



REGIS
A CATHOLIC UNIVERSITY
IN GREATER BOSTON

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

REGIS COLLEGE

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees of
Regis College:

We have audited the accompanying financial statements of Regis College (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Regis College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
September 8, 2020

REGIS COLLEGE

Statements of Financial Position
June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 5,736,338	\$ 318,373
Short-term investments in securities	6,643,322	5,692,384
Current portion of restricted cash	1,866,198	1,528,089
Student accounts receivable, net of allowance for doubtful accounts of approximately \$1,700,000 and \$1,565,000 at June 30, 2020 and 2019, respectively	1,449,494	1,464,762
Current portion of pledges receivable	1,235,595	709,441
Other current assets	1,370,135	1,448,670
Total current assets	<u>18,301,082</u>	<u>11,161,719</u>
Restricted Cash, net of current portion	1,546,481	2,160,313
Investments in Securities	18,648,289	19,194,229
Pledges Receivable, net of current portion, discount and allowance for doubtful accounts of approximately \$330,000 and \$292,000 at June 30, 2020 and 2019, respectively	4,472,496	4,283,888
Student Loans Receivable, net of allowance of \$175,000 and \$200,000 at June 30, 2020 and 2019, respectively	1,379,739	1,858,385
Other Asset	895,207	1,032,358
Investment in Land	19,100,000	19,100,000
Property and Equipment, net	<u>48,078,552</u>	<u>50,055,227</u>
Total assets	<u>\$ 112,421,846</u>	<u>\$ 108,846,119</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of bonds payable	\$ 1,360,874	\$ 1,235,730
Current portion of notes payable to a bank	139,452	132,462
Accounts payable and accrued expenses	10,248,137	5,392,127
Deposits held for others	130,522	116,096
Deferred tuition, fees and other	5,145,914	5,747,898
Total current liabilities	<u>17,024,899</u>	<u>12,624,313</u>
Bonds Payable, net of unamortized debt issuance costs and current portion	42,641,798	43,991,251
Notes Payable to a Bank, net of current portion	5,964,579	5,603,455
Advances for Federal Student Loans	2,576,859	3,352,489
Deposits and Other Long-Term Payables	<u>1,287,290</u>	<u>808,346</u>
Total liabilities	<u>69,495,425</u>	<u>66,379,854</u>
Net Assets:		
Without donor restrictions:		
Operating and property and equipment	(3,647,573)	(3,664,949)
Board designated for endowment	16,373,020	17,312,083
Total without donor restrictions	<u>12,725,447</u>	<u>13,647,134</u>
With donor restrictions	30,200,974	28,819,131
Total net assets	<u>42,926,421</u>	<u>42,466,265</u>
Total liabilities and net assets	<u>\$ 112,421,846</u>	<u>\$ 108,846,119</u>

REGIS COLLEGE

Statements of Activities
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Tuition and fees	\$ 85,183,811	\$ -	\$ 85,183,811	\$ 76,624,480	\$ -	\$ 76,624,480
Scholarships and grants	(24,187,079)	-	(24,187,079)	(24,563,410)	-	(24,563,410)
Tuition and fees, net	60,996,732	-	60,996,732	52,061,070	-	52,061,070
Auxiliary enterprises	9,682,605	-	9,682,605	11,379,570	-	11,379,570
Facilities rentals and other income	2,667,360	-	2,667,360	3,090,319	-	3,090,319
Grants and contributions	834,649	1,454,394	2,289,043	420,400	1,344,334	1,764,734
Investment return designated for current operations	1,089,786	761,960	1,851,746	1,139,268	692,577	1,831,845
Annual Fund contributions	544,939	897,025	1,441,964	966,478	712,143	1,678,621
Net assets released from restrictions	2,709,790	(2,709,790)	-	2,366,525	(2,366,525)	-
Total operating revenue	78,525,861	403,589	78,929,450	71,423,630	382,529	71,806,159
Operating Expenses:						
Instruction	27,478,854	-	27,478,854	25,524,750	-	25,524,750
Student services	10,134,940	-	10,134,940	10,489,946	-	10,489,946
Academic services	6,824,087	-	6,824,087	7,057,039	-	7,057,039
Auxiliary enterprises	3,990,790	-	3,990,790	4,490,587	-	4,490,587
Institutional support	27,840,773	-	27,840,773	23,079,803	-	23,079,803
Development	2,239,041	-	2,239,041	2,203,779	-	2,203,779
Total operating expenses	78,508,485	-	78,508,485	72,845,904	-	72,845,904
Changes in net assets from operations	17,376	403,589	420,965	(1,422,274)	382,529	(1,039,745)
Non-Operating Revenue (Loss):						
Grants for capital and endowment	-	1,125,966	1,125,966	-	1,087,273	1,087,273
Investment return reduced by spending policy	(939,063)	(147,712)	(1,086,775)	(608,438)	636,864	28,426
Total non-operating revenue (loss)	(939,063)	978,254	39,191	(608,438)	1,724,137	1,115,699
Changes in net assets	\$ (921,687)	\$ 1,381,843	\$ 460,156	\$ (2,030,712)	\$ 2,106,666	\$ 75,954

The accompanying notes are an integral part of these statements.

REGIS COLLEGEStatements of Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, June 30, 2018	\$ 15,677,846	\$ 26,712,465	\$ 42,390,311
Changes in net assets	<u>(2,030,712)</u>	<u>2,106,666</u>	<u>75,954</u>
Net Assets, June 30, 2019	13,647,134	28,819,131	42,466,265
Changes in net assets	<u>(921,687)</u>	<u>1,381,843</u>	<u>460,156</u>
Net Assets, June 30, 2020	<u>\$ 12,725,447</u>	<u>\$ 30,200,974</u>	<u>\$ 42,926,421</u>

REGIS COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 460,156	\$ 75,954
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,853,095	3,800,839
Interest - amortization expense	11,421	12,527
Amortization of food services deposit	75,000	75,000
Bad debts	781,816	717,305
Grants for capital and endowment	(1,125,966)	(1,087,273)
Actuarial adjustment to annuity liability obligations	10,463	9,505
Net unrealized and realized gains on investments	(257,847)	(1,407,152)
Adjustment to carrying value of land held for investment	-	(300,000)
Changes in operating assets and liabilities:		
Student accounts receivable	(766,548)	(841,843)
Pledges receivable	85,238	(1,181,003)
Other current assets	78,535	(400,819)
Other asset	137,151	(421,810)
Accounts payable and accrued expenses	4,863,802	(218,659)
Deposits held for others	14,426	1,237
Deferred tuition, fees and other	(601,984)	1,846,193
Deposits and other long-term payables	407,958	(175,568)
Net cash provided by operating activities	<u>8,026,716</u>	<u>504,433</u>
Cash Flows from Investing Activities:		
Acquisitions of property and equipment	(1,884,212)	(1,318,057)
Purchases of investments in securities	(17,624,455)	(745,052)
Proceeds from sale of investments in securities	17,477,304	-
Decrease in student loans receivable	478,646	220,622
Net cash used in investing activities	<u>(1,552,717)</u>	<u>(1,842,487)</u>
Cash Flows from Financing Activities:		
Net advances (repayments) for federal student loans	(775,630)	766,741
Principal payments on notes payable to a bank	(131,886)	(125,575)
Net draws (repayments) on line of credit	500,000	(1,500,000)
Principal payments of bonds payable	(1,235,730)	(1,198,026)
Proceeds from annuitants	10,000	10,000
Principal payments to annuitants	(24,477)	(23,787)
Grants for capital and endowment	325,966	1,802,273
Net cash used in financing activities	<u>(1,331,757)</u>	<u>(268,374)</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	5,142,242	(1,606,428)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	4,006,775	5,613,203
End of year	<u>\$ 9,149,017</u>	<u>\$ 4,006,775</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 5,736,338	\$ 318,373
Current portion of restricted cash	1,866,198	1,528,089
Restricted cash, net of current portion	<u>1,546,481</u>	<u>2,160,313</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 9,149,017</u>	<u>\$ 4,006,775</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest - expensed	<u>\$ 1,858,179</u>	<u>\$ 1,916,560</u>

REGIS COLLEGE

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020								2019	
	Instruction	Student Services	Academic Services	Auxiliary Enterprises	Total Program	Institutional Support	Development	Plant	Total	
Personnel and Related Costs:										
Salaries and wages	\$ 18,641,612	\$ 4,361,298	\$ 3,700,360	\$ 910,044	\$ 27,613,314	\$ 6,592,487	\$ 1,146,092	\$ 1,535,192	\$ 36,887,085	\$ 35,306,621
Payroll taxes and fringe benefits	3,349,569	1,279,484	910,552	276,248	5,815,853	1,494,189	233,958	517,604	8,061,604	7,614,016
Work study wages and student employment	6,595	234,105	81,324	66,071	388,095	-	1,848	13,708	403,651	490,490
Total personnel and related costs	21,997,776	5,874,887	4,692,236	1,252,363	33,817,262	8,086,676	1,381,898	2,066,504	45,352,340	43,411,127
Occupancy:										
Depreciation	1,611,608	594,684	371,078	239,114	2,816,484	904,525	132,087	-	3,853,096	3,800,839
Utilities	18,363	-	-	-	18,363	-	-	1,725,433	1,743,796	1,979,428
Repairs and maintenance	31,840	27,138	-	-	58,978	41,582	-	1,449,845	1,550,405	1,946,844
Total occupancy	1,661,811	621,822	371,078	239,114	2,893,825	946,107	132,087	3,175,278	7,147,297	7,727,111
Other:										
Online support services	-	-	-	-	-	12,404,701	-	-	12,404,701	7,312,331
Consulting and contracted services	65,921	328,308	204,118	-	598,347	1,623,242	61,168	160,940	2,443,697	2,196,706
Interest	772,364	285,003	177,840	114,596	1,349,803	444,914	63,303	-	1,858,020	1,907,995
Room and board	-	-	-	1,648,880	1,648,880	-	-	-	1,648,880	1,920,559
Student activities and events	-	780,163	-	203,240	983,403	74,994	-	-	1,058,397	1,253,323
Travel, meals and entertainment	16,417	450,903	122,612	4,830	594,762	70,570	189,616	-	854,948	1,052,615
Program supplies	228,429	167,224	283,681	30,261	709,595	128,244	9,266	1,847	848,952	937,726
Miscellaneous	353,437	113,686	44,562	40,643	552,328	241,084	6,326	-	799,738	700,700
Bad debts	-	-	-	-	-	781,816	-	-	781,816	717,305
Technology	35,119	54,633	317,297	13,393	420,442	341,623	8,973	9,738	780,776	888,566
Legal and professional fees	-	-	-	-	-	620,928	-	-	620,928	626,972
Insurance	-	-	-	-	-	416,183	-	-	416,183	392,761
Advertising	16,235	303,842	2,038	1,400	323,515	44,289	-	-	367,804	410,791
Transportation	-	89,004	-	-	89,004	-	-	192,142	281,146	384,680
Postage, printing and publications	14,416	68,681	5,690	8,523	97,310	1,723	167,545	51	266,629	349,168
Memberships and subscriptions	25,614	65,439	23,047	3,667	117,767	78,459	12,140	-	208,366	240,847
Telephone	3,879	15,808	2,366	69,781	91,834	94,376	-	9,307	195,517	190,666
Professional development	9,781	29,542	24,667	3,853	67,843	31,293	1,793	1,350	102,279	140,468
Outside events	-	-	-	-	-	61,936	8,135	-	70,071	83,487
Total other	1,541,612	2,752,236	1,207,918	2,143,067	7,644,833	17,460,375	528,265	375,375	26,008,848	21,707,666
Total expenses before plant allocation	25,201,199	9,248,945	6,271,232	3,634,544	44,355,920	26,493,158	2,042,250	5,617,157	78,508,485	72,845,904
Plant Allocation	2,277,655	885,995	552,855	356,246	4,072,751	1,347,615	196,791	(5,617,157)	-	-
Total expenses	\$ 27,478,854	\$ 10,134,940	\$ 6,824,087	\$ 3,990,790	\$ 48,428,671	\$ 27,840,773	\$ 2,239,041	\$ -	\$ 78,508,485	\$ 72,845,904

The accompanying notes are an integral part of these statements.

REGIS COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program				Total Program	Institutional Support	Development	Plant	Total
	Instruction	Student Services	Academic Services	Auxiliary Enterprises					
Personnel and Related Costs:									
Salaries and wages	\$ 17,098,510	\$ 4,105,539	\$ 3,733,442	\$ 924,269	\$ 25,861,760	\$ 6,711,472	\$ 1,073,627	\$ 1,659,762	\$ 35,306,621
Payroll taxes and fringe benefits	3,008,037	1,232,036	906,851	321,469	5,468,393	1,485,757	191,295	468,571	7,614,016
Work study wages and student employment	11,364	240,032	92,381	64,392	408,169	56,517	4,301	21,503	490,490
Total personnel and related costs	20,117,911	5,577,607	4,732,674	1,310,130	31,738,322	8,253,746	1,269,223	2,149,836	43,411,127
Occupancy:									
Depreciation	1,490,925	609,384	373,109	260,488	2,733,906	934,803	132,130	-	3,800,839
Utilities	-	-	-	-	-	-	-	1,979,428	1,979,428
Repairs and maintenance	36,294	50,356	14,706	-	101,356	60,294	-	1,785,194	1,946,844
Total occupancy	1,527,219	659,740	387,815	260,488	2,835,262	995,097	132,130	3,764,622	7,727,111
Other:									
Online support services	-	-	-	-	-	7,312,331	-	-	7,312,331
Consulting and contracted services	133,596	341,315	49,802	500	525,213	1,414,568	36,342	220,583	2,196,706
Interest	743,521	303,898	186,069	129,905	1,363,393	478,709	65,893	-	1,907,995
Room and board	-	-	-	1,920,559	1,920,559	-	-	-	1,920,559
Student activities and events	-	765,921	-	190,908	956,829	296,494	-	-	1,253,323
Travel, meals and entertainment	47,394	576,083	95,151	7,277	725,905	81,213	245,497	-	1,052,615
Program supplies	194,677	203,321	324,277	37,904	760,179	140,730	33,890	2,927	937,726
Miscellaneous	236,516	189,425	225,715	45,945	697,601	-	3,099	-	700,700
Bad debts	-	-	-	-	-	717,305	-	-	717,305
Technology	102,990	62,096	284,242	14,491	463,819	412,423	2,077	10,247	888,566
Legal and professional fees	-	-	-	-	-	626,972	-	-	626,972
Insurance	-	-	-	-	-	392,761	-	-	392,761
Advertising	13,713	346,300	1,420	1,523	362,956	47,835	-	-	410,791
Transportation	83,694	110,457	-	-	194,151	-	-	190,529	384,680
Postage, printing and publications	12,469	126,937	24,911	8,764	173,081	-	175,832	255	349,168
Memberships and subscriptions	24,167	96,569	27,247	2,887	150,870	71,812	18,165	-	240,847
Telephone	5,165	14,548	3,243	66,484	89,440	92,641	453	8,132	190,666
Professional development	17,849	41,325	51,713	6,982	117,869	19,914	325	2,360	140,468
Outside events	-	-	-	-	-	76,539	6,948	-	83,487
Total other	1,615,751	3,178,195	1,273,790	2,434,129	8,501,865	12,182,247	588,521	435,033	21,707,666
Total expenses before plant allocation	23,260,881	9,415,542	6,394,279	4,004,747	43,075,449	21,431,090	1,989,874	6,349,491	72,845,904
Plant Allocation	2,263,869	1,074,404	662,760	485,840	4,486,873	1,648,713	213,905	(6,349,491)	-
Total expenses	\$ 25,524,750	\$ 10,489,946	\$ 7,057,039	\$ 4,490,587	\$ 47,562,322	\$ 23,079,803	\$ 2,203,779	\$ -	\$ 72,845,904

The accompanying notes are an integral part of these statements.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Regis College (the College) is a private, Massachusetts nonprofit corporation established in 1927. The College is comprised of the Schools of Arts and Sciences, the School of Nursing, the School of Health Sciences, and the School of Business and Communication, and is located in Weston, Massachusetts. The College offers the facilities and advantages of higher education to both resident and nonresident students. It was founded by the Congregation of the Sisters of St. Joseph of Boston (the Congregation), whose members desired to put their resources to use for the good of society through education. The College is a sponsored ministry of the Congregation and is accredited by the New England Commission of Higher Education.

The College is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The College is also exempt from state income taxes. Donors may deduct contributions made to the College within the IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, the College adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the College's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. The College does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

On July 1, 2019, the College adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The College adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2020 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

On July 1, 2019, the College adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-18 resulted in the following changes to the College's cash flow classification for the year ended June 30, 2019:

<u>Statement of Cash Flows</u>	<u>2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2019 As Adjusted</u>
Operating activities	\$ 504,433	\$ -	\$ 504,433
Investing activities	(3,082,687)	1,240,200	(1,842,487)
Financing activities	(268,374)	-	(268,374)
Net change in cash, cash equivalents and restricted cash	<u>\$ (2,846,628)</u>	<u>\$ 1,240,200</u>	<u>\$ (1,606,428)</u>

Cash and Cash Equivalents

Management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents for statement of cash flow purposes.

Student Accounts and Loans Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in student accounts receivable. The allowance is based on account aging and the percentage of revenue methods. The College also takes into consideration historical trends and future expectations. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Student loans receivable include loans made with funds advanced to the College by the U.S. government under the Federal Perkins Loan Program (see Note 11). Such funds are re-loaned by the College after collection, but in the event that the College no longer participates in the program, the amounts are generally refundable to the U.S. government. The allowance for doubtful accounts is based on the monthly default rate and current expectations about future losses. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable consist of contributions committed to the College. Pledges are recorded at their net present value when unconditionally committed. The allowance for doubtful accounts is based on management's estimate of collectability (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Securities

Investments in securities are recorded in the financial statements at fair value (see Note 4). If an investment is directly held by the College and an active market with quoted prices exists, the market price of an identical security is used to report fair value.

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on market value changes during the period (see Note 4).

Investments in securities include primarily donor endowment. Endowment assets include those assets restricted by donors that the College must hold in perpetuity. Accordingly, most investments in securities have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity of individual securities. 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 Investment Committee is responsible for selecting the investment managers of the College's portfolio. The Investment Committee's strategy is to include an array of strategies and investment managers for the portfolio in order to maximize risk adjusted returns.

Massachusetts state law allows the College to appropriate as much of the College's donor-restricted endowments as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

The College has an investment policy, which combined with the spending rate, attempts to provide a predictable stream of returns combined with asset protection. Under the College's investment policy and spending rate, both approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary. Spending draws, in accordance with this policy, are included in the accompanying statements of activities as investment return designated for current operations (see Note 4).

Investment in Land

The College has designated an undeveloped sixty-acre parcel of land for long-term investment, which reflects the College's intent to hold the property for long-term investment purposes within the College's endowment (see Note 5). The investment in land is reported at fair value in accordance with the *Other Investments* standard of U.S. GAAP. The value of this investment is determined using an independent certification of value by licensed professionals. The College commissions an appraisal on the property bi-annually. This fair value is derived based on the highest and best use consideration, which considers the potential development of the land into separate parcels of real estate for the building of homes or other residential construction. The College believes that the reported amount of its investment in land is a reasonable estimate of fair value as of June 30, 2020 and 2019. Because of the inherent uncertainties of valuation, this estimated fair value may differ significantly from a value that would be realized in a market transaction. The underlying assumptions of the certification are considered to be Level 3 inputs which are unobservable (see page 15).

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Land (Continued)

A reconciliation of the Level 3 investment activity associated with the investment in land is as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 19,100,000	\$ 18,800,000
Increase in carrying value	<u>-</u>	<u>300,000</u>
Ending balance	<u>\$ 19,100,000</u>	<u>\$ 19,100,000</u>

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost (see Note 6). Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments that exceed \$2,500 and have a useful life of at least three years are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method and the half-year convention for additions over the following estimated useful lives:

Building and land improvements	15 years
Buildings	50 years
Furniture and equipment	7 years
Sewer facilities	30 years
Computer equipment	3 years
Vehicles	5 years

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, if a reasonable estimate of the fair value of the obligation can be made. As of June 30, 2020 and 2019, the College was unable to estimate the range of settlement dates and the related probabilities for certain asbestos remediation. Because these conditional obligations have indeterminate settlement dates, the College cannot develop a reasonable estimate of their fair values. Management has evaluated the potential exposure and determined the exposure to be less than significant. The College will continue to assess its ability to estimate fair values at each future reporting date. Any related liability will be recognized once necessary information becomes available.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the College.

The College has grouped its net assets without donor restrictions into the following categories:

Operating and property and equipment net assets represent net assets which are available for operations and bear no external restrictions, and amounts expended and resources available for property and equipment used in normal operations, net of related debt.

Board designated for endowment net assets represent the College's investment in land (see page 10) that has been designated by the Board of Trustees as a portion of the College's endowment (see Note 5).

With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted), amounts with donor capital restrictions which will be recognized when the assets are placed in service (capital restricted), amounts for unrestricted use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Trustees.

Net assets with donor restrictions are restricted as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Other operating expenses	\$ 2,649,212	\$ 1,570,405
Scholarships	<u>768,404</u>	<u>1,326,849</u>
	<u>3,417,616</u>	<u>2,897,254</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until collected	<u>1,408,195</u>	<u>1,398,433</u>
Subject to the College's endowment spending policy and appropriation (see Note 5):		
Investment in perpetuity (including amounts above the original gift amounts of \$21,149,538 and \$20,150,107 as of June 30, 2020 and 2019, respectively), which once appropriated is expendable to support:		
Scholarships	17,969,975	17,276,442
Educational programs	4,767,940	4,553,664
General use	<u>2,637,248</u>	<u>2,693,338</u>
	<u>25,375,163</u>	<u>24,523,444</u>
	<u>\$ 30,200,974</u>	<u>\$ 28,819,131</u>

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions:		
Annual fund	\$ 125,817	\$ 102,882
Satisfaction of purpose restrictions:		
Educational programs	894,840	632,688
Scholarships	591,809	482,173
Purpose restricted pledge payments	<u>335,364</u>	<u>456,205</u>
	<u>1,947,830</u>	<u>1,673,948</u>
Restricted-purpose endowment spending distributions and appropriations:		
Scholarships (see Note 4)	489,660	382,301
Educational programs	137,700	179,130
General use	<u>134,600</u>	<u>131,146</u>
	<u>761,960</u>	<u>692,577</u>
	<u>\$ 2,709,790</u>	<u>\$ 2,366,525</u>

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying statements of activities. Non-operating revenue includes capital and endowment transactions.

Revenue Recognition

The College generally measures revenue for qualifying exchange transactions based on the amount of consideration the College expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the College satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The College evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition (Continued)**

The College recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is satisfied through academic instruction delivered continually throughout the academic year; therefore, the revenue is recognized ratably over the course of the academic year. In addition, the students have an option to room and board on premises. The performance obligation of providing access to housing and meals is satisfied ratably over the academic period in which the student chooses to live on campus and purchase a weekly meal plan. Contracts for tuition, room, and board are combined into a single portfolio of similar contracts. Payment for tuition and room and board is required before the start of the academic year. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition and room and board rates at the time revenue is recognized. Fees and deposits received in advance of services provided are recorded as deferred tuition, fees and other (see Note 12).

The College occasionally leases certain facilities for events. Facility rental income is recognized when the events occur.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the College must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the College should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions are recorded as revenue, net of applicable discounts for doubtful accounts and net present value, when unconditionally received or pledged. Grants and contributions with donor restrictions are recorded as revenue with donor restrictions and net assets when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Annual Fund contributions include those funds raised in a yearly appeal to alumni and other constituent supporters of the College and are classified based on the presence or absence of donor restrictions.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and fringe benefits, occupancy, interest, and depreciation, which are allocated based on an estimate of time and level of effort spent on the College's program and supporting functions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The College expenses advertising costs as incurred.

Income Taxes

The College accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The College has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The College's information returns are subject to examination by the Federal and state jurisdictions.

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The College uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the College. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. Assets subject to disclosure under this framework include investments in securities (see Note 4), split-interest agreements (see Note 7), and investment in land (see page 10).

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Subsequent Events**

Subsequent events have been evaluated through September 8, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for disclosure or recognition in the financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable are due as follows at June 30:

	2020		
	Endowment	Other	Total
Due within one year	\$ 1,350,000	\$ 1,235,595	\$ 2,585,595
Due in two to eight years	<u>2,649,895</u>	<u>808,952</u>	<u>3,458,847</u>
	3,999,895	2,044,547	6,044,442
Less - discount	<u>4,695</u>	<u>1,880</u>	<u>6,575</u>
	3,995,200	2,042,667	6,037,867
Less - allowance for uncollectable accounts	<u>-</u>	<u>329,776</u>	<u>329,776</u>
	3,995,200	1,712,891	5,708,091
Less - current portion, non-endowment	<u>-</u>	<u>1,235,595</u>	<u>1,235,595</u>
Long-term pledges receivable, net	<u>\$ 3,995,200</u>	<u>\$ 477,296</u>	<u>\$ 4,472,496</u>
		2019	
	Endowment	Other	Total
Due within one year	\$ 1,345,000	\$ 709,441	\$ 2,054,441
Due in two to five years	<u>2,199,895</u>	<u>1,036,961</u>	<u>3,236,856</u>
	3,544,895	1,746,402	5,291,297
Less - discount	<u>3,597</u>	<u>2,442</u>	<u>6,039</u>
	3,541,298	1,743,960	5,285,258
Less - allowance for uncollectable accounts	<u>-</u>	<u>291,929</u>	<u>291,929</u>
	3,541,298	1,452,031	4,993,329
Less - current portion, non-endowment	<u>-</u>	<u>709,441</u>	<u>709,441</u>
Long-term pledges receivable, net	<u>\$ 3,541,298</u>	<u>\$ 742,590</u>	<u>\$ 4,283,888</u>

Long-term pledges have been discounted using discount factors based on U.S. Treasury note rates. As of June 30, 2020, pledges from two donors represented 64% of pledges receivable. As of June 30, 2019, pledges from one donor represented 60% of pledges receivable. All pledges receivable for endowment are classified as long-term in the accompanying statements of financial position at June 30, 2020 and 2019, due to the permanent and long-term nature of the funds.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

4. INVESTMENTS IN SECURITIES

The following table presents the College's investments in securities by level within the valuation framework as of June 30:

<u>Investment Type</u>	2020			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income securities:				
Bond mutual funds	\$ 8,980,449	\$ -	\$ -	\$ 8,980,449
Equity securities:				
Corporate stocks	15,791,730	-	-	15,791,730
Mutual funds	319,715	-	-	319,715
Exchange-traded funds	<u>199,717</u>	-	-	<u>199,717</u>
Total	<u>\$ 25,291,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,291,611</u>
<u>Investment Type</u>	2019			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income securities:				
Bond mutual funds	\$ 7,719,997	\$ -	\$ -	\$ 7,719,997
Equity securities:				
Corporate stocks	5,387,123	-	-	5,387,123
Mutual funds	2,278,084	-	-	2,278,084
Exchange-traded funds	6,831,050	-	-	6,831,050
Mutual funds - alternative strategies	<u>2,670,359</u>	-	-	<u>2,670,359</u>
Total	<u>\$ 24,886,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,886,613</u>

As presented in the accompanying statements of financial position, invested resources of the College's endowment are presented as non-current assets and other investments in securities are included within current assets. The balances of each were as follows at June 30:

	<u>2020</u>	<u>2019</u>
Endowment investments in securities	\$ 18,648,289	\$ 19,194,229
Short-term investments in securities	<u>6,643,322</u>	<u>5,692,384</u>
Total	<u>\$ 25,291,611</u>	<u>\$ 24,886,613</u>

The College has an investment return allocation policy which allowed for appropriations up to 5% of the twelve-quarter trailing market average of the investment portfolio, including the Board designated endowment fund which includes land held for investment (see Notes 2 and 5). In accordance with the College's investment return allocation policy (see Note 2), the College appropriated \$1,701,023 and \$1,601,015 for current operations from Board designated and donor endowment funds, which included \$939,063 and \$908,438 appropriated based on the value of the investment in land for the years ended June 30, 2020 and 2019, respectively (see Note 5). Investment return designated for current operations also includes \$150,723 and \$230,830 for the years ended June 30, 2020 and 2019, respectively, earned on investments without donor restrictions and certain restricted cash balances (see Note 8).

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

4. INVESTMENTS IN SECURITIES (Continued)

The following schedule summarizes the investment return and its classification in the accompanying statements of activities (including change in appreciation of land held for investment) for the years ended June 30:

<u>2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income, net of fees	\$ 110,269	\$ 396,855	\$ 507,124
Net realized gains	428,076	2,300,408	2,728,484
Net unrealized losses	<u>(387,622)</u>	<u>(2,083,015)</u>	<u>(2,470,637)</u>
	150,723	614,248	764,971
Less - investment return designated for current operations	<u>(1,089,786)</u>	<u>(761,960)</u>	<u>(1,851,746)</u>
Investment return reduced by spending policy	<u>\$ (939,063)</u>	<u>\$ (147,712)</u>	<u>\$ (1,086,775)</u>
<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income, net of fees	\$ 85,822	\$ 367,297	\$ 453,119
Net realized gains	7,194	47,727	54,921
Net unrealized gains	137,814	914,417	1,052,231
Adjustment to carrying value of land held for investment (see page 10)	<u>300,000</u>	<u>-</u>	<u>300,000</u>
	530,830	1,329,441	1,860,271
Less - investment return designated for current operations	<u>(1,139,268)</u>	<u>(692,577)</u>	<u>(1,831,845)</u>
Investment return reduced by spending policy	<u>\$ (608,438)</u>	<u>\$ 636,864</u>	<u>\$ 28,426</u>

Investment fees were \$64,671 and \$90,815 for the years ended June 30, 2020 and 2019, respectively, and have been netted against investment income.

REGIS COLLEGENotes to Financial Statements
June 30, 2020 and 2019**5. ENDOWMENT**

A reconciliation of endowment activity is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 17,920,521	\$ 23,191,352	\$ 41,111,873
Total investment returns	-	1,329,441	1,329,441
Contributions	-	695,228	695,228
Adjustment to the carrying value of investment in land	300,000	-	300,000
Appropriation of endowment assets for expenditure (see Note 4)	<u>(908,438)</u>	<u>(692,577)</u>	<u>(1,601,015)</u>
Net change in endowment	<u>(608,438)</u>	<u>1,332,092</u>	<u>723,654</u>
Endowment net assets, June 30, 2019	<u>17,312,083</u>	<u>24,523,444</u>	<u>41,835,527</u>
Total investment returns	-	614,248	614,248
Contributions	-	999,431	999,431
Appropriation of endowment assets for expenditure (see Note 4)	<u>(939,063)</u>	<u>(761,960)</u>	<u>(1,701,023)</u>
Net change in endowment	<u>(939,063)</u>	<u>851,719</u>	<u>(87,344)</u>
Endowment net assets, June 30, 2020	<u>\$ 16,373,020</u>	<u>\$ 25,375,163</u>	<u>\$ 41,748,183</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Building and land improvements	\$ 59,261,579	\$ 57,715,415
Buildings	42,219,148	42,219,148
Furniture and equipment	14,360,847	14,056,129
Sewer facilities	5,306,177	5,306,177
Computer equipment	3,686,263	3,533,552
Land	522,323	522,323
Vehicles	<u>192,177</u>	<u>174,517</u>
	125,548,514	123,527,261
Less - accumulated depreciation	<u>77,898,259</u>	<u>74,045,164</u>
Net property and equipment placed in service	47,650,255	49,482,097
Work in progress	<u>428,297</u>	<u>573,130</u>
Total	<u>\$ 48,078,552</u>	<u>\$ 50,055,227</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$3,853,095 and \$3,800,839, respectively. Work in progress consists of ongoing projects that had not been placed into service as of year-end.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

7. SPLIT-INTEREST AGREEMENTS

Gifts Subject to Life Interests

The College has entered into charitable gift annuity contracts with multiple donors. Under such contracts, donors transfer assets to the College in return for promises by the College to pay specific annuities to designated beneficiaries for their lifetimes. Under these arrangements, the obligation to make annuity payments is guaranteed by all the assets of the College. Upon the death of a beneficiary, the annuity payment obligation ceases.

The changes in split-interest agreement liabilities are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 152,665	\$ 156,947
New gifts	10,000	10,000
Change in value	10,463	9,505
Payments	<u>(24,477)</u>	<u>(23,787)</u>
Ending balance	<u>\$ 148,651</u>	<u>\$ 152,665</u>

The ending balance of split-interest agreement liabilities is included in deposits and other long-term payables in the accompanying statements of financial position at June 30, 2020 and 2019.

Contributions implicit in these split-interest agreements are generally recorded as increases in net assets without donor restrictions, unless the donor has permanently restricted the College's use of future distributions of assets or imposed other donor restrictions on the use of the transferred assets.

The present value of gifts subject to life interests is calculated using interest rates and life expectancy tables. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy (see Note 2).

8. RESTRICTED CASH

Self-Funded Health Care Plan Escrow

Under the self-funded health care plan participation agreement (see Note 16), the College maintains a separate cash account to be utilized for the deposit of monthly fees and the payment of monthly claims, as outlined in the agreement.

MDFA Restricted Reserves

Under the 2013 bond payable agreement with the Massachusetts Development Finance Agency (MDFA) (see Note 10), the College is required to maintain a debt service reserve fund. The debt service reserve fund requires the lesser of \$1,000,000 or the amount which is approximately equal to the maximum amount of principal and interest due in a year. This account was adequately funded at June 30, 2020 and 2019.

REGIS COLLEGE

Notes to Financial Statements
June 30, 2020 and 2019

8. RESTRICTED CASH (Continued)

Nursing Faculty Loan Program

During fiscal year 2009, the College entered into an agreement with the Nurse Faculty Loan Program (NFLP), Section 846A of the Public Health Service Act, to establish and operate a student loan fund to increase the number of qualified nursing faculty (see Note 11). In accordance with the terms of the agreement, the College has established a loan fund to be used only for making NFLP loans to eligible students and for the costs associated with collection of these loans. During the year ended June 30, 2020, there were no Federal or institutional capital contributions and the College issued loans of \$728,286. During the year ended June 30, 2019, the College deposited into the fund the Federal capital contribution of \$659,978 and the institutional capital contribution of \$73,331, and issued loans of \$263,876.

Restricted cash consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Current portion:		
Self-Funded Health Care Plan Escrow	\$ <u>1,866,198</u>	\$ <u>1,528,089</u>
Non-current portion:		
MDFA debt service reserve funds - 2013 Bonds	1,032,603	1,020,069
Nursing Faculty Loan Program	<u>513,878</u>	<u>1,140,244</u>
	<u>1,546,481</u>	<u>2,160,313</u>
Total restricted cash	\$ <u>3,412,679</u>	\$ <u>3,688,402</u>

9. NOTES PAYABLE TO A BANK

The College has a line of credit agreement with a bank in the amount of \$15,000,000. Borrowings under the agreement bear interest at the bank's base lending rate (3.25% and 5.00% at June 30, 2020 and 2019, respectively). The line of credit is secured by the real estate of the College and expires in July 2021. The College must also maintain compliance with certain covenants as specified in the agreement. The College was in compliance with these covenants at June 30, 2020. The College was not in compliance with these covenants at June 30, 2019, and received a waiver. As of June 30, 2020 and 2019, there was an outstanding balance of \$5,000,000 and \$4,500,000, respectively, under this agreement, which is due upon expiration. The agreement has a thirty-day cleanup provision for balances exceeding \$5,000,000.

In March 2017, the College entered into a term note agreement with a bank in the amount of \$1,500,000. Commencing in May 2017, payments of principal and interest of \$15,494 became due monthly through April 2027, at which time all amounts outstanding will become payable. Borrowings under this agreement bear interest at 4.97% per annum. The agreement is secured by tuition receipts, investments in securities, land, and land improvements. The outstanding balance under this agreement was \$1,104,031 and \$1,235,917 as of June 30, 2020 and 2019, respectively.

Interest Expense

Interest expense on the notes payable was \$247,861 and \$242,826 for the years ended June 30, 2020 and 2019, respectively.

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9. NOTES PAYABLE TO A BANK (Continued)**Maturities**

Maturities of the notes payable for the next five years are as follows for the years ending June 30:

2021	\$ 139,452
2022	\$ 5,146,644
2023	\$ 154,206
2024	\$ 162,082
2025	\$ 170,517

10. BONDS PAYABLE

In June 2013, the College entered into a tax-exempt bond financing agreement in the amount of \$50,000,000 issued by the MDFA to pay off pre-existing bonds and other long-term debt and to finance project costs associated with the College's master plan. The bonds are general obligations of the College, collateralized by a mortgage, loan and security agreement, pledge and tuition receipts of the College, a debt service reserve fund (see Note 8), as well as a negative pledge on certain investments in securities. Payments of principal and interest of are due monthly through June 2043, subject to adjustment for interest rate changes. The bonds carried an initial fixed rate of 3.4%, which was adjusted to 2.93% in June 2020. This rate was adjusted at the seven-year anniversary date of the bonds, and will be adjusted every seven years thereafter until maturity, based upon the seven-year Federal Home Loan Bank rate, plus 250 basis points.

Bonds payable, net of unamortized debt issuance costs, consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Bonds payable	\$ 44,214,491	\$ 45,450,221
Less - unamortized debt issuance costs	<u>211,819</u>	<u>223,240</u>
	44,002,672	45,226,981
Less - current portion	<u>1,360,874</u>	<u>1,235,730</u>
Bonds payable and unamortized debt issuance costs, net of current portion	<u>\$ 42,641,798</u>	<u>\$ 43,991,251</u>

Unamortized debt issuance costs are amortized over the thirty-year bond term using the straight-line method, which approximates the effective interest method. Amortization expense was approximately \$11,400 and \$12,500 for the years ended June 30, 2020 and 2019, respectively.

Interest Expense

Interest incurred on the bonds payable was \$1,598,738 and \$1,652,642 for the years ended June 30, 2020 and 2019, respectively.

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10. BONDS PAYABLE (Continued)

Maturities

Maturities of bonds payable for the next five years are as follows for the years ending June 30:

2021	\$ 1,360,874
2022	\$ 1,401,869
2023	\$ 1,444,099
2024	\$ 1,484,400
2025	\$ 1,532,318

The bonds payable agreements contain certain financial covenants, with which the College was in compliance as of June 30, 2020. The College was not in compliance as of June 30, 2019, and received a waiver.

11. ADVANCES FOR FEDERAL STUDENT LOANS

The Perkins Loan Program is a campus-based revolving Federal program governed under Title IV, with loans having a 5% fixed interest rate and nine-month payback deferral after graduation or non-enrollment. To obtain these funds, various documentation must be completed by the student and the College including: application, interview, promissory note, cancellation provisions, repayment schedule, and Federal reporting requirements. The College uses a third-party service to assist in the recording and collection effort. Enrollment criteria for the Perkins Loan Program includes: citizenship, enrollment in a full-time or part-time master's or doctorate program, maintaining enrollment for two consecutive terms, and good academic standing. The annual loan amount is restricted to \$30,000 per year. There was \$1,935,470 and \$2,070,255 of Perkins Loan Program advances outstanding as of June 30, 2020 and 2019, respectively, which are included in advances for Federal student loans in the accompanying statements of financial position.

The U.S. Department of Education is in the process of terminating the Perkins Loan Federal Program and requiring repayment of the Federal share of the loan program. The College is in the process of evaluating their options and is awaiting further instructions from the U.S. Department of Education. The College received notification of the first close out payment due to the Department of Education in December 2019 and a payment of \$259,716 was made in January 2020.

The Nursing Faculty Loan Program is administered under the Title VIII Public Health Service Act, designed to increase the number of qualified nursing faculty by providing loans to students in advanced education nursing programs. Loans have a 3% fixed interest rate and nine-month deferral after graduation or non-enrollment. In addition, failure to teach thereafter results in an immediate payback at a higher market interest rate. After graduation, up to 85% of students' loan balances may be forgiven over a consecutive four-year period while serving as a full-time teacher. There was \$641,389 and \$1,282,234 of Nursing Faculty Loan Program funds outstanding as of June 30, 2020 and 2019, respectively, which are included in advances for Federal student loans in the accompanying statements of financial position.

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12. DEFERRED TUITION, FEES AND OTHER

Deferred tuition, fees and other consist of nonrefundable student deposits, daycare deposits, and fees received in advance of services performed. The current portion as of June 30, 2020 and 2019, is comprised of the following:

	<u>2020</u>	<u>2019</u>
Student deposits	\$ 5,044,847	\$ 5,330,164
Daycare fees and other	85,265	370,372
Deferred rent	<u>15,802</u>	<u>47,362</u>
Total	<u>\$ 5,145,914</u>	<u>\$ 5,747,898</u>

13. RETIREMENT AND OTHER PLANS

The College maintains a defined contribution retirement plan (the Plan) under IRC Section 403(b) covering all benefit-eligible employees who had attained the age of twenty-one and provided a minimum expected work schedule of 1,000 hours annually. The Plan allows the College to make discretionary contributions to the Plan. The College elected to contribute 2.5% of employee salaries for the years ended June 30, 2020 and 2019, and made contributions totaling \$616,715 and \$595,230, respectively.

The College also maintained another IRC Section 403(b) Retirement Plan covering all employees of the College. The College may elect to contribute to the Plan as defined in the plan document. Effective January 1, 2020, this plan was merged into the Plan noted above.

The College entered into a deferred compensation agreement with the President of the College commencing on July 1, 2016. The College agreed to provide the President with a cash deferred compensation payable by March 15, 2022, in the amount of annual rate of base salary on June 30, 2021, plus an amount equal to the annual employer contribution toward health insurance provided she remains President for five years. At June 30, 2020 and 2019, \$320,000 and \$240,000, respectively, were accrued under this agreement and are included in deposits and other long-term payables in the accompanying statements of financial position.

14. CONCENTRATIONS

The College maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The College has not experienced any losses in such accounts. Management believes the College is not exposed to any significant credit risk on its cash balances.

The College grants credit without collateral to some students and their families.

15. CONTINGENCIES

Legal Cases

The College is engaged in legal cases that have arisen in the normal course of its operations. The College believes that the outcome of these cases will not have a material adverse effect on the financial position of the College.

15. CONTINGENCIES (Continued)

Coronavirus Pandemic

In March 2020, the COVID-19 coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the College, its operations, timing of closings for projects currently in development, and future financial statements. The accompanying financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the College is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the College is unable to accurately predict how the Coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

In March 2020, the College elected to defer the deposit and payment of the College's share of Social Security tax that would otherwise be due on or after March 27, 2020, and before January 1, 2021, under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. In order for deferred deposits of the employer's share of Social Security to be treated as timely, 50% of the deferred amount must be deposited by December 31, 2021, and the remaining amount by December 31, 2022. The accrued balance of \$475,826 is included in accounts payable and accrued expenses and deposits and other long-term payables in the accompanying statement of financial position at June 30, 2020, based on repayment terms.

16. COMMITMENTS

Self-Funded Health Care Plan

The College has an annual agreement with a consortium of education institutions to coordinate management of its self-funded health care plan. The agreement requires the College to pay various program funding obligations, including health care plan benefits up to \$60,000 per employee per plan year, administrative services, premiums for stop-loss coverage, and required capital contributions, as outlined in the agreement. As of June 30, 2020 and 2019, the College has accrued \$159,086 and \$181,162, respectively, related to the self-funded health care plan, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. The College estimates liabilities and risk based on an actuarial report, and actual claims could exceed such estimates.

As of June 30, 2020 and 2019, the College had accumulated an equity position in the plan of \$895,207 and \$1,032,358, respectively, which is comprised of capital contributions and the College's share of the plan's accumulated surplus. This amount is reflected as other asset in the accompanying statements of financial position. The College received a distribution of \$166,327 during the year ended June 30, 2020. The College also maintains a self-funded health care plan escrow account, which is included in current portion of restricted cash in the accompanying statements of financial position (see Note 8).

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Notes to Financial Statements
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16. COMMITMENTS (Continued)

Food Services Management Agreement

Effective July 1, 2014, the College entered into a ten-year agreement with a food services provider to provide exclusive meal and dining services, with an option for the College to extend an additional two years. As part of this agreement, the food services provider paid the College \$900,000 for renovations and the purchase of certain equipment and upgrades to the dining space. The agreement stipulates that the College will amortize the amount paid over a twelve-year period and any unamortized amount will be due back to the food services provider in the event of cancellation or termination. For the years ended June 30, 2020 and 2019, the College recognized \$75,000, which is included in other income in the accompanying statements of activities. The unamortized amounts of \$450,000 and \$525,000 are included in deposits and other long-term payables in the accompanying statements of financial position as of June 30, 2020 and 2019, respectively.

Online Learning Services

Effective February 26, 2016, the College entered into an agreement with a vendor (the Vendor) for the purposes of marketing, promoting and delivering e-learning programs to students of the College. Under the agreement, the College is obligated to contribute the foundational academic and educational content to be communicated to program students. The Vendor is obligated to contribute intellectual property, including a platform for delivering e-courses. The initial term of the agreement is through September 2027. Under the agreement, the College remits to the Vendor an amount up to 55% of tuition collected for courses administered. During fiscal years 2020 and 2019, the College incurred fees of \$12,404,701 and \$7,312,331, respectively, to the Vendor, which is reflected as online support services in the accompanying statements of functional expenses. As of June 30, 2020 and 2019, the College has accrued \$6,952,073 and \$1,733,047, respectively, for amounts owed to the Vendor, which are included in accounts payable and accrued expenses in the accompanying statements of financial position.

Lease Agreements

Effective May 18, 2018, the College entered into a one-year lease agreement for space and dental equipment to be used for dental programming. The lease commenced on August 1, 2018, and was extended through July 2020, but was terminated early in September 2019. At the conclusion of the lease agreement, the College took ownership of the leased equipment.

Future minimum lease payments, including the extension, under the agreement are \$15,000 for fiscal year 2021.

Effective January 29, 2019, the College entered into a seven-year and three-month lease agreement for space to be used for relocation of the dental hygiene clinic. The lease commenced during fiscal year 2020 upon completion of renovations of the space. The monthly lease amount ranges from \$23,609 to \$29,730 and the College is responsible for certain routine maintenance and direct expenses of the facility. Under the agreement, the College also received the first three months of rent free of charge.

Memorandum of Understanding

The College has entered into a memorandum of understanding agreement with another college (the Associate) to provide certain programming through September 1, 2025. Under the agreement, the College has access to certain facilities of the Associate, as outlined in the agreement. The College is required to pay on a square footage basis for the use of such space, in addition to clerical and security related charges.

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17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the College within one year from the statements of financial position date are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 5,736,338	\$ 318,373
Short-term investments in securities	6,643,322	5,692,384
Student accounts receivable, net of allowance	1,449,494	1,464,762
Current portion of pledges receivable	1,235,595	709,441
Other current assets	<u>567,850</u>	<u>799,524</u>
Total financial assets	15,632,599	8,984,484
Less - amounts restricted by donors for a specific purpose	<u>(3,417,616)</u>	<u>(2,897,254)</u>
	<u>\$ 12,214,953</u>	<u>\$ 6,087,230</u>

The College has a policy to structure its financial assets to be available and liquid as its obligations become due. The College has financial assets equal to approximately two and one month of operating expenses as of June 30, 2020 and 2019, respectively. In addition, the College has a line of credit agreement (see Note 9) which allows for additional available borrowings up to \$10,000,000 as of June 30, 2020, and \$10,500,000 as of June 30, 2019.