Wheaton College

Financial Statements
June 30, 2021

Contents

RSM

RSM US LLP

Independent Auditor's Report

Board of Trustees
Wheaton College

We have audited the accompanying financial statements of Wheaton College, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Wheaton College as of June 30, 2021 and 2020, 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.

RSM US LLP

Boston, Massachusetts
October 22, 2021

Wheaton College

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 14,050,851	$ 13,701,939
Receivables and other assets, net	1,683,734	2,968,176
Deposits held by bond trustees	24,106,048	3,914,150
Contributions receivable, net	11,179,294	11,178,995
Student loans receivable, net	1,444,814	1,885,152
Investments	274,366,806	217,245,747
Restricted cash	11,746,685	3,207,653
Land, buildings and equipment, net	120,490,931	119,983,198
Total assets	$ 459,069,163	$ 374,085,010
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 9,509,562	$ 6,406,311
Deposits and deferred revenue	904,021	2,972,357
Annuity and life income obligations	1,378,115	1,349,988
Government advances for student loans	1,646,218	2,452,830
Asset retirement obligations	1,865,161	1,767,770
Bonds and loans payable	94,201,373	71,014,562
Total liabilities	109,504,450	85,963,818
Net assets:		
Without donor restrictions	95,998,634	95,381,526
With donor restrictions	253,566,079	192,739,666
Total net assets	349,564,713	288,121,192
Total liabilities and net assets	$ 459,069,163	$ 374,085,010

See notes to financial statements.

Wheaton College

Statement of Activities
Year Ended June 30, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating revenues:				
Tuition and fees - net of scholarships and grants of $59,631,348 and $59,952,522, respectively	$ 33,628,875	$ -	$ 33,628,875	$ 35,666,773
Room and board	15,186,803	-	15,186,803	17,076,414
Net student revenues	48,815,678	-	48,815,678	52,743,187
Other auxiliary services	647,261	-	647,261	2,193,724
Private gifts, bequests, and grants	3,451,040	1,830,476	5,281,516	7,042,775
Government grants and contracts	3,059,713	-	3,059,713	1,194,167
Other revenues	1,345,122	32,666	1,377,788	700,848
Endowment return utilized for operations	3,632,029	9,169,495	12,801,524	10,706,437
Net assets released from restrictions	10,405,900	(10,405,900)	-	-
Total operating revenues	71,356,743	626,737	71,983,480	74,581,138
Operating expenses:				
Instruction	25,562,439	-	25,562,439	30,250,781
Academic support	4,441,091	-	4,441,091	5,082,494
Student services	16,663,174	-	16,663,174	14,802,542
Institutional support	15,224,900	-	15,224,900	15,859,305
Auxiliary services	15,985,064	-	15,985,064	15,183,020
Total operating expenses	77,876,668	-	77,876,668	81,178,142
Operating subtotal	(6,519,925)	626,737	(5,893,188)	(6,597,004)
Nonoperating:				
Private gifts and pledges	3,051	20,025,989	20,029,040	8,506,003
Loss on defeasance of debt	(1,046,844)	-	(1,046,844)	-
Net investment return	11,812,855	49,343,182	61,156,037	3,591,708
Endowment return utilized for operations	(3,632,029)	(9,169,495)	(12,801,524)	(10,706,437)
Nonoperating subtotal	7,137,033	60,199,676	67,336,709	1,391,274
Change in net assets	617,108	60,826,413	61,443,521	(5,205,730)
Net assets at beginning of year	95,381,526	192,739,666	288,121,192	293,326,922
Net assets at end of year	$ 95,998,634	$ 253,566,079	$ 349,564,713	$ 288,121,192

See notes to financial statements.

Wheaton College

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Operating revenues:			
Tuition and fees - net of scholarships and grants of $59,952,522	$ 35,666,773	$ -	$ 35,666,773
Room and board	17,076,414	-	17,076,414
Net student revenues	52,743,187	-	52,743,187
Other auxiliary services	2,193,724	-	2,193,724
Private gifts, bequests, and grants	3,234,956	3,807,819	7,042,775
Government grants and contracts	1,194,167	-	1,194,167
Other revenues	669,449	31,399	700,848
Endowment return utilized for operations	3,269,685	7,436,752	10,706,437
Net assets released from restrictions	9,517,717	(9,517,717)	-
Total operating revenues	72,822,885	1,758,253	74,581,138
Operating expenses:			
Instruction	30,250,781	-	30,250,781
Academic support	5,082,494	-	5,082,494
Student services	14,802,542	-	14,802,542
Institutional support	15,859,305	-	15,859,305
Auxiliary services	15,183,020	-	15,183,020
Total operating expenses	81,178,142	-	81,178,142
Operating subtotal	(8,355,257)	1,758,253	(6,597,004)
Nonoperating:			
Private gifts and pledges	188,135	8,317,868	8,506,003
Net assets released from restrictions	400,000	(400,000)	-
Net investment return	1,036,303	2,555,405	3,591,708
Endowment return utilized for operations	(3,269,685)	(7,436,752)	(10,706,437)
Nonoperating subtotal	(1,645,247)	3,036,521	1,391,274
Change in net assets	(10,000,504)	4,794,774	(5,205,730)
Net assets at beginning of year	105,382,030	187,944,892	293,326,922
Net assets at end of year	$ 95,381,526	$ 192,739,666	$ 288,121,192

See notes to financial statements.

Wheaton College

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 61,443,521	$ (5,205,730)
Adjustments to reconcile change in net assets to net cash used inoperating activities:		
Depreciation, amortization and accretion	8,305,052	7,817,202
Loss on defeasance of debt	1,046,844	-
Net losses on asset disposal and asset retirement obligations	3,755	21,159
Net realized and unrealized (gains) losses on investments	(57,185,481)	3,540,926
Contributions restricted for long-term investments	(14,841,902)	(6,705,135)
Donated securities	(2,486,749)	(2,175,093)
Proceeds from sale of donated securities	1,122,143	945,773
Donated tangible assets	-	(194,100)
Recoveries of uncollectible accounts	295,963	(46,992)
Change in operating assets and liabilities:		
Receivables and other assets	1,329,442	(1,153,333)
Contributions receivable	(341,262)	(4,178,820)
Accounts payable and accrued expenses	1,282,489	(694,271)
Deposits and deferred revenue	(2,068,336)	1,559,722
Net cash used in operating activities	(2,094,521)	(6,468,692)
Cash flows from investing activities:		
Student loans issued	(14,000)	(57,842)
Student loans repaid	454,338	444,634
Purchase of land, buildings and equipment	(7,171,474)	(8,075,182)
Sales of investments	100,318,393	290,849,344
Purchases of investments	(100,253,971)	(291,176,352)
Net cash used in investing activities	(6,666,714)	(8,015,398)
Cash flows from financing activities:		
Proceeds from bonds and loans payable	37,378,372	6,500,042
Payments on bonds and loans payable	(14,529,018)	(2,942,038)
Payment of debt issuance costs	(436,300)	-
Change in annuity and life income obligations	28,127	(178,098)
Change in advances for student loans	(806,612)	120,203
Contributions restricted for long-term investments	14,841,902	6,705,135
Proceeds from sale of donated securities for long-term purposes	1,364,606	1,229,320
Net cash provided by financing activities	37,841,077	11,434,564
Change in cash, cash equivalents and restricted cash	29,079,842	(3,049,526)
Cash, cash equivalents and restricted cash at beginning of year	20,823,742	23,873,268
Cash, cash equivalents and restricted cash at end of year	$ 49,903,584	$ 20,823,742
Supplemental data:		
Noncash financing activity: Gifts of securities	$ 2,486,749	$ 2,175,093
Noncash investing activity: Gifts of tangible assets	$ -	$ 194,100
Fixed asset additions remaining in accounts payable	$ 2,435,739	$ 614,977
Interest paid	$ 2,715,916	$ 2,884,484

See notes to financial statements.

Note 1. Nature of Business

Wheaton College (the College) is a private, coeducational, liberal arts college located in Norton, Massachusetts and is accredited by the New England Commission of Higher Education, Inc. Founded as a Female Seminary in 1834 and chartered as a four-year college in 1912, the College became coeducational in 1988. The College provides academic, residential and other services to a diverse student population of more than 1,700 drawn from schools predominately in the Northeast region of the United States, as well as from many other U.S. states and territories and more than 40 countries.

The College's mission is to provide a transformative liberal arts education for intellectually curious students in a collaborative, academically vibrant residential community that values a diverse world. The curriculum features more than 100 majors and minors in the arts, business, humanities, natural sciences, and social sciences. The College offers the Bachelor of Arts degree at the undergraduate level, and the Masters of Arts degree under special circumstances.

The College participates in student financial aid programs sponsored by the United States Department of Education, the Commonwealth of Massachusetts, and other states within the United States of America, which facilitate the payment of tuition and other expenses for students.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The College's financial statements have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (U.S. GAAP) which require that the College report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> ***Net assets without donor restrictions:*** Net assets are available for general use and not subject to donor restrictions. The Board of Trustees (Board) has designated from net assets without donor restrictions, net assets for endowment. The College's policy is to designate unrestricted donor gifts at the discretion of the Board. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and student loans and undesignated funds.
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> ***Net assets with donor restrictions:*** Net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Operating activities: The statements of activities include most of the College's revenues and expenses as part of operating activities, including endowment income appropriated under the endowment spending policy. Items not included represent private gifts and pledges, loss on defeasance of debt, net assets released from restriction for capital and long-term purposes, and net investment return.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measurements include the College's investment accounts, funds restricted for property acquisitions and deposits held by bond trustees. Nonrecurring measurements include contributions receivable, annuity and life income obligations and the asset retirement obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value (NAV) per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the College to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

The College's endowment investments include alternative investments for which the College has reported using NAV reported by each of the underlying funds. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds. Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash, cash equivalents and restricted cash: Cash and cash equivalents consist principally of accounts with maturities of three months or less when purchased. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment. The College maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any material losses in such accounts.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2021	2020
Cash and cash equivalents	$ 14,050,851	$ 13,701,939
Deposits held by bond trustees	24,106,048	3,914,150
Restricted cash	11,746,685	3,207,653
	$ 49,903,584	$ 20,823,742

Included in cash and cash equivalents is $443,480 and $529,467 of funds held for the Federal Perkins Loan Program (Perkins Loans) at June 30, 2021 and 2020, respectively, which is described more fully later in these notes.

Deposits held by bond trustees are reported at fair value and consist of unexpended debt proceeds for construction purposes and funds held for debt service that have been invested in high-quality money market instruments and have been deposited with trustees as required under certain loan agreements. Fair value is determined as per the fair value measurements policy discussed previously in this section utilizing Level 1 inputs. These amounts have been designated for specific purposes within net assets without donor restrictions on the statements of financial position.

Restricted cash primarily represents amounts held by the College to pay down debt related to ongoing construction projects. Restricted cash is reported at cost plus accrued interest with such amounts being held primarily in money market funds.

Receivables and other assets: Receivables and other assets consists of prepaid expenses, student accounts receivables and third-party receivables. Student accounts are reported at their net realizable value. Students are billed based on dates outlined in the academic calendar as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprise charges are generally due by the start of the academic period with the recognition that payments being made by the Department of Education (DOE) or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts that are paid are specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized. Management estimates the allowance for uncollectible accounts by identifying problematic accounts and by using historical experience applied to the remainder of the balances. Student accounts are written off only when they are deemed permanently uncollectible. Student accounts receivable are net of an allowance for doubtful accounts of $390,000 and $435,000 as of June 30, 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

The College received funding from the Federal government through three grants as part of the Higher Education Emergency Relief Fund (HEERF). The total amount of the grant received during the year ended June 30, 2020 was $1,338,514 and the grant included a requirement that the College use no less than 50% of the funds for emergency financial aid grants to students and the remainder for institutional expenses. Under the terms of the grant, the College was only eligible to receive the institutional portion if it first distributes the grants to the students. In June 2020, the College distributed $669,257 of the funds to eligible students to help offset the expenses related to the disruption of campus operations in the spring of 2020.The institutional portion contained barriers relating to entitlement and limited discretion over the types of expenditures that funds can be used for. As of June 30, 2020, the College had met the barrier related to entitlement by signing the grant certification agreement for the student portion of the funding, but it had not met the barrier relating to the expenditure of funds. The grants are considered conditional and the College had a right to the funds and as a result, there is $669,257 included in receivables and other assets as well as in government advances for student loans as of June 30, 2020 in the accompanying statement of financial position. The College met the expenditure barrier during the year ended June 30, 2021 and recognized the remaining portion of this grant.

During the year ended June 30, 2021 the College was authorized to receive an additional $2,420,218 directed towards emergency financial aid to students and $3,017,008 directed towards institutional expenses. As of June 30, 2021, the College had met the conditions of $1,935,305 of the 2021 grants which are recorded within government grants and contracts in the accompanying statement of activities. $304,000 of the grant was drawn on prior to June 30, 2021, however the barrier relating to expenditure of the funds was not satisfied. The amount drawn down is considered a conditional grant that is recorded in governmental advances for student loans as of June 30, 2021 in the accompanying statement of financial position. The balance of the grants awarded, $3,197,921 has not yet been drawn on or expended during the year ended June 30, 2021 and is expected to be recognized during the year ended June 30, 2022.

Contributions receivable: Contributions receivable are initially recorded at their fair value utilizing Level 2 or Level 3 inputs based on the present value using a risk adjusted discount rate (ranging from 3.16% to 6.38%) taking into account expected collections. Amortization of the discount is included in private gifts and pledges revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance based on a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Adjustments to the allowance are charged to private gift and grant revenue. An account is considered uncollectible when all collection efforts have been exhausted.

Beneficial interest in charitable trusts: The College is the beneficiary of a number of charitable trusts or split interest agreements, which are included in contributions receivable, net on the statements of financial position. The College is also the beneficiary of perpetual trusts, which are included in investments on the statements of financial position. The College initially recognizes a contribution as well as an interest in the underlying investment from which a specified amount or percentage of the fair value of the trusts' assets each year is currently being paid to the donor or named beneficiary.

The life expectancy of the beneficiary is used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

Note 2. Summary of Significant Accounting Policies (Continued)

For trust agreements and trust assets maintained by an outside trustee, the College includes in contributions receivable the value of the estimated future benefits to be received when the assets are distributed. Adjustments to reflect the changes in the fair value of the investments, revaluation of the present value of the estimated future payments to the donors and/or donors' stated beneficiaries, and changes in the assumptions during the term of the trust are made to the charitable trusts within the contributions receivable account and are recognized as changes in net investment return in their respective net asset classes in the statements of activities.

Student loans receivable and government advances for student loans: Student loans receivable are recorded at their estimated net realizable value. Student Perkins loans are funded through federal government loan programs or institutional resources. For all loans, management estimates the allowance for credit losses based on historical collection experience and current economic conditions.

The DOE has ended the Perkins program and as funds are collected such amounts will be returned to the DOE and the College as applicable based on original funding. Perkins loans that are in default and meet certain requirements can be assigned to the DOE, which reduces the government advances for student loans.

Investments: Investments include endowment, charitable gift annuities, pooled life income funds, perpetual trusts and operating investments without donor restrictions. Investments are reported at fair value. Fair value is determined pursuant to the fair value measurements policy.

Net investments return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Land, buildings and equipment: Land, buildings and equipment are valued at cost of acquisition or construction or at fair value at the date of the gift utilizing Level 2 and Level 3 inputs such as appraisals if donated, less accumulated depreciation, computed on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10 years
Buildings	40 years
Building improvements	10-20 years
Equipment	3-7 years
Automobiles	3 years

Land, buildings and equipment, including related accumulated depreciation, are removed from the College's records at the time of disposal and any resulting gain or loss is reflected in the statements of activities as unrestricted other revenue. Ordinary repairs and maintenance are charged to expenses, and major improvements are capitalized in accordance with a management-established threshold. Costs associated with ongoing projects are accumulated as construction in progress until completed. The completed asset is then reclassified to property and equipment depreciated over its useful life.

Note 2. Summary of Significant Accounting Policies (Continued)

The College has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the statements of activities as support without donor restrictions or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the College is protecting and preserving essentially undiminished the service potential of the collection item. The College’s collections consist of works of art and rare books which are considered inexhaustible because they have historical or cultural value that will be preserved and, therefore, are not subject to depreciation. The College does allow for proceeds from the sale of deaccessioned items to be used for the direct care of the collection. The College defines direct care as investment in the collection by strengthening its usefulness through the purchase of new objects, the conservation and care of existing objects and financial support for the position of curator.

Debt issuance costs and premium: The College incurred certain issuance costs related to the issuance of debt, which are presented on the statements of financial position as a direct deduction from bonds and loans payable and are being amortized over the term of the respective bonds and loans. Certain bonds were issued with a premium which is amortized over the life of the bonds.

Impairment of long-lived assets: Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the College compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the years ended June 30, 2021 and 2020, no impairment indicators were identified.

Deposits and deferred revenues: Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Annuity and life income obligations: The College’s split-interest agreements consist of charitable gift annuities, pooled life income funds and charitable remainder trusts for which the College is the trustee. The annuity and life income obligations associated with these arrangements are recorded at the present value of the aggregate liability to the beneficiaries based upon their life expectancy, utilizing a discount rate at the original date of the instrument (ranging from 1.8% to 7.0%). Life expectancies are periodically updated to reflect current expectations.

Asset retirement obligations: An asset retirement obligation (ARO) is a conditional legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value utilizing Level 2 inputs and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the ARO and the liability recorded will be recognized as a gain or loss in the statements of activities as other revenue without donor restrictions. The asset retirement obligation outstanding is $1,865,161 and $1,767,770 as of June 30, 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: The College uses a five-step model for revenue recognition defined by Accounting Standards Codification (ASC) Topic 606 which requires the College to (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 the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

The College derives revenues primarily through tuition, fees and auxiliary services all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students; therefore, amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of the satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund prior to the start of classes declining to no refund at 29 days after the start of classes. Given the normal timing of the College's programs the exposure to such is limited at year-end.

Payments made by third parties such as the DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College.

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long lived asset is placed into service.

Note 2. Summary of Significant Accounting Policies (Continued)

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Building rental income and grant and contract income is recorded as revenue over time as earned.

Investment returns are reported as revenue based on the fair value of such investments at year-end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Grants and contracts: Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. The College recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a predetermined fixed indirect cost rate.

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of ASC Topic 606 and are recognized as the performance obligations are satisfied.

Functional allocation of expenses: The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The functional expenses disclosure presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operation and maintenance of plant is allocated to program and supporting activities based upon building usage. Depreciation of plant assets and operation is allocated based on the functional classifications based on the use of the asset. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt. Included in institutional support expenses are costs associated with carrying out the fundraising activities of the College, which amounted to $3,974,107 and $4,577,187 for the years ended June 30, 2021 and 2020, respectively.

Income tax status: The College is recognized by the Internal Revenue Service as an organization described in section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the College, management has concluded that disclosures relative to tax provisions are not necessary.

Note 2. Summary of Significant Accounting Policies (Continued)

Uncertain tax positions: The College accounts for the effect of any uncertain tax positions based on a more-likely-than-not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax-exempt entity as its only significant tax position; however, the College has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College's federal and state tax returns are generally open for examination for three years following the date filed.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans, student accounts, pledges and other accounts receivable, fair value of certain financial instruments, contributions receivable from remainder trusts, annuity and life income obligations, capitalization and useful lives of depreciable assets, asset retirement obligations, the allocation of common expenses over program functions and releases from donor restrictions.

Advertising: The College expenses advertising costs as incurred.

Liquidity: In order to provide information about liquidity, assets are presented according to their ease of conversion to cash and liabilities are presented in order of their estimated maturity. Investments are classified based upon the long-term intent of the endowment; however, there is significant liquidity within these investments (see Note 6).

Reclassifications: Certain reclassifications have been made to the 2020 financial statements in order to conform to the 2021 presentation.

Subsequent events: The College has evaluated subsequent events through October 22, 2021, the date the financial statements were issued.

Note 3. Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its scheduled principle payments on debt, capital construction costs not financed with debt, ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as they are not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted or time-restricted resources.

Note 3. Liquidity and Availability (Continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2021	2020
Cash and cash equivalents	$ 13,607,371	$ 13,172,472
Accounts receivable, net	769,342	1,757,399
Contributions receivable for general expenditure due in one year or less	1,369,804	1,269,013
Deposits held by bond trustees	24,106,048	3,914,150
Restricted cash	11,746,685	3,207,653
Net assets expected to be released	2,385,500	2,038,000
Anticipated endowment spending rate distributions and appropriations	13,028,201	12,989,325
	$ 67,012,951	$ 38,348,012

The College's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowments funds are not available for general expenditure.

The board-designated endowments funds of $47,752,748 and $39,742,418 as of June 30, 2021 and 2020, respectively, is subject to the annual spending rate described in Note 8. Although the College does not intend to spend from these board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 4. Financing Receivables

Student loans receivable consist of the following at June 30:

	2021	2020
Perkins loans	$ 1,371,799	$ 1,786,153
College loans	258,015	283,999
	1,629,814	2,070,152
Less allowance for doubtful accounts:	(185,000)	(185,000)
Student loans receivable, net	$ 1,444,814	$ 1,885,152

Loans past due amounted to approximately $600,000 and $690,000 as of June 30, 2021 and 2020, respectively.

Note 4. Financing Receivables (Continued)

The following is an aging analysis of amounts due under the student loan programs as of June 30:

	2021	2020
Not in repayment	$ 177,656	$ 362,201
Current	851,608	1,015,206
Less than 270 days past due	111,208	149,721
270 days to 2 years past due	32,912	19,785
2 years to 5 years past due	41,367	84,225
Over 5 years past due	415,063	439,014
Total financing receivables	$ 1,629,814	$ 2,070,152

Note 5. Contributions Receivable

Unconditional promises to give are expected to be realized as follows at June 30:

	2021	2020
Unconditional promises to give:		
One year or less	$ 5,443,366	$ 3,837,081
Two to five years	4,169,777	5,575,820
More than five years	1,063,642	858,420
	10,676,785	10,271,321
Less:		
Allowance for uncollectibles	(1,417,891)	(1,076,928)
Unamortized discount	(781,850)	(959,927)
Total unconditional promises to give	8,477,044	8,234,466
Planned giving instruments	2,702,250	2,944,529
	$ 11,179,294	$ 11,178,995

Conditional promises to give, due to uncertainties with regard to their realizability and valuation, are not estimated by management and are recognized as contributions receivable if and when the specific conditions are met. Conditional promises to give were approximately $0 and $5,000,000 at June 30, 2021 and 2020, respectively. As of June 30, 2021, 61% of gross pledges receivable was due from two donors. As of June 30, 2020, 55% of gross pledges receivable was due from one donor. The College had $7,047,186 and $6,516,999 of gross pledges receivable from related parties as of June 30, 2021 and 2020, respectively.

The College is also the beneficiary of trust instruments whereby an independent third-party trustee has custody of and manages the assets and the distributions to the beneficiaries. These assets are recorded net of the present value of the liability.

The net change in the value of the College's beneficial interest in these trusts is recorded as a change in net investment return on the statements of activities. This change amounted to a decrease of $242,279 and an increase of $402,366 for the years ended June 30, 2021 and 2020, respectively.

Note 6. Fair Value Measurements and Investments

The following tables summarize the College’s financial instruments as of June 30:

	2021				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash and short-term investments	$ 4,907,642	$ -	$ 4,907,642	$ -	$ -
Fixed income:					
U.S. fixed income funds	17,253,926	-	17,253,926	-	-
Equities:					
U.S. equities funds	75,581,097	-	75,581,097	-	-
Multi-strategy equity funds	262,100	-	262,100	-	-
International equity funds	38,916,906	-	38,916,906	-	-
Emerging markets equity funds	15,368,666	-	15,368,666	-	-
Hedge funds:					
Hedged equity - developed markets	41,045,088	41,045,088	-	-	-
Opportunistic credit/distressed funds	18,612,105	11,190,668	7,421,437	-	-
Multi-strategy	11,847,713	11,847,713	-	-	-
Private equity	32,775,882	32,775,882	-	-	-
Real property and commodities funds:	-	-	-		
Real estate	10,287,068	10,287,068		-	-
Timber	19,514	19,514	-	-	-
Commodities	-	-	-	-	-
Endowment investments	266,877,707	107,165,933	159,711,774	-	-
Other investments:					
Real estate	759,701	-	-	759,701	-
Fixed income - developed markets	2,449,323	-	755,537	1,693,786	-
Split-interest agreements:					
Cash and cash equivalents	2,475	-	-	2,475	-
Money market funds	26,735	-	26,735	-	-
Domestic and international equities funds	2,821,046	-	414,501	2,406,545	-
Beneficial interest in perpetual trusts	896,519	-	-	-	896,519
Real property and commodities funds	59,877	-	-	59,877	-
Other	473,423	-	-	473,423	-
Total other investments	7,489,099	-	1,196,773	5,395,807	896,519
Total investments	274,366,806	107,165,933	160,908,547	5,395,807	896,519
Other assets:					
Cash equivalents:					
Money market funds	10,782,527	-	10,782,527	-	-
Deposits held by bond trustees - project fund:					
Money market funds	21,981,854	-	21,981,854	-	-
Deposits held by bond trustees - debt service fund:					
Money market funds	2,124,194	-	2,124,194	-	-
Restricted cash:					
Money market funds	11,746,685	-	11,746,685	-	-
Beneficial interest in charitable remainder trusts	2,702,250	-	-	-	2,702,250
Total other assets	49,337,510	-	46,635,260	-	2,702,250
Total	$ 323,704,316	$ 107,165,933	$ 207,543,807	$ 5,395,807	$ 3,598,769

Note 6. Fair Value Measurements and Investments (Continued)

	2020				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash and short-term investments	$ 10,454,168	$ -	$ 10,454,168	$ -	$ -
Fixed income:					
U.S. fixed income funds	19,903,836	-	19,903,836	-	-
Equities:					
U.S. equities funds	54,723,095	-	54,723,095	-	-
Multi-strategy equity funds	1,093,049	-	1,093,049	-	-
International equity funds	28,957,573	-	28,957,573	-	-
Emerging markets equity funds	9,559,362	-	9,559,362	-	-
Hedge funds:					
Hedged equity - developed markets	32,002,313	32,002,313	-	-	-
Opportunistic credit/distressed funds	16,217,232	9,091,418	7,125,814	-	-
Multi-strategy	10,096,468	10,096,468	-	-	-
Private equity	21,423,981	21,423,981	-	-	-
Real property and commodities funds:					
Real estate	6,171,940	6,171,940	-	-	-
Timber	41,196	41,196	-	-	-
Commodities	2,295	-	2,295	-	-
Endowment investments	210,646,508	78,827,316	131,819,192	-	-
Other investments:					
Real estate	744,801	-	-	744,801	-
Fixed income - developed markets	2,306,498	-	681,799	1,624,699	-
Split-interest agreements:	-				
Cash and cash equivalents	93,321	-	-	93,321	-
Money market funds	45,779	-	45,779	-	-
Domestic and international equities funds	1,934,232	-	355,702	1,578,530	-
Beneficial interest in perpetual trusts	756,937	-	-	-	756,937
Real property and commodities funds	195,327	-	-	195,327	-
Other	522,344	-	-	522,344	-
Total other investments	6,599,239	-	1,083,260	4,759,022	756,937
Total investments	217,245,747	78,827,316	132,902,472	4,759,022	756,937
Other assets:					
Cash equivalents:					
Money market funds	8,058,708	-	8,058,708	-	-
Deposits held by bond trustees - project fund:					
Money market funds	2,600,665	-	2,600,665	-	-
Deposits held by bond trustees - debt service fund:					
Money market funds	1,313,485	-	1,313,485	-	-
Restricted cash:					
Money market funds	3,207,653	-	3,207,653	-	-
Beneficial interest in charitable remainder trusts	2,944,529	-	-	-	2,944,529
Total other assets	18,125,040	-	15,180,511	-	2,944,529
Total	$ 235,370,787	$ 78,827,316	$ 148,092,983	$ 4,759,022	$ 3,701,466

Note 6. Fair Value Measurements and Investments (Continued)

Changes in values for the Level 3 assets that have unobservable inputs for the years ended June 30 are as follows:

	2021	2020
Balance, beginning	$ 3,701,466	$ 3,322,798
Change in value of charitable remainder trusts	(242,279)	402,366
Change in value of perpetual trusts	139,582	(23,698)
Balance, ended	$ 3,598,769	$ 3,701,466

The following table presents quantitative information about Level 3 fair value measurements as of June 30:

	2021 Fair Value	2020 Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Beneficial interest in charitable remainder trusts	$2,702,250	$2,944,529	Income approach-discounted cash flow and present value techniques	Discount rate	0.46%-1.91%
				Rate of return	6%-8%
				Life expectancy term	5-40 years
Beneficial interest in perpetual trust	$896,519	$756,937	Market approach based on underlying securities	None	N/A

The assets held in trust are managed by independent third-party trustees, and the College has no authority over investment decisions. Thus, they are classified as Level 3 within the fair value hierarchy levels. The significant unobservable inputs in the fair value measurement of the College's beneficial interest in charitable remainder trusts are discount rates, rate of return and life expectancy term. Significant increases or decreases in these inputs in isolation would have resulted in significantly lower or higher fair value measurement.

There were no transfers between Level 1, 2, or 3 investments during the years ended June 30, 2021 and 2020.

Note 6. Fair Value Measurements and Investments (Continued)

The redemption terms for those investments valued at NAV consist of the following as of June 30:

2021 Category		Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds:				
Hedged equity – developed markets (a)	$	41,045,088	Monthly, quarterly	30-60 days
Opportunistic credit/distressed funds (b)		11,190,668	Quarterly	60 days
Multi-strategy (c)		11,847,713	Monthly	30 days
Private equity (d)		32,775,882	Illiquid	N/A
Real property and commodities funds:				
Real estate (e)		10,287,068	Monthly	N/A
Timber (f)		19,514	Illiquid	N/A
	$	107,165,933		

2020 Category		Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds:				
Hedged equity – developed markets (a)	$	32,002,313	Monthly, quarterly	30-60 days
Opportunistic credit/distressed funds (b)		9,091,418	Quarterly	60 days
Multi-strategy (c)		10,096,468	Monthly	30 days
Private equity (d)		21,423,981	Illiquid	N/A
Real property and commodities funds:				
Real estate (e)		6,171,940	Monthly	N/A
Timber (f)		41,196	Illiquid	N/A
	$	78,827,316		

(a) Hedge funds investing in equities primarily in the domestic and European markets.

(b) Investing in a variety of strategies included hedged equity, distressed funds, debt funds and non-agency mortgages; primarily in the domestic markets with some European and Asia exposure.

(c) Investing in special situation funds in the domestic market.

(d) Investing in individual companies with potential for above average rates of profitability that sell at a discount relative to their underlying value. These funds cannot be redeemed, instead distributions are received as the underlying investments of the funds are liquidated. The funds invest primarily in the domestic market with some exposure to European and Asian markets.

(e) Investing in a real estate income trust.

(f) Investing in income-producing timberlands primarily in the United States.

The College had unfunded commitments of $12,260,447 and $9,963,252 at June 30, 2021 and 2020, respectively.

Note 6. Fair Value Measurements and Investments (Continued)

The College's endowment investments had the following redemption terms at June 30:

	2021		2020	
Less than 1 year	$ 234,066,831	88%	$ 188,338,131	89%
Illiquid	32,810,876	12%	22,308,377	11%
	$ 266,877,707	100%	$ 210,646,508	100%

Management has no intention or plans to liquidate any NAV practical expedient investment at other than the NAV per share.

Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles, which could impact the ultimate liquidity of funds.

The calculation of fair value may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 estimate of fair value at the reporting date.

Note 7. Land, Buildings and Equipment

Land, buildings and equipment are as follows at June 30:

	2021	2020
Land and land improvements	$ 15,107,302	$ 14,959,290
Buildings and building improvements, including fixed equipment	209,279,521	205,463,669
Equipment	15,097,473	13,961,166
Library books and artwork	808,281	808,281
Automobiles	595,812	595,812
Construction in progress	8,709,481	4,875,819
	249,597,870	240,664,037
Accumulated depreciation	(129,106,939)	(120,680,839)
Land, buildings and equipment, net	$ 120,490,931	$ 119,983,198

The college recognized depreciation expense of $8,472,503 and $7,973,059 during the years ended June 30, 2021 and 2020, respectively. The College capitalizes the interest cost related to outstanding debt on qualifying assets. Interest cost capitalized was $250,654 and $458,922 for the years ended June 30, 2021 and 2020, respectively. The net book value of land, buildings and equipment acquired after July 1, 2019 is $9,001,937.

As of June 30, 2021, the construction in progress balance was $8,709,481. Of this amount, approximately $8.4 million was related to renovation of an academic building and remaining $300 thousand related to various campus projects. The academic building renovation is estimated to be completed by January 2022 with an estimated additional cost of $22 million.

Note 7. Land, Buildings and Equipment (Continued)

As of June 30, 2020, the construction in progress balance of $4,875,819 relates to various campus improvement projects. Of these projects, an additional cost of approximately $2.4 million was incurred for projects that were placed in service during the year ended June 30, 2021. An additional $5.6 million was incurred during the year ended June 30, 2021 related to the academic building renovation.

Note 8. Endowment Investments

The College has established two endowment investment pools (Pools A and B). The original pool, Pool A, represents the majority of the true and quasi endowment funds of the College and had a fair value of $261,902,436 and $206,035,133 at June 30, 2021 and 2020, respectively. Pool B funds are designated by the Board of Trustees to fund capital projects and had a fair value of $4,975,271 and $4,611,375 at June 30, 2021 and 2020, respectively. The College's endowment consists of approximately 600 donor-restricted and 30 board-restricted individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of the College has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund, as applicable. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

The accumulated unspent gains associated with the donor-restricted endowment funds are classified as donor-restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the College also considers 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 effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College

Funds with deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after the investment of newly established endowments, and authorized distributions that were deemed prudent. The College has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Note 8. Endowment Investments (Continued)

Funds with deficiencies were reported in net assets with donor restrictions at June 30 as follows:

	2021	2020
Fair value of underwater endowment funds	$ -	$ 3,677,656
Original endowment gift amount	-	3,784,816
Underwater endowment	$ -	$ (107,160)

Return objectives and risk parameters: The College has adopted investment and spending policies for endowment assets that attempt to preserve their purchasing power in order to provide a growing stream of endowment support for the College's programs. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that equal the annual inflation rate plus the annual spending rate (e.g., CPI + 5%).

Spending policy: The Board designates only a portion of the College's Pool A cumulative investment return for support of current operations. The portion to be spent is determined by a budgetary process whereby the objective of the governing board is that the actual spending does not exceed a certain percentage (5%) of the average market value of the Pool A funds for the 20 quarters of the five prior fiscal years for 2021 and 2020. For fiscal year 2021, the spending rate was temporarily increased from 5% to 6%. For fiscal year 2022, the spending rate will be 5.75%. The College's Pool B distribution is determined as part of the annual budget.

Individual endowed funds restricted in perpetuity with a deficiency as of June 30 will receive no distribution in the subsequent fiscal year with the exception of any current income generated by the fund. The amount of investment income and appreciation earned by the investments of Pool B is used for capital projects and other special allocations at the discretion of the Board.

	Anticipated 2022	Actual 2021	Actual 2020
Pool A distribution based on average market value	$ 12,008,201	$ 11,722,914	$ 9,586,437
Additional special initiatives draw	175,000	233,610	275,000
Total Pool A distribution	12,183,201	11,956,524	9,861,437
Pool B distribution	845,000	845,000	845,000
Total endowment distribution	$ 13,028,201	$ 12,801,524	$ 10,706,437

Strategies employed for achieving objectives: 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 seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 8. Endowment Investments (Continued)

Under the College's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds as net assets with or without donor restrictions depending on if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds with funds without donor restrictions being charged if no accumulated unspent gains remain.

Endowment net assets consist of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 47,752,748	$ -	$ 47,752,748
Donor-restricted endowment funds			
Original donor - restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	123,882,268	123,882,268
Accumulated gains	-	95,242,691	95,242,691
Total endowed net assets	$ 47,752,748	$ 219,124,959	$ 266,877,707

Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 39,742,418	$ -	$ 39,742,418
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	115,280,179	115,280,179
Accumulated income and gains	-	55,623,911	55,623,911
Total endowed net assets	$ 39,742,418	$ 170,904,090	$ 210,646,508

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	$ 39,742,418	$ 170,904,090	$ 210,646,508
Net investment return	11,639,359	48,788,275	60,427,634
Gifts and additions	3,000	8,602,089	8,605,089
Endowment return utilized for operations	(3,632,029)	(9,169,495)	(12,801,524)
Endowment net assets, June 30, 2021	$ 47,752,748	$ 219,124,959	$ 266,877,707

Note 8. Endowment Investments (Continued)

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	$ 41,935,039	$ 171,047,406	$ 212,982,445
Net investment return	1,076,939	2,166,125	3,243,064
Gifts and additions	125	5,127,311	5,127,436
Endowment return utilized for operations	(3,269,685)	(7,436,752)	(10,706,437)
Endowment net assets, June 30, 2020	$ 39,742,418	$ 170,904,090	$ 210,646,508

Note 9. Bonds and Loans Payable

Revenue Bonds were issued through the Massachusetts Health and Educational Facilities Authority (MHEFA) for the acquisition, installation, construction, renovation and equipping of various academic, residential and administrative facilities. Bonds and loans are as follows at June 30:

	Maturity	Interest Rate	2021	2020
Massachusetts Development Finance Authority (MDFA)				
(a) Series H (2017)	January 1, 2053	fixed - 5%	$ 39,145,000	$ 52,440,000
(b) Series I (2021)	January 1, 2053	fixed - 5%	13,420,000	-
(c) Series J (2021)	January 1, 2049	fixed - 4.63%	21,320,000	-
Town of Norton				
(a) Connection Loan	December 1, 2036	fixed - 2.54%	2,009,700	2,114,246
(b) Construction Loan	December 1, 2036	fixed - 2.4%	1,568,211	1,650,840
Paycheck Protection Program (PPP)				
(a) PPP Loan	May 3, 2022	fixed - 1%	6,500,042	6,500,042
			83,962,953	62,705,128
	Unamortized premium		11,159,689	8,813,273
	Debt issuance costs, net		(921,269)	(503,839)
	Total bonds, loans and leases payable		$ 94,201,373	$ 71,014,562

In April 2020, the College was granted a PPP Loan under the CARES Act. Under the terms of the PPP, the loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over two years with a deferral of payments for the first six months. The College used the proceeds from the loan for qualifying expenses. In August 2021, the College received notification from the Small Business Administration (SBA) that the PPP loan had been forgiven in full.

In March 2021, the College issued the Series I and Series J bonds. As part of this transaction the College entered into a defeasance agreement where $10,000,000 of the Series H bonds were paid off. The legal defeasance of these bonds resulted in a loss on defeasance of debt of $1,046,844 during the year ended June 30, 2021. The Series I bonds were issued with a premium of $2,638,372 which is reported net of bonds and loans payable.

Note 9. Bonds and Loans Payable (Continued)

Maturities of outstanding bonds and loans for each of the next five fiscal years, and to maturity, (excluding the PPP loan forgiven in August 2021) are as follows:

2022	$ 1,026,851
2023	1,071,644
2024	1,121,557
2025	1,176,593
2026	1,456,754
Thereafter	71,609,512
	77,462,911
Unamortized premium	11,159,689
Debt issuance costs	(921,269)
Total	$ 87,701,331

Debt issuance costs are capitalized and amortized over the life of the bonds. Debt issuance costs of $978,893 and $542,598, net of accumulated amortization of $57,624 and $38,759 are included in bonds, notes and leases payable at June 30, 2021 and 2020, respectively. Amortization expense was $18,865 and $15,504 for the years ended June 30, 2021 and 2020, respectively. Amortization of the premium was $291,951 and $271,176 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2020 the College had an available unsecured line of credit in the amount of $7,500,000. The line of credit was available for working capital and capital projects. The interest rate on the line was the College's choice at the time of draw of either daily one month London Interbank Offered Exchange (LIBOR) plus 0.55% or Federal Funds Rate plus 0.50%. The credit agreement included a 0.15% annual fee on the unused portion of the line, which is reflected in interest expense. The line of credit expired on December 11, 2020 and the College decided not to renew the line of credit. At June 30, 2020, there were no amounts outstanding on the line of credit.

Note 10. Net Assets

The net assets are summarized as follows as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 47,790,842	$ -	$ 47,790,842
Capital improvements	-	16,896,799	16,896,799
Financial aid	-	1,598,696	1,598,696
Instruction	-	2,582,906	2,582,906
Academic support	-	1,177,461	1,177,461
Other	-	352,861	352,861
Total operating funds	47,790,842	22,608,723	70,399,565
Contributions receivable	-	4,245,822	4,245,822
Planned giving arrangements:			
Charitable gift annuities	455,044	1,130,066	1,585,110
Charitable trusts	-	6,456,509	6,456,509
Total planned giving arrangements	455,044	7,586,575	8,041,619
Endowment funds:			
Board-designated endowment funds	47,752,748	-	47,752,748
Instruction	-	101,205,215	101,205,215
Financial aid	-	66,510,388	66,510,388
Academic support	-	25,763,358	25,763,358
Capital improvements and general operations	-	25,645,998	25,645,998
Total endowment funds	47,752,748	219,124,959	266,877,707
Total net assets	$ 95,998,634	$ 253,566,079	$ 349,564,713

Note 10. Net Assets (Continued)

The net assets are summarized as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 55,347,048	$ -	$ 55,347,048
Capital improvements	-	5,485,884	5,485,884
Financial aid	-	1,666,430	1,666,430
Instruction	-	1,740,186	1,740,186
Academic support	-	804,970	804,970
Other	-	239,201	239,201
Total operating funds	55,347,048	9,936,671	65,283,719
Contributions receivable	-	4,786,741	4,786,741
Planned giving arrangements:			
Charitable gift annuities	292,060	770,498	1,062,558
Charitable trusts	-	6,341,666	6,341,666
Total planned giving arrangements	292,060	7,112,164	7,404,224
Endowment funds:			
Board-designated endowment funds	39,742,418	-	39,742,418
Instruction	-	53,647,805	53,647,805
Financial aid	-	76,446,690	76,446,690
Academic support	-	19,342,444	19,342,444
Capital improvements and general operations	-	21,467,151	21,467,151
Total endowment funds	39,742,418	170,904,090	210,646,508
Total net assets	$ 95,381,526	$ 192,739,666	$ 288,121,192

Note 11. Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of incurring expenses satisfying the restricted purposes or the occurrence of events specified by the donors. Net assets released from restrictions for the years ended June 30, were for the following purposes:

	2021	2020
Capital improvements	$ 710,703	$ 1,020,498
Financial aid	5,873,433	5,528,416
Instruction	2,937,982	2,603,286
Academic support and other	883,782	765,517
Net assets released from restrictions	$ 10,405,900	$ 9,917,717

Note 12. Functional Expenses

The following tables summarize the College's expenses allocated by function as of June 30:

2021	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and wages	$ 14,109,821	$ 1,997,997	$ 6,065,608	$ 6,965,925	$ 246,886	$ 4,560,916	$ 33,947,153
Employee benefits	4,079,158	551,448	1,780,320	1,109,723	85,942	1,367,902	8,974,493
Depreciation, amortization and accretion	2,736,777	227,428	985,169	522,058	3,334,535	841,646	8,647,613
Contract services	297,729	225,591	3,951,241	3,255,978	24,030	598,688	8,353,257
Student grants	-	-	669,257	-	-	-	669,257
Dining contract	-	-	-	-	4,001,084	-	4,001,084
Experiential learning and program support	487,200	2,800	530,092	22,667	-	-	1,042,759
Utilities and insurance	-	-	-	15,437	195,986	2,844,039	3,055,462
Travel, hospitality and events	73,132	12,275	203,145	25,783	7,532	3,472	325,339
Supplies and equipment	278,499	169,746	410,965	609,648	50,549	1,436,805	2,956,212
Interest	1,003,989	1,273	-	5,125	1,207,322	97,625	2,315,334
Other	133,187	796,506	373,882	1,100,113	244,368	940,649	3,588,705
	23,199,492	3,985,064	14,969,679	13,632,457	9,398,234	12,691,742	77,876,668
Operations and maintenance allocation	2,362,947	456,027	1,693,495	1,592,443	6,586,830	(12,691,742)	-
Total functional expenses	$ 25,562,439	$ 4,441,091	$ 16,663,174	$ 15,224,900	$ 15,985,064	$ -	$ 77,876,668

2020	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and wages	$ 14,863,525	$ 2,516,937	$ 6,759,980	$ 7,678,357	$ 261,461	$ 4,698,892	$ 36,779,152
Employee benefits	4,683,961	715,866	2,055,926	1,885,396	126,130	1,767,381	11,234,660
Depreciation, amortization and accretion	2,785,261	267,577	919,504	601,224	2,719,523	809,410	8,102,499
Contract services	264,946	183,380	1,044,507	2,219,303	48,475	386,754	4,147,365
Student grants	-	-	669,257	-	-	-	669,257
Dining contract	-	-	-	-	4,201,919	-	4,201,919
Experiential learning and program support	3,294,099	4,131	522,415	9,706	-	-	3,830,351
Utilities and insurance	-	-	-	21,178	155,435	2,955,894	3,132,507
Travel, hospitality and events	422,588	56,429	727,229	216,577	316,639	7,759	1,747,221
Supplies and equipment	282,446	62,530	312,425	679,917	51,263	608,310	1,996,891
Interest	950,727	5,219	-	11,500	1,019,008	102,187	2,088,641
Other	214,321	819,573	560,045	1,105,885	148,120	399,735	3,247,679
	27,761,874	4,631,642	13,571,288	14,429,043	9,047,973	11,736,322	81,178,142
Operations and maintenance allocation	2,488,907	450,852	1,231,254	1,430,262	6,135,047	(11,736,322)	-
Total functional expenses	$ 30,250,781	$ 5,082,494	$ 14,802,542	$ 15,859,305	$ 15,183,020	$ -	$ 81,178,142

Note 13. Benefit Plans

The College has a defined contribution pension plan that is designed to meet the requirements of section 403(b) of the IRC. The plan is administered by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF). Any College employee (excluding student employees) may make voluntary pre-tax contributions to the plan. Employees are eligible to receive a contribution to the plan from the College after meeting specific requirements. There is no required employee contribution in order to receive the College's contribution. The College's total pension expense was $1,171,138 and $2,843,521 for the years ended June 30, 2021 and 2020, respectively.

The College maintains a plan in accordance with section 457(b) of the IRC. Under the terms of this plan, annual contributions are made by the College for highly compensated employees.

Note 14. Commitments, Contingencies and Uncertainties

The College has an agreement to lease certain land to a lessee. The agreement provides for the land ownership to be retained by the College and for the lessee to lease the property for 99 years. Concurrent with the land lease, the lessee constructed a medical center on the property and assumed the role of the College's health center and also is serving the residents of the Town of Norton. An agreement was entered into by the two parties whereby the College pays $100,000 annually for the aforementioned provided services and the rental of the space used by the College's employees who are housed at the center. This agreement is automatically renewable annually (unless otherwise agreed to by the parties) at a rate of $100,000 per year adjusted by the value of the CPI. For the years ended June 30, 2021 and 2020, the expense was $163,274 and $161,083, respectively.

The College has long-term contracts with outside service vendors for bookstore operations through May 31, 2025, and food services through June 30, 2024. Expenses incurred under these contracts are variable each year based on the number of students served and actual expenses incurred. These contracts include terms that are typical in the higher education sector.

The College is engaged in several legal cases, which have arisen in the normal course of its operations. The College believes the outcome of these cases will have no material adverse effect on the financial position of the College.

All funds expended by the College in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2021.

The College has employment agreements with certain employees that range from one to five years, which stipulate a variety of business terms typical in the education sector.

The College participates in a group captive insurance funding program for employee healthcare costs. Claim amounts for any one individual up to $125,000 are covered within a self-funded retention and paid for by the College. Claim amounts exceeding $125,000 are shared with other members of the group captive and paid by the group captive. Management believes that any liability arising from this contingency would not be material to the College's financial position. As of June 30, 2021 and 2020, the College had estimated liabilities for the self-funded retention of $450,000 and $520,000, respectively, which are included within receivables and other assets, net on the accompanying statements of financial position. Total premium and self-funded retention costs under the program were $4,190,242 and $4,065,731 for the years ended June 30, 2021 and 2020, respectively.

Note 14. Commitments, Contingencies and Uncertainties (Continued)

Coronavirus: On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to COVID-19, governments took preventative or protective actions, such as temporary closures of non-essential businesses, “shelter-at-home” guidelines for individuals, and phased reopening plans. As a result, there have been significant negative effects on local, regional, and global economies. COVID-19 has impacted the College in a number of ways, including the transition to remote learning in March 2020, the refund of approximately $5.1 million of room and board revenue in the spring of 2020, significant reduction in room and board revenue for the year ended June 30, 2021, and unexpected costs due to COVID-19 testing.

To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief from the Federal government, primarily through HEERF grants. In addition, the College received a Payroll Protection Program (PPP) loan of $6.5 million.

The severity of the continued impact due to COVID-19 on the College’s financial condition, results of operations, and cash flows will depend on a number of factors, including, but not limited to, the continued duration and severity of the pandemic and the extent and severity of the impact on the College’s community, all of which are uncertain and cannot be predicted with confidence. In particular, the continued spread of the COVID-19 could adversely impact the College’s operations, and may have material adverse effect on the financial condition of the College.