



Nichols College

Learn. Lead. Succeed.

FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2021

Overview

The June 30, 2021 audited financial statements were reviewed and accepted by the Audit Committee at its meeting on September 13, 2021. Our audit firm of Bollus Lynch, LLC gave an unmodified or “clean” audit opinion with no material weaknesses in controls identified and there were no significant audit or financial reporting items noted.

Statement of Financial Position:

- Total assets for FY21 increased by approximately \$13M driven primarily by increases in investments of \$13.8M, in other receivables of \$1.8M and in cash of \$867K. These were offset by decreases in property, plant and equipment of \$2.2M, in contributions receivable of \$1.1M and in student accounts receivable of \$207K. The increase in investments is due to deposits totaling \$5.9M and a net investment return of \$7.9M, less \$60K in fees. The increase in other receivables is primarily due to a receivable for Direct Loan funds related to FY21 of \$1.2M that had not been drawn as of 6/30/21 and a receivable for FEMA funds of \$867K to reimburse FY21 COVID-19 related expenses. The increase in cash is due to timing. The decrease in property, plant and equipment is attributed to depreciation expense exceeding current year additions. The decrease in contributions receivable is due to pledge payments made throughout the year. The decrease in student accounts receivable is attributable to some students applying their CARES Act II & III funds towards their balance.
- Total liabilities for the period increased by \$2.1M due to increases in the line of credit of \$1.3M and in accounts payable of \$1.3M offset by a decrease in long-term debt of \$619K. The increase in the line of credit is primarily attributed to the College starting to return to normal spending after COVID-19. In FY19 at 6/30/19 the line of credit balance was \$5.5M. The increase in accounts payable is also attributed to the College starting to return to normal spending after COVID-19 and timing of payments. The decrease in long-term debt is expected and is a result of the College making the required monthly payments.
- Net assets increased by \$10.9M for the year and growth was shown in the without donor restrictions categories. Details of change in net assets are displayed on the Statement of Activities.

Statement of Activities:

The College continues to provide a positive total change in net assets. The increase in total net assets for FY21 was \$10.9M which is an approximately 33% increase over the prior year change in net assets of \$8.2M.

Revenue

Total revenues of \$48M increased by \$2.3M from the prior year. The increase is primarily driven by an increase in net investment return of \$7.6M, offset by decreases in government grants of \$1.3M, in auxiliary enterprise revenue of \$1.6M and in total tuition and fees of \$675K. The increase in net investment return is attributable to market conditions. The decrease in the government grants line is due to the college receiving fewer government grants in FY21 compared to FY20. In FY21 the College received \$1.3M in CARES ACT II funds, \$90K in GEER grant funds and expects to receive \$867K in FEMA funds all related to COVID-19. Auxiliary enterprise revenue decreased due to the College having fewer students in residence due to COVID-19. There were 881 resident students in Fall 2019 compared to 654 resident students in Fall 2020. The decrease in tuition and fees was a result of decreases in Day and UGA of \$934K offset by an increase in GPS of \$276K.

Expenses

Total expenses decreased by \$490K or 1.3% over the prior year. The decrease was driven by decreases in the following expense categories: benefits and payroll taxes \$668K, travel and entertainment \$634K, doubtful accounts expense \$351K and in salaries \$321K. These decreases were offset by a large increase in supplies expense of \$1.8M. The decrease in the salaries line is a result of the 17 employees who were laid off in July 2020. The decrease in the benefits and payroll taxes line is a result of the college suspending the 7% retirement match for several months and then bringing it back at a reduced rate of 3% and the benefits savings related to the 17 employees who were laid off. The decrease in the travel and entertainment line was a result of decreased travel during COVID-19. The decrease in the doubtful accounts expense line was a result of some students applying their CARES Act II and III funds towards their outstanding balances, which in turn lowered the allowance. The increase in supplies expense is related to expenses incurred due to COVID-19 which totaled \$2.0M in FY21 and was offset by decreases in individual department supply lines.

Statement of Cash Flows:

The College continues to generate sufficient cash flows from operations and uses excess funds generated to reinvest in the physical plant. The net cash provided by operating activities was \$4.2M compared to \$3.9M for the prior year.

FY21 Actual to Budget Results:

The total actual change in net assets for FY21 were \$10.9M vs budget of \$10.1M representing a surplus of about \$800K. Actual total revenue from all sources of \$48M exceeded the budget target of \$45.5M by \$2.5M driven primarily by CARES ACT II and FEMA funding. Actual total

expenses were \$37.4M vs budget of \$35.4M. The increase is primarily due to increases in salaries, and in food and vendor services.

Revenue items of note include:

- Actual net tuition & fee revenue from all sources of \$22.7M exceeded the budget of \$21.9M by \$800K.
- Auxiliary revenues of \$8.9M was slightly ahead of the budget target of \$8.7M by \$200K.
- Net investment activity of \$7.9M exceeded the budget target of \$7M by \$900K.
- Total contributions & gifts of \$6.2M exceeded budget by about \$300K.

FY22 Projections

The FY22 budget has been revised to account for a total change in net assets of \$5.8M with a change from operations of about \$464K expected. The revised budget is based on the following enrollment activity.

<u>Term</u>	<u>FY21 Actual</u>	<u>FY22 Original</u>	<u>FY22 Revised</u>
Fall	1,146	1,060	1,100
Spring	1,082	1021	1,030
Fall – Residents	653	760	762
Spring – Resident	584	734	721

NICHOLS COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
AND
INDEPENDENT AUDITOR'S REPORT

NICHOLS COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 19

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nichols College

Report on the Financial Statements

We have audited the accompanying financial statements of Nichols College, which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Nichols College as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Nichols College's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bollus Lynch, LLP

Worcester, Massachusetts
September 13, 2021

NICHOLS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With summarized comparative information for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 1,013,849	\$ 146,715
Student accounts receivable, less allowance for doubtful accounts of \$1,588,130 and \$1,360,747 in 2021 and 2020, respectively	1,868,229	2,075,715
Contributions receivable, net	1,021,791	2,146,091
Other receivables	2,249,002	411,454
Investments	43,298,498	29,479,689
Other assets	971,430	836,341
Beneficial interests	1,749,499	1,871,593
Property and equipment, net	<u>65,730,702</u>	<u>67,959,183</u>
	<u>\$ 117,903,000</u>	<u>\$ 104,926,781</u>
Liabilities and Net Assets		
Note payable	\$ 2,675,000	\$ 1,378,555
Accounts payable, trade	1,456,375	151,900
Accrued and other liabilities	1,085,834	889,456
Deferred tuition and fees	2,744,674	2,660,088
Deferred contract revenue	-	146,875
Long-term debt, net	<u>16,697,905</u>	<u>17,316,963</u>
Total liabilities	<u>24,659,788</u>	<u>22,543,837</u>
Net assets		
Without donor restrictions	54,193,940	50,194,417
With donor restrictions	<u>39,049,272</u>	<u>32,188,527</u>
Total net assets	<u>93,243,212</u>	<u>82,382,944</u>
	<u>\$ 117,903,000</u>	<u>\$ 104,926,781</u>

See accompanying independent auditor's report and notes to financial statements.

NICHOLS COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

(With summarized comparative information for 2020)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
Operating activities:				
Revenue and other support				
Tuition and fees, net of financial aid of \$20,728,380 and \$21,341,073 in 2021 and 2020, respectively	\$ 22,681,306	\$ -	\$ 22,681,306	\$ 23,356,680
Auxiliary enterprises	8,877,723	-	8,877,723	10,437,376
Contributions and gifts	1,487,958	1,620,334	3,108,292	2,855,020
Government grants	2,267,985	-	2,267,985	3,609,200
Endowment return appropriated for operations	541,578	-	541,578	280,223
Change in value of beneficial interests	-	77,906	77,906	33,587
Other revenue	293,447	-	293,447	474,754
Net assets released from restrictions	1,116,024	(1,116,024)	-	-
Total	37,266,021	582,216	37,848,237	41,046,840
Expenses				
Instruction	7,596,582	-	7,596,582	8,030,435
Academic support	4,211,841	-	4,211,841	4,267,381
Student services	8,830,790	-	8,830,790	9,958,208
Institutional support	8,553,090	-	8,553,090	7,236,124
Institutional development	965,907	-	965,907	1,078,846
Auxiliary enterprises	7,235,938	-	7,235,938	7,312,637
Total	37,394,148	-	37,394,148	37,883,631
Change in net assets from operating activities	(128,127)	582,216	454,089	3,163,209
Non-operating activities:				
Contributions and gifts for capital purposes	-	90,107	90,107	78,239
Contributions and gifts for long-term investment	2,500,000	520,351	3,020,351	4,818,861
Gain on sale of property and equipment	-	-	-	10,500
Loss on extinguishment of debt	(110,853)	-	(110,853)	-
Net investment return	1,188,551	6,759,601	7,948,152	368,756
Endowment return appropriated for operations	(125,179)	(416,399)	(541,578)	(280,223)
Net assets released from restrictions	675,131	(675,131)	-	-
Change in net assets from non-operating activities	4,127,650	6,278,529	10,406,179	4,996,133
Change in net assets	3,999,523	6,860,745	10,860,268	8,159,342
Net assets, beginning of year	50,194,417	32,188,527	82,382,944	74,223,602
Net assets, end of year	\$ 54,193,940	\$ 39,049,272	\$ 93,243,212	\$ 82,382,944

See accompanying independent auditor's report and notes to financial statements.

NICHOLS COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

(With summarized comparative information for 2020)

	Instruction	Academic Support	Student Services	Institutional Support	Institutional Development	Auxiliary Enterprises	Totals	
							2021	2020
Salaries and wages	\$ 5,426,841	\$ 1,907,438	\$ 3,999,099	\$ 2,126,395	\$ 569,404	\$ 72,318	\$ 14,101,495	\$ 14,422,391
Employee benefits and payroll taxes	826,461	426,756	1,121,417	519,145	94,019	16,185	3,003,983	3,672,140
Food services	-	-	-	-	-	2,274,320	2,274,320	1,774,669
Professional fees	1,250	3,995	274,798	635,350	27,696	34,332	977,421	729,444
Vendor services	27,660	70,156	346,241	1,537,997	33,300	181,041	2,196,395	2,594,687
Utilities	-	5	1,932	129,388	-	133,599	264,924	284,403
Supplies	21,635	137,114	157,804	2,016,171	4,958	44,702	2,382,384	584,259
Repairs and maintenance	-	2,935	30,546	5,748	1,593	110,399	151,221	229,769
Rent	-	4,821	110,901	-	-	5,472	121,194	261,199
General insurance	-	-	42,145	331,906	-	9,352	383,403	379,142
Small equipment/software	3,720	13,811	106,689	95,548	-	8,709	228,477	246,816
Advertising	886	6,697	424,475	3,200	1,500	-	436,758	385,499
Printing and mailing	909	10,144	33,551	6,569	118,410	19,743	189,326	206,797
Dues and subscriptions	822	14,059	39,519	68,198	2,495	150	125,243	148,143
Travel and entertainment	21,234	47,729	264,398	28,918	69,043	1,135	432,457	1,066,225
Scholarships	-	888,640	-	-	-	-	888,640	690,416
Credit card and bank fees	-	-	-	23,588	9,667	607	33,862	39,051
Uncollectible accounts expense	-	-	-	714,676	-	-	714,676	1,065,774
Operation and maintenance	495,563	264,300	726,826	118,951	13,199	1,684,915	3,303,754	3,539,062
Interest	88,226	47,054	129,399	21,177	2,350	299,970	588,176	751,273
Depreciation and amortization	680,995	363,197	998,792	163,460	18,138	2,315,382	4,539,964	4,746,547
Other	380	2,990	22,258	6,705	135	23,607	56,075	65,925
	<u>\$ 7,596,582</u>	<u>\$ 4,211,841</u>	<u>\$ 8,830,790</u>	<u>\$ 8,553,090</u>	<u>\$ 965,907</u>	<u>\$ 7,235,938</u>	<u>\$ 37,394,148</u>	<u>\$ 37,883,631</u>

See accompanying independent auditor's report and notes to financial statements.

NICHOLS COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

(With summarized comparative information for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,860,268	\$ 8,159,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,539,964	4,746,547
Uncollectible accounts expense	714,676	1,065,774
Gain on sale of property and equipment	-	(10,500)
Loss on extinguishment of debt	110,853	-
Gain on forgiveness of Payroll Protection Program loan	-	(2,990,800)
Change in value of beneficial interests	(77,906)	(33,587)
Net investment (gains) losses	(7,384,587)	260,481
Contributions and gifts for capital purposes	(90,107)	(78,239)
Contributions and gifts for long-term investment	(3,020,351)	(4,818,861)
(Increase) decrease in operating assets:		
Student accounts receivable	(507,190)	(1,597,963)
Contributions receivable	270,617	471,630
Other receivables	(1,837,548)	(395,270)
Beneficial interests	200,000	200,000
Other assets	(135,089)	(145,279)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	459,579	(472,371)
Accrued and other liabilities	196,378	16,384
Deferred tuition and fees	84,586	(367,706)
Deferred contract revenue	(146,875)	(100,000)
Total adjustments	<u>(6,623,000)</u>	<u>(4,249,760)</u>
Net cash provided by operating activities	<u>4,237,268</u>	<u>3,909,582</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(1,459,558)	(3,848,970)
Proceeds from sale of property and equipment	-	12,480
Proceeds from sales and maturities of investments	5,948,537	544,420
Purchases of investments	<u>(12,382,759)</u>	<u>(5,318,395)</u>
Net cash used in investing activities	<u>(7,893,780)</u>	<u>(8,610,465)</u>
Cash flows from financing activities:		
Net borrowings (payments) of note payable	1,296,445	(4,092,583)
Proceeds from long-term debt	16,900,000	-
Repayments of long-term debt	(17,434,233)	(767,356)
Payment of debt issuance costs	(202,707)	-
Proceeds from Payroll Protection Program loan	-	2,990,800
Contributions received for capital purposes	901,463	751,883
Contributions received for long-term investment	<u>3,062,678</u>	<u>5,068,293</u>
Net cash provided by financing activities	<u>4,523,646</u>	<u>3,951,037</u>
Net increase (decrease) in cash	867,134	(749,846)
Cash, beginning of year	<u>146,715</u>	<u>896,561</u>
Cash, end of year	<u>\$ 1,013,849</u>	<u>\$ 146,715</u>

See accompanying independent auditor's report and notes to financial statements.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Nichols College (the "College") is a nonprofit, private college, located in Dudley, Massachusetts. The College is governed by a Board of Trustees. The College is empowered to award associate, baccalaureate and masters degrees as well as programs of continuing education.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the College are described subsequently to enhance the usefulness and understandability of the financial statements.

Summarized comparative information

The financial statements include 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 College's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of accounting

The financial statements of the College have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the College obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the College's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The College's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the College, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the College may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the College must continue to use the resources in accordance with the donor's instructions.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

The College's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the College, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash

The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on cash.

Student accounts receivable

Student accounts receivable are reported net of any anticipated losses due to uncollectible amounts. The College considers an account to be past due when a student leaves mid-semester with an unpaid account balance or when a student has an account balance after the final payment due date of the semester. Past due accounts are subject to past due letter collection efforts and are subsequently placed with third-party collection agencies. If an account balance still exists at the conclusion of a twelve-month collection period, the account is written off. The collectability of individual accounts is evaluated closely at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The College does not assess finance charges against student receivables that are past due.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds

The College's endowment consists of individual donor restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

As required by generally accepted accounting principles, the College classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the College may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; 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.

The College has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the College's Finance Committee shall seek to invest the endowment funds in such a manner that the investments will provide a spendable return consistent with a long-term goal of preserving the funds in real terms. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College has invested in debt and equity securities that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has a policy of appropriating for distribution, as needed, amounts for the purpose of scholarships and financial aid, special programs, capital improvements, and academic and athletic support programs. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the College to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021.

Debt issuance costs

Debt issuance costs represent fees and other costs associated with obtaining long-term financing. Such costs are being amortized on a straight-line basis over the terms of the financing. Long-term financing is presented net of unamortized debt issuance costs on the statement of financial position.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tuition and fees

Certain deposits and advance payments received for tuition and fees related to the College's Summer Continuing Education and Graduate programs and tuition billed relating to the ensuing academic year are deferred and are recorded as deferred tuition and fees.

Deferred contract revenue

Refundable advances received from the College's food service vendor are recorded as deferred contract revenue and recognized ratably over the life of the contract.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Measure of operations

In its statement of activities, the College includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions restricted for endowment and capital purposes and investment earnings related to the endowment are recognized as non-operating activities. In addition, the Board of Trustees may designate unrestricted funds for specific non-operating capital or endowment purposes.

Contributions and gifts

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense recognition and allocation

The cost of providing the College's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Operation and maintenance, depreciation, amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

Institutional support expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the College.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The College generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising, academic and institutional support expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was approximately \$436,758 and \$385,499 in 2021 and 2020, respectively.

Tax-exempt status

The College is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the College are tax deductible to donors under Section 170 of the IRC. The College is not classified as a private foundation.

3 - RISKS AND UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant volatility in value resulting from uncertainty caused by the pandemic. The College is closely monitoring its liquidity and is actively working to minimize the impact of this situation. The extent of the impact of COVID-19 on the College's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the College's students, donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the College's financial position, net income and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

In April 2020, the College received proceeds in the amount of \$2,990,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for operating needs with an opportunity for such loans to be forgiven as a grant by meeting certain established spending requirements. The College accounted for these proceeds as a conditional grant in accordance with FASB ASC 958-65, whereby grant revenue is not recognized until certain conditions are substantially met or explicitly waived. The College believed that its use of the funds was consistent with the PPP and it met the conditions for forgiveness of the loan. As a result, these proceeds were recorded on the statement of activities as a government grant during the year ended June 30, 2020. The loan was formally forgiven during the year ended June 30, 2021.

In May 2020, the College was a recipient of allocations from the Higher Education Emergency Relief Fund ("HEERF") of the CARES Act in the amount of \$1,236,800. Fifty percent of these funds were to be refunded to students and fifty percent of the funds were to cover the institutional costs for any costs associated with significant changes to the delivery of instruction due to the coronavirus.

In April 2021, the College was a recipient of allocations from HEERF of the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA Act") in the amount of \$1,932,689, of which \$618,401 was to be refunded to students and \$1,314,288 was to cover the institutional costs related to the coronavirus.

In July 2021, the College was a recipient of allocations from HEERF of the American Rescue Plan Act ("ARP Act") in the amount of \$1,674,750, of which \$1,674,750 was to be refunded to students.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - RISKS AND UNCERTAINTIES (Continued)

Additionally, it is possible that estimates made in the financial statements may be materially and adversely impacted in the near term as a result of these conditions, including the allowance for doubtful student accounts receivable, allowance for uncollectible contributions receivable, and valuation of investments and beneficial interests. See footnote 18 for additional risks regarding the College's investments.

4 - LIQUIDITY AND AVAILABLE FUNDS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 1,013,849	\$ 146,715
Student accounts receivable, net	1,868,229	2,075,715
Contributions receivable, net	1,021,791	2,146,091
Other receivables	2,249,002	411,454
Investments	<u>43,298,498</u>	<u>29,479,689</u>
Total financial assets	49,451,369	34,259,664
Less: Financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	10,257,975	7,581,227
Contributions receivable unavailable for spending for more than one year, some of which are also subject to purpose restrictions	815,291	1,933,091
Donor-restricted endowment funds	26,020,007	20,589,616
Less: Board-designated endowment funds	<u>6,080,554</u>	<u>1,238,436</u>
Amount available for general expenditures within one year	<u>\$ 6,277,542</u>	<u>\$ 2,917,294</u>

The above table reflects donor-restricted endowment funds as unavailable because it is the College's intention to invest those resources for the long-term support of the College. However, in the case of need, the Board of Trustees could appropriate resources from the donor-restricted funds available for general use. (\$26,020,007, of which \$14,514,136 is the original gift) or from its designated endowment fund \$6,080,554. Note 2 provides more information about those funds and about the spending policies for all endowment funds.

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, the College has various sources of liquidity at its disposal, including a line of credit. See note 10 for information about the College's line of credit. Further, the College anticipates collecting sufficient contributions and revenue to cover general expenditures not covered by donor-restricted resources and endowment appropriations.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable as of June 30, 2021 are expected to be received as follows:

2022	\$ 617,243
2023	327,000
2024	221,700
2025	1,000
	<u>1,166,943</u>
Less: Allowance for uncollectible contributions receivable	113,532
Unamortized discount	<u>31,620</u>
	<u>\$ 1,021,791</u>

6 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2021</u>	<u>2020</u>
With donor restrictions		
Donor restricted endowment	\$ 26,020,007	\$ 20,589,616
Purpose restrictions	10,257,975	7,581,227
Without donor restrictions		
Board-designated endowment	6,080,554	1,238,436
Undesignated	<u>939,962</u>	<u>70,410</u>
	<u>\$ 43,298,498</u>	<u>\$ 29,479,689</u>

Investments are composed of the following:

	<u>2021</u>		<u>2020</u>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Equity securities	\$ 67,052	\$ 79,294	\$ 96,878	\$ 90,426
Exchange traded funds	18,451	18,800	13,117	13,368
Mutual funds, equities	21,642,640	28,730,435	17,446,581	17,135,884
Mutual funds, bonds	13,891,000	14,171,801	9,848,466	10,160,164
Money market funds	<u>298,168</u>	<u>298,168</u>	<u>2,079,847</u>	<u>2,079,847</u>
	<u>\$ 35,917,311</u>	<u>\$ 43,298,498</u>	<u>\$ 29,484,889</u>	<u>\$ 29,479,689</u>

The net investment return for 2021 and 2020 is composed of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 624,101	\$ 673,657
Net investment gains (losses)	7,384,587	(260,481)
Investment fees	<u>(60,536)</u>	<u>(44,420)</u>
	<u>\$ 7,948,152</u>	<u>\$ 368,756</u>

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - BENEFICIAL INTERESTS

The College is the beneficiary of a charitable lead annuity trust restricted for various purposes. Under the terms of the trust agreement, the College is to receive \$50,000 quarterly for twenty years, at which point the trust is to terminate, and the remaining trust assets are to be distributed to others. The present value of the estimated future receipts under the trust agreement (\$1,686,559 as of June 30, 2021) is calculated using a discount rate of 2.5% and is included in net assets with donor restrictions. Changes in the fair value of the beneficial interest are classified in the statement of activities as net assets with donor restrictions.

The College is the beneficiary of two charitable remainder trusts, where the College is not the trustee. Under the terms of the trust agreements, the donors are to receive quarterly payments starting in December 2015 and June 2020 for their remaining lifetime, after which the College receives the remaining assets in the trusts. The present value of the estimated future receipts under the trust agreements (\$62,940 as of June 30, 2021) is calculated using discount rates of 4.5% and 3.6% and is included in net assets with donor restrictions. Changes in the fair value of the beneficial interest are classified in the statement of activities as net assets with donor restrictions.

8 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	Estimated Useful Lives	2021	2020
Land, buildings, and improvements	10 - 40 years	\$ 103,846,050	\$ 101,919,278
Vehicles and equipment	3 - 7 years	6,743,919	7,703,072
Furniture and fixtures	5 - 10 years	1,936,402	2,147,835
Construction in progress	-	322,865	53,728
		112,849,236	111,823,913
Less: Accumulated depreciation		47,118,534	43,864,730
		<u>\$ 65,730,702</u>	<u>\$ 67,959,183</u>

Depreciation expense was \$4,532,935 and \$4,739,494 in 2021 and 2020, respectively.

9 - ENDOWMENT ASSETS

Endowment assets includes invested donor restricted and Board-designated funds. Changes in endowment assets for the year ended June 30, 2021 are as follows:

	Without Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 1,238,436	\$ 20,589,616	\$ 21,828,052
Net investment return	1,169,253	4,809,683	5,978,936
Additions	3,798,044	1,117,353	4,915,397
Release of donor restriction	-	(80,246)	(80,246)
Appropriation for expenditure	(125,179)	(416,399)	(541,578)
Endowment assets, end of year	<u>\$ 6,080,554</u>	<u>\$ 26,020,007</u>	<u>\$ 32,100,561</u>

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - NOTE PAYABLE

The College had a \$9,000,000 revolving line of credit with its bank, secured by significant assets of the College, bearing interest at an adjustable annual rate equal to the Prime Rate, less one-half of one percent. The line of credit was closed in May 2021 as part of the College's refinancing debt obligations. There was \$1,378,555 outstanding on this line of credit as of June 30, 2020.

In May 2021, the College obtained a \$10,000,000 revolving line of credit with its bank, secured by significant assets of the College. The note bears interest at the Prime Rate (3.25% as of June 30, 2021). There was \$2,675,000 outstanding on this line of credit as of June 30, 2021.

11 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Bonds payable, secured by significant assets of the College, at an annual rate equal to 3.30% through February 2024, and increased every five years thereafter, up to 4.70%. Payments were interest only through March 2017, at which time the outstanding principal is amortized over the remaining 20-year life of the bonds. The bonds were paid in full in May 2021 as part of the College's refinancing debt obligations.	\$ -	\$ 17,434,233
Bonds payable, secured by significant assets of the College, at an annual rate equal to 2.95% through June 2036, and increased to the 15-year FHLB Rate plus 1.50% through June 2041. The College has up to \$20 million of bond available to be drawn until May 2025.	16,900,000	-
Less: Unamortized debt issuance costs	<u>202,095</u>	<u>117,270</u>
	<u>\$ 16,697,905</u>	<u>\$ 17,316,963</u>

Maturities of long-term debt in subsequent years are as follows:

Year Ended June 30

2022	\$ 612,441
2023	646,669
2024	665,023
2025	686,444
2026	707,259
Thereafter	<u>13,582,164</u>
	<u>\$ 16,900,000</u>

The bonds payable requires, among other considerations, the maintenance of certain financial covenants.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are board-designated endowment funds reserved for future operations. All spending from this reserve must be approved by the governing board. The balance in the board-designated operating reserve is \$6,080,554 and \$1,238,436 as of June 30, 2021 and 2020, respectively.

13 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Purpose restrictions, available for spending		
Public service programs	\$ 191,560	\$ 135,508
Academic support programs	1,097,339	667,357
Student services	819,719	559,099
Institutional support	4,224,854	2,882,926
Capital improvements	2,658,233	1,969,054
Scholarships and financial aid	<u>1,266,270</u>	<u>1,367,283</u>
Total purpose restricted net assets	<u>10,257,975</u>	<u>7,581,227</u>
Time restrictions		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	1,021,791	2,146,091
Charitable remainder trusts, which are unavailable for spending until the deaths of the beneficiaries	62,940	29,633
Beneficial interest in charitable lead annuity trust	<u>1,686,559</u>	<u>1,841,960</u>
Total time restricted net assets	<u>2,771,290</u>	<u>4,017,684</u>
Endowment funds, which must be appropriated by the Board of Trustees before use		
Instruction (original gifts of \$2,319,000 in 2021 and 2020)	5,529,512	4,503,844
Academic support programs (original gifts of \$2,593,601 in 2021 and \$2,486,101 in 2020)	5,209,832	3,940,686
Student services (original gifts of \$215,167 in 2021 and \$203,827 in 2020)	301,897	239,261
Institutional support (original gifts of \$1,000,000 in 2021 and 2020)	1,451,105	1,201,501
Scholarships and financial aid (original gifts of \$8,386,368 in 2021 \$8,017,744 in 2020)	<u>13,527,661</u>	<u>10,704,324</u>
Total endowment funds managed by the College	<u>26,020,007</u>	<u>20,589,616</u>
Total net assets with donor restrictions	<u>\$ 39,049,272</u>	<u>\$ 32,188,527</u>

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2021 and 2020 net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Operating		
Public service programs	\$ -	\$ 8,184
Academic support programs	18,622	12,855
Student services	99,535	211,989
Institutional support	435,906	85,300
Scholarships and financial aid	<u>561,961</u>	<u>479,114</u>
	1,116,024	797,442
Non-operating		
Capital improvements	<u>675,131</u>	<u>996,427</u>
	<u>\$ 1,791,155</u>	<u>\$ 1,793,869</u>

14 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	<u>2021</u>	<u>2020</u>
Cash paid during the year for		
Interest	\$ 580,812	\$ 766,815

Included in accounts payable at June 30, 2021 and 2020 are property, plant, and equipment acquisitions of \$848,826 and \$3,930, respectively.

15 - RETIREMENT PLAN

The College offers a retirement plan which covers substantially all employees. Participants in the plan may direct investments to the Teachers Insurance Annuity Association - College Retirement Equities Fund (TIAA-CREF) as custodians of the plan. In general, contributions to this defined contribution plan is made by the College and its employees on a matching basis, with the College and employees contributing 3% and 7%, respectively. Effective July 2020, the matching contribution was temporarily suspended and reinstated in April 2021. Contributions provided by the College amounted to approximately \$309,000 and \$758,000 in 2021 and 2020, respectively.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

16 - FAIR VALUE MEASUREMENTS

The College reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, 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.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the College measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the College is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the College's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of endowment and long-term investments.
- recurring measurement of beneficial interests in trusts.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2021 and 2020.

Equity securities, mutual funds (equities and corporate bond based) and exchange traded funds: Valued at the closing price reported on the active market in which the individual securities are traded. These funds held by the College are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The securities held by the College are deemed to be actively traded.

Money market funds: Valued at the closing price reported in the market in which the individual securities are traded. Fair value hierarchy for each is based on the level of active trading within the respective markets for each asset or liability.

Beneficial interests: Valued at the present value of the estimated future receipts.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The College's assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2021 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity securities	\$ 79,294	\$ -	\$ -	\$ 79,294
Exchange traded funds	18,800	-	-	18,800
Mutual funds, equities	28,730,435	-	-	28,730,435
Mutual funds, bonds	14,171,801	-	-	14,171,801
Money market funds	298,168	-	-	298,168
Total investments	43,298,498	-	-	43,298,498
Beneficial interests	-	-	1,749,499	1,749,499
Total	<u>\$ 43,298,498</u>	<u>\$ -</u>	<u>\$ 1,749,499</u>	<u>\$ 45,047,997</u>

The College's assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2020 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity securities	\$ 90,426	\$ -	\$ -	\$ 90,426
Exchange traded funds	13,368	-	-	13,368
Mutual funds, equities	17,135,884	-	-	17,135,884
Mutual funds, bonds	10,160,164	-	-	10,160,164
Money market funds	2,079,847	-	-	2,079,847
Total investments	29,479,689	-	-	29,479,689
Beneficial interests	-	-	1,871,593	1,871,593
Total	<u>\$ 29,479,689</u>	<u>\$ -</u>	<u>\$ 1,871,593</u>	<u>\$ 31,351,282</u>

There were no significant transfers between the levels during the year. The College's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The College did not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position as of June 30, 2021 and June 30, 2020.

The following is a reconciliation of level 3 assets:

Balance at June 30, 2020	\$ 1,871,593
Payments received	(200,000)
Change in value of beneficial interest	77,906
Balance at June 30, 2021	<u>\$ 1,749,499</u>

17 - COMMITMENTS

The College has entered into various construction contracts for the renovation of Lombard Dining Hall, Remillard Building and Scoreboard, in the amount of \$10,355,841. As of June 30, 2021, approximately \$7,574,888 of such contract commitments had not yet been incurred.

NICHOLS COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

18 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the College's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

19 - RELATED-PARTY TRANSACTIONS

At June 30, 2021 and 2020, contributions receivable included \$503,993 and \$1,548,849, respectively, from members of the College's Board of Trustees. Total contributions received from board members were \$3,979,182 and \$3,817,437 in 2021 and 2020, respectively.

20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.