Nichols College

Learn. Lead. Succeed.

FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2023

Overview

The June 30, 2023 audited financial statements were reviewed and accepted by the Audit Committee at its meeting on December 19th, 2023. 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 FY23 increased by approximately $3.6M driven primarily by an increase in investments of $3.8M.

Total liabilities for the period increased by $3.8M due to increases in the line of credit of $2.6M and in long-term debt of $1.5M. The increase in the line of credit is primarily attributed to revenues remaining flat while operating costs grew by 10.4% from the previous year.

Net assets for FY23 are similar to FY22 at $87.3m, down slightly by $260k. Details of change in net assets are reviewed below.

Statement of Activities:

Total net assets were flat with FY22. Revenue for FY23 were flat with last year and expenses increased by $4.0m offset by net investment return of $3.8m.

Total revenues of $38.5M were $100k above last year's figure, however, there was $2.6m in revenue from government grants in FY22 so revenues increased year over year in the following areas:

- Net Tuition and Fees were up $800k
- Room and Board increased by $430k
- Contributions and Gifts were over $1M above LY

Total expenses increased by $4.0M or 10.4% from the prior year. The major drivers of the increases were: travel and entertainment $314K, operations and maintenance $434K, salaries and wages $600K, benefits and payroll taxes $706K, vendor services $1,196K, rent $93K, food service $294K, uncollectible accounts expense $97K, depreciation and amortization of $110K and interest of $365K. Savings from professional fees of $110k and supplies of $82K slightly offset the negative variances. The increases in expenses were driven in large part to the College fully engaged in activities after Covid, the hiring of new positions and inflation driving up costs (e.g., health care costs increased by 10.2%).

The Change in net assets from operating activities of -$4.3M was $4M lower than last year. As described above, our revenues were relatively flat and our expenses increased by $4M.

Change in net assets of -$268k were $5.4M better than the previous year as a result of a positive the non-operating Net investment return of $3.8M in FY23 versus a loss of $5.3M in FY22.

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 $1.2M compared to $4.8M for the prior year.

NICHOLS COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

AND

INDEPENDENT AUDITOR'S REPORT

NICHOLS COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nichols College

Opinion

We have audited the financial statements of Nichols College (the College), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the College adopted the provisions of ASU 2016-02 - Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

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 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 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 the College's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's 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 the College's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 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 financial statements from which it has been derived.

Bollus Lynch, LLP

Worcester, Massachusetts
January 5, 2024

NICHOLS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023
(With summarized comparative information for 2022)

	2023	2022
Assets		
Cash	$ 1,236,105	$ 1,210,008
Student accounts receivable, less allowance for doubtful accounts of $2,690,334 and $1,923,666 in 2023 and 2022, respectively	2,459,189	2,090,543
Contributions receivable, net	2,942,455	1,446,531
Other receivables	187,874	1,943,129
Investments	41,926,715	38,110,496
Other assets	752,194	798,353
Beneficial interests	1,387,905	1,549,876
Right-of-use assets, financing leases	196,674	-
Property and equipment, net	67,229,649	67,572,562
	$ 118,318,760	$ 114,721,498
Liabilities and Net Assets		
Note payable	$ 7,518,723	$ 4,900,878
Accounts payable, trade	707,848	1,421,411
Accrued and other liabilities	1,133,937	1,007,585
Deferred tuition and fees	2,915,157	2,749,665
Financing lease liabilities	191,587	-
Long-term debt, net	18,559,045	17,081,283
Total liabilities	31,026,297	27,160,822
Net assets		
Without donor restrictions	49,635,240	53,409,041
With donor restrictions	37,657,223	34,151,635
Total net assets	87,292,463	87,560,676
	$ 118,318,760	$ 114,721,498

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

NICHOLS COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023
(With summarized comparative information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Operating activities:				
Revenue and other support				
Tuition and fees, net of financial aid of $20,928,767 and $20,943,213 in 2023 and 2022, respectively	$ 21,965,231	$ -	$ 21,965,231	$ 21,171,264
Auxiliary enterprises	10,990,055	-	10,990,055	10,565,027
Contributions and gifts	1,528,780	2,949,498	4,478,278	3,341,290
Government grants	171,851	-	171,851	2,663,387
Endowment return appropriated for operations	546,420	-	546,420	505,196
Change in value of beneficial interests	-	38,029	38,029	377
Other revenue	352,546	-	352,546	216,107
Net assets released from restrictions	1,313,936	(1,313,936)	-	-
Total	36,868,819	1,673,591	38,542,410	38,462,648
Expenses				
Instruction	8,228,712	-	8,228,712	7,946,485
Academic support	4,594,376	-	4,594,376	4,167,522
Student services	11,910,907	-	11,910,907	10,256,674
Institutional support	7,831,007	-	7,831,007	7,574,613
Institutional development	1,218,471	-	1,218,471	1,060,589
Auxiliary enterprises	9,077,660	-	9,077,660	7,810,680
Total	42,861,133	-	42,861,133	38,816,563
Change in net assets from operating activities	(5,992,314)	1,673,591	(4,318,723)	(353,915)
Non-operating activities:				
Contributions and gifts for capital purposes	-	318,910	318,910	149,611
Contributions and gifts for long-term investment	-	478,025	478,025	420,834
Net investment return	539,763	3,260,232	3,799,995	(5,393,870)
Endowment return appropriated for operations	(127,500)	(418,920)	(546,420)	(505,196)
Net assets released from restrictions	1,806,250	(1,806,250)	-	-
Change in net assets from non-operating activities	2,218,513	1,831,997	4,050,510	(5,328,621)
Change in net assets	(3,773,801)	3,505,588	(268,213)	(5,682,536)
Net assets, beginning of year	53,409,041	34,151,635	87,560,676	93,243,212
Net assets, end of year	$ 49,635,240	$ 37,657,223	$ 87,292,463	$ 87,560,676

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

NICHOLS COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With summarized comparative information for 2022)

	Instruction	Academic Support	Student Services	Institutional Support	Institutional Development	Auxiliary Enterprises	Totals 2023	Totals 2022
Salaries and wages	$ 5,416,470	$ 1,895,152	$ 4,886,245	$ 2,165,775	$ 651,700	$ 170,213	$ 15,185,555	$ 14,585,535
Employee benefits and payroll taxes	1,219,968	554,137	1,306,773	816,142	185,950	39,113	4,122,083	3,416,242
Food services	-	-	-	-	-	2,745,791	2,745,791	2,451,122
Professional fees	-	31,677	481,403	256,615	-	1,293	770,988	986,421
Vendor services	20,371	125,698	781,572	2,218,420	121,796	433,495	3,701,352	2,505,658
Utilities	-	-	857	159,601	-	161,836	322,294	292,556
Supplies	9,626	133,737	317,729	90,869	10,484	104,746	667,191	749,601
Repairs and maintenance	-	10,036	49,515	-	1,112	132,323	192,986	232,173
Rent	-	63,450	368,074	3	-	3,859	435,386	342,216
General insurance	-	-	61,767	371,087	-	15,809	448,663	397,564
Small equipment/software	-	6,027	179,091	134,258	511	25,229	345,116	298,017
Advertising	240	120,120	382,008	-	71	-	502,439	488,034
Printing and mailing	251	19,397	86,259	1,417	61,786	30,586	199,696	186,673
Dues and subscriptions	1,827	3,984	57,737	89,822	6,074	7,715	167,159	163,495
Travel and entertainment	66,156	179,546	755,899	205,402	112,244	97,729	1,416,976	1,102,469
Scholarships	-	654,720	-	-	-	-	654,720	651,148
Credit card and bank fees	-	-	-	15,591	10,360	93	26,044	21,165
Uncollectible accounts expense	-	-	-	960,131	-	-	960,131	863,140
Operation and maintenance	640,381	341,536	939,225	146,597	24,171	2,177,295	4,269,205	3,835,976
Interest	138,190	73,702	202,679	31,635	5,216	469,847	921,269	556,347
Depreciation and amortization	715,232	381,457	1,049,007	163,733	26,996	2,431,789	4,768,214	4,658,760
Other	-	-	5,067	3,909	-	28,899	37,875	32,251
	$ 8,228,712	$ 4,594,376	$ 11,910,907	$ 7,831,007	$ 1,218,471	$ 9,077,660	$ 42,861,133	$ 38,816,563

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

NICHOLS COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With summarized comparative information for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (268,213)	$ (5,682,536)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,751,962	4,648,655
Amortization of debt issuance costs	10,105	10,105
Amortization of right-of-use assets, financing leases	6,147	-
Uncollectible accounts expense	960,131	863,140
Change in value of beneficial interests	(38,029)	(377)
Net investment (gains) losses	(2,796,833)	6,601,034
Contributions and gifts for capital purposes	(318,910)	(149,611)
Contributions and gifts for long-term investment	(478,025)	(420,834)
(Increase) decrease in operating assets:		
Student accounts receivable	(1,328,777)	(1,085,454)
Contributions receivable	(1,458,980)	(451,250)
Other receivables	1,755,255	305,873
Beneficial interests	200,000	200,000
Other assets	46,159	173,077
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(136,063)	(152,216)
Accrued and other liabilities	126,352	(78,249)
Deferred tuition and fees	165,492	4,991
Total adjustments	1,465,986	10,468,884
Net cash provided by operating activities	1,197,773	4,786,348
Cash flows from investing activities:		
Expenditures for property and equipment	(4,986,549)	(6,373,263)
Proceeds from sales and maturities of investments	75,829	74,292
Purchases of investments	(1,095,215)	(1,487,324)
Net cash used in investing activities	(6,005,935)	(7,786,295)
Cash flows from financing activities:		
Net borrowings of note payable	2,617,845	2,225,878
Proceeds from long-term debt	2,114,442	985,557
Repayments of long-term debt	(646,785)	(612,284)
Repayments of financing lease liabilities	(11,234)	-
Contributions and gifts received for capital purposes	318,910	149,611
Contributions and gifts received for long-term investment	441,081	447,344
Net cash provided by financing activities	4,834,259	3,196,106
Net increase in cash	26,097	196,159
Cash, beginning of year	1,210,008	1,013,849
Cash, end of year	$ 1,236,105	$ 1,210,008

See accompanying independent auditor’s report and 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 master’s 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, 2022, 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.

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 other than endowment investments 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 uncollectable 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.

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. The endowment includes both donor restricted endowment funds and funds designated by the College to function as an endowment. 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. Such deficiencies amount to $67,500 as of June 30, 2023, with an original gift value of $778,498.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Leases

The College determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The College also considers whether its service arrangements include the right to control the use of an asset.

The College recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

The College made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the College made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The College has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to the College, such as maintenance agreements, which are variable in nature and recorded in variable lease expense in the period incurred.

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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of financial assets

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.

Contributions of nonfinancial assets

The College receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the College receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the College's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

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.

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 $502,439 and $488,034 in 2023 and 2022, 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 - ADOPTION OF ACCOUNTING PRINCIPLE

The College implemented FASB ASU No. 2016-02, Leases during 2023. This standard requires the College to recognize right-of-use assets and the related lease liabilities on the statement of financial position. Right-of-use assets and lease liabilities of $202,821 were recognized as a result of this implementation. The College did not have any lease agreements in place prior to 2023, and so this change has no effect on net assets as previously reported.

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, 2023 and 2022 are:

	2023	2022
Financial assets		
Cash	$ 1,236,105	$ 1,210,008
Student accounts receivable, net	2,459,189	2,090,543
Contributions receivable, net	2,942,455	1,446,531
Other receivables	187,874	1,943,129
Investments	41,926,715	38,110,496
Total financial assets	48,752,338	44,800,707
Less: Financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	8,696,907	8,999,322
Contributions receivable unavailable for spending for more than one year, some of which are also subject to purpose restrictions	1,541,455	1,245,531
Donor-restricted endowment funds	24,629,956	22,155,906
Less: Board-designated endowment funds	5,604,556	5,178,810
Amount available for general expenditures within one year	$ 8,279,464	$ 7,221,138

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 ($24,629,956, of which $15,793,233 is the original gift) or from its designated endowment fund $5,604,556. Note 2 provides more information about those funds and about the spending policies for all endowment funds.

4 - LIQUIDITY AND AVAILABLE FUNDS (Continued)

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.

5 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable as of June 30, 2023 are expected to be received as follows:

2024	$ 2,024,500
2025	694,500
2026	261,000
2027	206,000
2028	100,000
	3,286,000
Less: Allowance for uncollectible contributions receivable	195,598
Unamortized discount	147,947
	$ 2,942,455

6 - INVESTMENTS

Investments are included in the following classes of net assets:

	2023	2022
With donor restrictions		
Donor restricted endowment	$ 24,629,956	$ 22,155,906
Purpose restrictions	8,692,034	8,999,322
Without donor restrictions		
Board-designated endowment	5,732,056	5,178,810
Undesignated	2,872,669	1,776,458
	$ 41,926,715	$ 38,110,496

Investments are composed of the following:

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Equity securities	$ 83,115	$ 92,259	$ 71,580	$ 72,633
Exchange traded funds	7,127	7,196	15,566	14,828
Mutual funds, equities	23,497,722	27,968,111	22,806,540	24,233,765
Mutual funds, bonds	14,492,847	13,592,852	14,141,765	13,494,741
Money market funds	266,297	266,297	294,529	294,529
	$ 38,347,108	$ 41,926,715	$ 37,329,980	$ 38,110,496

6 - INVESTMENTS (Continued)

The net investment return is composed of the following:

	2023	2022
Interest and dividends	$ 1,068,991	$ 1,281,457
Realized losses	(2,258)	(364)
Unrealized gains (losses)	2,799,091	(6,600,670)
Investment fees	(65,829)	(74,293)
	$ 3,799,995	$ (5,393,870)

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 ($1,363,895 as of June 30, 2023) 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 ($24,010 as of June 30, 2023) 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	2023	2022
Land, buildings, and improvements	10 - 40 years	$ 108,694,085	$ 105,339,671
Vehicles and equipment	3 - 7 years	7,799,037	7,838,291
Furniture and fixtures	5 - 10 years	1,602,560	1,726,466
Construction in progress	-	3,117,435	2,716,688
		121,213,117	117,621,116
Less: Accumulated depreciation		53,983,468	50,048,554
		$ 67,229,649	$ 67,572,562

Depreciation expense was $4,751,962 and $4,648,655 in 2023 and 2022, respectively.

9 - ENDOWMENT ASSETS

Endowment assets includes invested donor restricted and Board-designated funds. Changes in endowment assets for the year ended June 30, 2023 are as follows:

	Without Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 5,178,810	$ 22,155,906	$ 27,334,716
Net investment return	553,246	2,364,353	2,917,599
Additions	-	589,696	589,696
Release of donor restriction	-	(61,079)	(61,079)
Appropriation for expenditure	(127,500)	(418,920)	(546,420)
Endowment assets, end of year	$ 5,604,556	$ 24,629,956	$ 30,234,512

10 - NOTE PAYABLE

The College has 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 (8.25% as of June 30, 2023). There was $7,518,723 and $4,900,878 outstanding on this line of credit as of June 30, 2023 and 2022, respectively

11 - LONG-TERM DEBT

Long-term debt consists of the following:

	2023	2022
Bonds payable, secured by significant assets of the College, due in month installments of $106,770 including interest at an annual rate equal to 2.95% through June 2036, then increased to the 15-year FHLB Rate plus 1.50% through June 2041.	$ 18,740,930	$ 17,273,273
Less: Unamortized debt issuance costs	181,885	191,990
	$ 18,559,045	$ 17,081,283

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

Year Ended June 30	
2024	$ 665,023
2025	769,056
2026	791,878
2027	815,380
2028	837,378
Thereafter	14,862,215
	$ 18,740,930

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

12 - LEASES

The College leases equipment under a finance lease agreement with a terms of 5.5 years and interest rate of 3.52%. The College's finance lease generally does contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Amortization of right-of-use assets	$ 6,147
Interest on lease liabilities	1,835
Total finance lease cost	$ 7,982

Right-of-use assets for finance leases are included in property and equipment on the statement of financial position. Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Equipment	$ 202,821
Less: Accumulated amortization	6,147
Right-of-use assets for finance leases, net	$ 196,674
Weighted-average remaining lease term	5.3 years
Weighted-average discount rate	3.52%

Future undiscounted cash flows and a reconciliation to the finance lease liabilities recognized on the statement of financial position are as follows as of June 30, 2023:

2024	$ 37,221
2025	37,221
2026	37,221
2027	37,221
2028	37,221
Thereafter	24,814
	210,919
Less: Imputed interest	19,332
Total present value of lease liabilities	$ 191,587

13 - 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 $5,604,556 and $5,178,810 as of June 30, 2023 and 2022, respectively.

14 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes or periods:

	2023	2022
Purpose restrictions, available for spending		
Public service programs	$ 150,527	$ 120,789
Academic support programs	1,490,099	1,614,670
Student services	735,360	679,421
Institutional support	4,540,213	3,472,579
Capital improvements	789,537	2,098,437
Scholarships and financial aid	991,171	1,013,426
Total purpose restricted net assets	8,696,907	8,999,322
Time restrictions		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	2,942,455	1,446,531
Charitable remainder trusts, which are unavailable for spending until the deaths of the beneficiaries	24,010	22,638
Beneficial interest in charitable lead annuity trust	1,363,895	1,527,238
Total time restricted net assets	4,330,360	2,996,407
Endowment funds, which must be appropriated by the Board of Trustees before use		
Instruction (original gifts of $2,319,000 in 2023 and 2022)	5,067,113	4,590,646
Academic support programs (original gifts of $2,880,365 in 2023 and $2,875,557 in 2022)	4,440,433	4,110,047
Student services (original gifts of $235,266 in 2023 and $221,133 in 2022)	299,750	265,026
Institutional support (original gifts of $1,000,000 in 2023 and 2022)	1,368,104	1,236,057
Scholarships and financial aid (original gifts of $9,358,602 in 2023 and $8,925,335 in 2022)	13,454,556	11,954,130
Total endowment funds managed by the College	24,629,956	22,155,906
Total net assets with donor restrictions	$ 37,657,223	$ 34,151,635

14 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2023 and 2022 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:

	2023	2022
Purpose restrictions		
Operating		
Academic support programs	$ 293,371	$ 219,584
Student services	375,848	329,818
Institutional support	252,991	1,211,311
Scholarships and financial aid	391,726	374,048
	1,313,936	2,134,761
Non-operating		
Capital improvements	1,806,250	398,839
	$ 3,120,186	$ 2,533,600

15 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	2023	2022
Cash paid during the year for		
Interest	$ 893,866	$ 562,519

Included in accounts payable at June 30, 2023 and 2022 are property and equipment acquisitions of $388,578 and $966,078, respectively.

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash outflows - payments on finance leases	$ 12,407	$ -

16 - 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%. Effective July 2020, the matching contribution was temporarily suspended and reinstated in April 2021. Contributions provided by the College amounted to approximately $483,000 and $286,000 in 2023 and 2022, respectively.

17 - 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, 2023 and 2022.

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. The mutual and exchange traded 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.

17 - 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, 2023 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 92,259	$ -	$ -	$ 92,259
Exchange traded funds	7,196	-	-	7,196
Mutual funds, equities	27,968,111	-	-	27,968,111
Mutual funds, bonds	13,592,852	-	-	13,592,852
Money market funds	266,297	-	-	266,297
Total investments	41,926,715	-	-	41,926,715
Beneficial interests	-	-	1,387,905	1,387,905
Total	$ 41,926,715	$ -	$ 1,387,905	$ 43,314,620

The College's assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2022 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 72,633	$ -	$ -	$ 72,633
Exchange traded funds	14,828	-	-	14,828
Mutual funds, equities	24,233,765	-	-	24,233,765
Mutual funds, bonds	13,494,741	-	-	13,494,741
Money market funds	294,529	-	-	294,529
Total investments	38,110,496	-	-	38,110,496
Beneficial interests	-	-	1,549,876	1,549,876
Total	$ 38,110,496	$ -	$ 1,549,876	$ 39,660,372

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, 2023 and June 30, 2022.

The following is a reconciliation of level 3 assets:

Balance at June 30, 2022	$ 1,549,876
Payments received	(200,000)
Change in value of beneficial interest	38,029
Balance at June 30, 2023	$ 1,387,905

18 - COMMITMENTS

The College has entered into a construction contract for the renovation of the Remillard Building in the amount of $2,868,661. As of June 30, 2023, $279,441 of such contract commitments had not yet been incurred.

19 - 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.

20 - RELATED-PARTY TRANSACTIONS

At June 30, 2023 and 2022, contributions receivable included $1,165,000 and $1,520,000, respectively, from members of the College's Board of Trustees. Total contributions received from board members were $860,965 and $2,668,982 in 2023 and 2022, respectively.

21 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 5, 2024, 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.