35:1. As of the year ended June 30, 2023, management believes the College was in compliance with this covenant.

NOTE 12 LEASES – ASC 842

The College leases various office equipment under noncancelable operating leases with payments due through September 2025. Monthly operating lease payments are between \$42 and \$2,812 per month. The following table provides quantitative information for the College's leases at June 30:

Lease Cost:	
Operating Lease Cost	\$ 62,073
Other Information:	
Right-of-Use Assets Obtained in Exchange for New	
Operating Lease Liabilities	\$ 96,828
Weighted-Average Remaining Lease Term -	
Operating Leases	1.1 Years
Weighted-Average Discount Rate -	
Operating Leases	3.00%

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 43,112	\$ 375	\$ 43,487
2025	497	2	499
2026	125	-	125
Total Required Minimum Lease Payments	<u>\$ 43,734</u>	<u>\$ 377</u>	<u>\$ 44,111</u>

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NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose Driven:		
Educational	\$ 288,486	\$ 234,140
Institutional Support	2,172,842	3,279,969
Capital Projects	182,866	309,686
Financial Aid	991,367	399,399
Accumulated Gains	2,683,260	1,763,395
Held in Perpetuity	11,558,930	9,170,948
Perpetual Trusts	2,206,874	2,068,462
Total	<u>\$ 20,084,625</u>	<u>\$ 17,225,999</u>

NOTE 14 NET ASSETS RELEASED FROM RESTRICTIONS

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

	2023	2022
Net Assets with Donor Restrictions Released:		
Educational	\$ 3,578,384	\$ 753,210
Institutional Support	1,027,866	2,370,601
Capital Projects	172,841	165,870
Financial Aid	622,463	150,824
Total	<u>\$ 5,401,554</u>	<u>\$ 3,440,505</u>

NOTE 15 RELATED PARTY TRANSACTIONS

The College utilized an electrical company whose President and Chief Executive Officer is a member of the Board of Trustees. The College paid approximately \$232,000 to this company during the year ended June 30, 2023.

NOTE 16 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 \$473,281 for 2023 and \$429,204 for 2022. The matching feature of the plan was terminated in June 2020 through the amendment to the plan.

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NOTE 16 RETIREMENT PLANS (CONTINUED)

A 457(b) eligible deferred compensation plan was established in fiscal year 2018 for eligible employees of the College. There were expenses of \$0 and \$2,500 during 2023 and 2022, respectively.

NOTE 17 CONCENTRATION OF CREDIT RISK

The College maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in excess of this amount are not 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.

NOTE 18 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.

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 2023, the College entered into a five year contract with optional annual renewal periods of five years with Aladdin Food Management Services, LLC ("Aladdin") to operate its campus food service program. Under the financial commitment provisions of the contract, Aladdin agreed to pay the College (a) \$100,000 signing bonus and (b) a \$235,000 grant for certain investments in the College's dining facilities. 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 July 2022. 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 Aladdin. As of June 30, 2023, deferred revenue related to this contract was \$279,651.

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NOTE 19 RISKS AND UNCERTAINTIES

Footnote 1 describes the College's interest in the Margaret E. O'Donnell and Agnes K. O'Donnell Trust, which is held in perpetuity by an independent trustee. The College has recognized the present value of the estimated future cash flow receipts from the trust as an asset since Fiscal year 2000. During Fiscal Year 2021, Community Foundation of Western Massachusetts asserted that they have variance power over the trust, suggesting that the College does not have an irrevocable right to the income stream and has no ownership. The College believes that there is not enough evidence to substantiate the claim, and therefore, the interest in the trust remains an asset to the College. The value of the College's interest in the trust is \$609,503 for the year ended June 30, 2020. Due to the position of the Community Foundation of Western Massachusetts, the value of the trust at June 30, 2023 and 2022 was not shared, therefore, the College's interest of \$562,154 and \$515,738 at June 30, 2023 and 2022, respectively is an estimate.

Through June 30, 2023, the College has received an allocation under the Higher Education Emergency Relief Fund (HEERF) of \$3,122,209 in student portion and \$3,873,769 in institutional portion from the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) Collectively, as well as \$312,196 from the Strengthening Institutions Program (SIP). From the institutional portion, the Organization had expended \$2,556,599 and \$-0- for various eligible expenses for the years ended June 30, 2023 and 2022, respectively. The Organization had expended \$163,617 and \$1,674,982 related to emergency student grants for years ended June 30, 2023 and 2022, respectively. The College has expended \$247,941 and \$-0- from the SIP program for various eligible expenses for the years ended June 30, 2023 and 2022, respectively. The College has \$-0- and \$305,263 in student portion in accounts receivable as of June 30, 2023 and 2022, respectively, and \$91,814 in accounts receivable related HEERF institutional portion funding amounts to be drawn.

NOTE 20 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2023, the date which the consolidated financial statements were available to be issued.