Wheaton College

Financial Statements
June 30, 2023

Contents

RSM US LLP

Independent Auditor's Report

Audit Committee
Wheaton College

Opinion
We have audited the financial statements of Wheaton College (the College), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Boston, Massachusetts
October 27, 2023

Wheaton College

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 20,018,300	$ 17,887,655
Receivables and other assets, net	4,658,507	9,517,687
Deposits held by bond trustees	7,358,609	10,503,120
Contributions receivable, net and other assets	6,999,099	9,816,054
Student loans receivable, net	778,939	1,150,297
Investments	263,121,475	248,303,370
Restricted cash	978,243	2,255,018
Land, buildings and equipment, net	134,765,943	137,866,703
Total assets	$ 438,679,115	$ 437,299,904
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 7,732,837	$ 9,149,091
Deposits and deferred revenue	1,078,044	1,704,590
Annuity and life income obligations	1,233,660	1,305,781
Government advances for student loans	606,139	1,006,554
Asset retirement obligations	1,994,828	1,952,623
Bonds and loans payable	84,955,438	86,350,601
Total liabilities	97,600,946	101,469,240
Net assets:		
Without donor restrictions	110,651,194	100,855,697
With donor restrictions	230,426,975	234,974,967
Total net assets	341,078,169	335,830,664
Total liabilities and net assets	$ 438,679,115	$ 437,299,904

See notes to financial statements

Wheaton College

Statement of Activities
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Operating revenues:				
Tuition and fees—net of scholarships and grants of $67,556,342 and $64,829,623 for the years ended June 30, 2023 and 2022, respectively	$ 31,687,359	$ -	$ 31,687,359	$ 31,222,623
Room and board	21,779,638	-	21,779,638	21,378,033
Net student revenues	53,466,997	-	53,466,997	52,600,656
Other auxiliary services	1,332,059	-	1,332,059	1,360,603
Private gifts, bequests and grants	2,680,148	3,059,383	5,739,531	4,742,301
Government grants and contracts	4,519,891	35,886	4,555,777	14,062,411
Other revenues	1,659,295	30,355	1,689,650	1,452,706
Endowment return utilized for operations	3,740,284	10,149,900	13,890,184	11,441,779
Net assets released from restrictions	13,443,981	(13,443,981)	-	-
Total operating revenues	80,842,655	(168,457)	80,674,198	85,660,456
Operating expenses:				
Salaries and benefits	47,888,776	-	47,888,776	42,663,762
Contracted services and events	14,845,481	-	14,845,481	14,518,223
Student grants	-	-	-	1,750,961
Utilities, maintenance, equipment and insurance	9,093,401	-	9,093,401	7,321,827
Library acquisitions, supplies, printing and other	5,611,163	-	5,611,163	4,792,049
Depreciation and accretion	9,089,812	-	9,089,812	8,591,442
Interest and amortization	3,164,737	-	3,164,737	2,901,164
Total operating expenses	89,693,370	-	89,693,370	82,539,428
Operating subtotal	(8,850,715)	(168,457)	(9,019,172)	3,121,028
Nonoperating:				
Private gifts and pledges	2,578,487	5,771,389	8,349,876	10,564,114
Forgiveness of indebtedness	-	-	-	6,583,640
Net investment return (loss)	4,127,360	15,679,625	19,806,985	(22,561,052)
Endowment return utilized for operations	(3,740,284)	(10,149,900)	(13,890,184)	(11,441,779)
Non-operating net assets released from restrictions	15,680,649	(15,680,649)	-	-
Nonoperating subtotal	18,646,212	(4,379,535)	14,266,677	(16,855,077)
Change in net assets	9,795,497	(4,547,992)	5,247,505	(13,734,049)
Net assets at beginning of year	100,855,697	234,974,967	335,830,664	349,564,713
Net assets at end of year	$ 110,651,194	$ 230,426,975	$ 341,078,169	$ 335,830,664

See notes to financial statements.

Wheaton College

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Operating revenues:			
Tuition and fees—net of scholarships and grants of $64,829,623	$ 31,222,623	$ -	$ 31,222,623
Room and board	21,378,033	-	21,378,033
Net student revenues	52,600,656	-	52,600,656
Other auxiliary services	1,360,603	-	1,360,603
Private gifts, bequests and grants	2,601,546	2,140,755	4,742,301
Government grants and contracts	14,009,123	53,288	14,062,411
Other revenues	1,416,641	36,065	1,452,706
Endowment return utilized for operations	3,120,168	8,321,611	11,441,779
Net assets released from restrictions	9,536,140	(9,536,140)	-
Total operating revenues	84,644,877	1,015,579	85,660,456
Operating expenses:			
Salaries and benefits	42,663,762	-	42,663,762
Contracted services and events	14,518,223	-	14,518,223
Student grants	1,750,961	-	1,750,961
Utilities, maintenance, equipment and insurance	7,321,827	-	7,321,827
Library acquisitions, supplies, printing and other	4,792,049	-	4,792,049
Depreciation and accretion	8,591,442	-	8,591,442
Interest and amortization	2,901,164	-	2,901,164
Total operating expenses	82,539,428	-	82,539,428
Operating subtotal	2,105,449	1,015,579	3,121,028
Nonoperating:			
Private gifts and pledges	2,514,314	8,049,800	10,564,114
Forgiveness of indebtedness	6,583,640	-	6,583,640
Net investment loss	(3,325,948)	(19,235,104)	(22,561,052)
Endowment return utilized for operations	(3,120,168)	(8,321,611)	(11,441,779)
Non-operating net assets released from restrictions	99,776	(99,776)	-
Nonoperating subtotal	2,751,614	(19,606,691)	(16,855,077)
Change in net assets	4,857,063	(18,591,112)	(13,734,049)
Net assets at beginning of year	95,998,634	253,566,079	349,564,713
Net assets at end of year	$ 100,855,697	$ 234,974,967	$ 335,830,664

See notes to financial statements.

Wheaton College

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 5,247,505**	$ (13,734,049)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, amortization and accretion	**8,763,262**	8,216,116
Net losses on asset disposal and asset retirement obligations	**(38,692)**	(13,175)
Net realized and unrealized (gains) losses on investments	**(16,519,495)**	28,283,469
Forgiveness of indebtedness	**-**	(6,500,042)
Contributions restricted for long-term investments	**(4,873,467)**	(10,886,666)
Donated securities	**(2,541,427)**	(2,295,721)
Proceeds from sale of donated securities	**1,237,927**	952,796
Recoveries of uncollectible accounts	**(23,167)**	(1,036,560)
Change in operating assets and liabilities:		
Receivables and other assets	**4,672,182**	(7,855,822)
Contributions receivable	**2,976,511**	2,203,411
Accounts payable and accrued expenses	**(750,958)**	553,774
Deposits and deferred revenue	**(626,546)**	800,569
Net cash used in operating activities	**(2,476,365)**	(1,311,900)
Cash flows from investing activities:		
Student loans issued	**(21,207)**	(16,000)
Student loans repaid or reassigned	**392,565**	310,517
Purchases of land, buildings and equipment	**(6,519,811)**	(27,179,375)
Sales of investments	**105,513,691**	81,288,750
Purchases of investments	**(103,812,301)**	(83,288,750)
Net cash used in investing activities	**(4,447,063)**	(28,884,858)
Cash flows from financing activities:		
Payments on bonds and loans payable	**(1,071,644)**	(1,026,851)
Change in annuity and life income obligations	**(72,121)**	(72,334)
Change in advances for student loans	**(400,415)**	(639,664)
Contributions restricted for long-term investments	**4,873,467**	10,886,666
Proceeds from sale of donated securities for long-term purposes	**1,303,500**	1,342,925
Net cash provided by financing activities	**4,632,787**	10,490,742
Change in cash, cash equivalents and restricted cash	**(2,290,641)**	(19,706,016)
Cash, cash equivalents and restricted cash at beginning of year	**30,645,793**	50,351,809
Cash, cash equivalents and restricted cash at end of year	**$ 28,355,152**	$ 30,645,793
Supplemental data:		
Noncash financing activity: gifts of securities	**$ 2,541,427**	$ 2,295,721
Noncash investing activity: gifts of tangible assets	**$ 52,095**	$ -
Noncash financing activity: forgiveness of indebtedness	**$ -**	$ 6,500,042
Purchases of land, buildings and equipment in accounts payable and accrued expenses	**$ 406,198**	$ 1,071,494
Interest paid	**$ 3,296,629**	$ 3,324,182

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 approximately 1,700 drawn predominately from 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 Master 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 amounts from net assets without donor restrictions to net assets board-designated for quasi-endowment. The College's policy is to designate significant donor estate bequests without donor restrictions at the discretion of the Board. The balance also includes accumulated unexpended gains on endowment gifts restricted in perpetuity which are subject to appropriation through the spending policy adopted by the Board.

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 long-term private gifts related to the endowment, planned gifts and capital expenditures; forgiveness of indebtedness; endowment return utilized in operations; non-operating net assets released from restriction for capital and long-term purposes and net long-term 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 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 hedge funds, private equity funds, and real property and timber funds 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 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.

	2023	2022
Cash and cash equivalents	$ 20,018,300	$ 17,887,655
Deposits held by bond trustees	7,358,609	10,503,120
Restricted cash	978,243	2,255,018
	$ 28,355,152	$ 30,645,793

The College participates in a captive insurance program (see Note 15). Cash and cash equivalents include monthly contributions of approximately $430,000 a month made to the captive as collateral for potential claims in excess of those covered by insurance benefits and premiums paid. These amounts are required to be held on deposit in lieu of a posted letter of credit and equaled $1,600,144 and $1,962,299 as of June 30, 2023 and 2022, respectively.

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 fund certain 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 consist 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions receivable: Contributions receivable are initially recorded at their fair value based on the present value of the estimated future cash flows using a risk adjusted discount rate (ranging from approximately 5.97% to 7.39%) depending on the time period involved. Amortization of the discount is included in private gifts and pledges revenue in accordance with the donor-imposed restrictions. 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 and other assets 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 expected return and payment percentage 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.

For trust agreements and trust assets maintained by an outside trustee, the College includes in contributions receivable, net and other assets 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 (loss) is reported in the statements of activities and consists of interest and dividend income, change in split-interest agreements, realized and unrealized capital gains and losses, less investment expenses.

Note 2. Summary of Significant Accounting Policies (Continued)

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 and depreciated over its useful life.

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, rare books, and other items 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, 2023 and 2022, no impairment indicators were identified.

Note 2. Summary of Significant Accounting Policies (Continued)

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 3.6% 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 non-operating gain or loss in the statements of activities as other revenue without donor restrictions. The asset retirement obligation outstanding is $1,994,828 and $1,952,623 as of June 30, 2023 and 2022, respectively.

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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenues recognized in the year ended June 30, 2023 and 2022, that were included in student deposits and deferred revenue in prior years are $1,704,590 and $904,021, respectively.

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 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.

Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, 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.

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 endowment 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional and natural classification of expenses: The College reports expenses by their natural classification in the statement of activities. The functional expenses disclosure presents the natural classification of expenses by function. 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 $4,025,388 and $4,061,568 for the years ended June 30, 2023 and 2022, 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.

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, contributions receivable 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; reserve for high cost insurance claimants; 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 7).

Reclassifications: Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation.

Subsequent events: The College has evaluated subsequent events through October 27, 2023, 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.

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:

	2023	2022
Cash and cash equivalents	$ 19,707,838	$ 17,546,530
Accounts receivable, net	3,363,085	7,826,532
Contributions receivable for general expenditure due in one year or less	1,179,083	2,147,175
Deposits held by bond trustees	7,358,609	10,503,120
Restricted cash	978,243	2,255,018
Net assets expected to be released	3,900,000	17,105,000
Anticipated endowment spending rate distributions and appropriations to net assets without donor restrictions	14,580,000	13,850,000
	$ 51,066,858	$ 71,233,375

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 $46,432,348 and $41,755,034 as of June 30, 2023 and 2022, respectively, is subject to the annual spending rate described in Note 9. 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. Receivables and Other Assets

Receivables and other assets consist of the following as of June 30:

	2023	2022
Student receivable, net	$ 331,919	$ 470,983
Employee retention credit receivable	795,623	6,863,793
Financial aid receivable	58,597	360,176
Grants receivable	1,042,826	709
Prepaid expenses	1,157,815	1,271,290
Other	1,271,727	550,736
	$ 4,658,507	$ 9,517,687

Tuition, fees and auxiliary enterprises receivables as of June 30, 2023 and 2022, are $331,919 and $470,893, respectively, and represent contract assets.

Student accounts receivable are net of an allowance for doubtful accounts of approximately $330,000 and $194,000 as of June 30, 2023 and 2022, respectively.

Initially the employment retention tax credit (ERTC) was not available for organizations that received a Payroll Protection Program (PPP) loan (see Note 10). In December 2020, the Consolidated Appropriations Act removed this restriction and allowed organizations that qualify to retroactively apply for the ERTC so long as the same wages were not used for both PPP forgiveness and ERTC. The College is eligible for and has met all the conditions to qualify for an ERTC of $10,107,287, which was recognized in government grants and contracts during the fiscal year ended June 30, 2022. $795,623 and $6,863,793 related to the ERTC was in included in accounts receivable and other assets as of June 30, 2023 and 2022, respectively.

Note 5. Student Loans Receivable

Student loans receivable consist of the following as of June 30:

	2023	2022
Perkins loans	$ 714,345	$ 1,079,182
College loans	194,371	200,892
	908,716	1,280,074
Less allowance for doubtful accounts	(129,777)	(129,777)
Student loans receivable, net	$ 778,939	$ 1,150,297

Note 5. Student Loans Receivable (Continued)

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

	2023	2022
Not in repayment	$ 53,796	$ 109,671
Current	552,052	676,322
Less than 270 days past due	77,253	98,813
270 days to 5 years past due	60,826	53,233
Over 5 years past due	164,789	342,035
Total student loans receivable	$ 908,716	$ 1,280,074

Note 6. Contributions Receivable

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

	2023	2022
Unconditional promises to give:		
One year or less	$ 1,291,612	$ 4,639,310
Two to five years	3,440,871	3,000,316
More than five years	514,286	1,033,420
	5,246,769	8,673,046
Less:		
Allowance for uncollectibles	(418,164)	(577,720)
Unamortized discount	(831,398)	(1,250,413)
Total unconditional promises to give	3,997,207	6,844,913
Beneficial interest in charitable remainder trusts	3,001,892	2,971,141
	$ 6,999,099	$ 9,816,054

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. There were no conditional promises to give as of June 30, 2023 and 2022.

Approximately 51% of gross pledges receivable was due from three donors and 68% of gross pledges receivable was due from two donors for the fiscal years ended June 30, 2023 and 2022, 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 an increase of $30,751 and $268,891 for the years ended June 30, 2023 and 2022, respectively.

Note 7. Fair Value Measurements and Investments

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

	2023				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash* and short-term investments	$ 11,057,877	$ -	$ 11,057,877	$ -	$ -
Fixed income:					
U.S. fixed income funds	15,863,398	-	15,863,398	-	-
Equities:					
U.S. equities funds	62,420,012	-	62,420,012	-	-
International equity funds	33,417,628	-	33,417,628	-	-
Emerging markets equity funds	11,340,437	-	11,340,437	-	-
Hedged equity funds	40,578,586	40,578,586	-	-	-
Multi-strategy	47,530,338	41,305,638	6,224,700	-	-
Private equity	20,873,733	20,873,733	-	-	-
Real property:					
Real estate	13,119,173	13,119,173	-	-	-
Timber	17,298	17,298	-	-	-
Endowment investments	256,218,480	115,894,428	140,324,052	-	-
Other investments:					
Real estate	822,701	-	-	822,701	-
Fixed income—developed markets	2,062,961	-	669,067	1,393,894	-
Split-interest agreements:					
Cash and cash equivalents	198,102	-	-	198,102	-
Money market funds	33,346	-	33,346	-	-
Domestic and international equities funds	2,108,470	-	373,257	1,735,213	-
Beneficial interest in perpetual trusts	824,361	-	-	-	824,361
Real property and commodities funds	74,892	-	-	74,892	-
Other	778,162	-	-	778,162	-
Total other investments	6,902,995	-	1,075,670	5,002,964	824,361
Total investments	263,121,475	115,894,428	141,399,722	5,002,964	824,361
Other assets:					
Cash equivalents:					
Money market funds	12,341,435	-	12,341,435	-	-
Deposits held by bond trustees					
Money market funds	7,358,609	-	7,358,609	-	-
Restricted cash:					
Money market funds	978,243	-	978,243	-	-
Beneficial interest in charitable remainder trusts	3,001,892	-	-	-	3,001,892
Total other assets	23,680,179	-	20,678,287	-	3,001,892
Total	$ 286,801,654	$ 115,894,428	$ 162,078,009	$ 5,002,964	$ 3,826,253

**not fair valued, but included for purposes of reconciliation*

Note 7. Fair Value Measurements and Investments (Continued)

	2022				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash* and short-term investments	$ 7,341,287	$ -	$ 7,341,287	$ -	$ -
Fixed income:					
U.S. fixed income funds	15,826,107	-	15,826,107	-	-
Equities:					
U.S. equities funds	58,593,166	-	58,593,166	-	-
International equity funds	31,799,508	-	31,799,508	-	-
Emerging markets equity funds	11,530,658	-	11,530,658	-	-
Hedged equity funds	36,445,383	36,445,383	-	-	-
Multi-strategy	46,558,783	39,889,486	6,669,297	-	-
Private equity	20,455,106	20,455,106	-	-	-
Real property:					
Real estate	12,896,982	12,896,982	-	-	-
Timber	17,298	17,298	-	-	-
Endowment investments	241,464,278	109,704,255	131,760,023	-	-
Other investments:					
Real estate	785,101	-	-	785,101	-
Fixed income—developed markets	2,173,233	-	655,995	1,517,238	-
Split-interest agreements:					
Cash and cash equivalents	123,058	-	-	123,058	-
Money market funds	30,083	-	30,083	-	-
Domestic and international equities funds	2,043,530	-	356,926	1,686,604	-
Beneficial interest in perpetual trusts	766,790	-	-	-	766,790
Real property and commodities funds	149,821	-	-	149,821	-
Other	767,476	-	-	767,476	-
Total other investments	6,839,092	-	1,043,004	5,029,298	766,790
Total investments	248,303,370	109,704,255	132,803,027	5,029,298	766,790
Other assets:					
Cash equivalents:					
Money market funds	10,098,552	-	10,098,552	-	-
Deposits held by bond trustees					
Money market funds	10,503,120	-	10,503,120	-	-
Restricted cash:					
Money market funds	2,255,018	-	2,255,018	-	-
Beneficial interest in charitable			-		
remainder trusts	2,971,141	-	-	-	2,971,141
Total other assets	25,827,831	-	22,856,690	-	2,971,141
Total	$ 274,131,201	$ 109,704,255	$ 155,659,717	$ 5,029,298	$ 3,737,931

**not fair valued, but included for purposes of reconciliation*

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

	2023	2022
Balance, beginning	$ 3,737,931	$ 3,598,769
Change in value of charitable remainder trusts	30,751	268,891
Change in value of perpetual trusts	57,571	(129,729)
Balance, ended	$ 3,826,253	$ 3,737,931

Note 7. Fair Value Measurements and Investments (Continued)

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

	2023 Fair Value	2022 Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Beneficial interest in charitable remainder trusts	$ 3,001,892	$ 2,971,141	Income approach—discounted cash flow and present value techniques	Discount rate	3.88%-4.92%
				Rate of return	2.54%-7.00%
				Life expectancy term	3-42 years
Beneficial interest in perpetual trust	824,361	766,790	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, 2023 and 2022.

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

2023			
Category	Fair Value	Redemption Frequency	Redemption Notice Period
Hedged equity (a)	$ 40,578,586	Monthly, quarterly	30-60 days
Multi-strategy (b)	41,305,638	Daily, monthly, quarterly, illiquid	1-60 days, N/A
Private equity (c)	20,873,733	Illiquid	N/A
Real property:			
Real estate (d)	13,119,173	Monthly	N/A
Timber (e)	17,298	Illiquid	N/A
	$ 115,894,428		

Note 7. Fair Value Measurements and Investments (Continued)

2022

Category	Fair Value	Redemption Frequency	Redemption Notice Period
Hedged equity (a)	$ 36,445,383	Monthly, quarterly	30-45 days
Multi-strategy (b)	39,889,486	Daily, monthly, quarterly	1-60 days, N/A
Private equity (c)	20,455,106	Illiquid	N/A
Real property:			
Real estate (d)	12,896,982	Monthly	N/A
Timber (e)	17,298	Illiquid	N/A
	$ 109,704,255		

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

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

(c) 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.

(d) Investing in a real estate income trust.

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

The College had unfunded commitments of $19,910,159 and $16,393,321 as of June 30, 2023 and 2022, respectively.

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

	2023		2022	
Less than 1 year	$ 217,947,397	85%	$ 206,408,685	85%
Illiquid	38,271,083	15%	35,055,593	15%
	$ 256,218,480	100%	$ 241,464,278	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 8. Land, Buildings and Equipment

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

	2023	2022
Land and land improvements	$ 15,765,663	$ 15,424,148
Buildings and building improvements, including fixed equipment	243,869,473	210,298,122
Equipment	17,845,931	15,251,343
Library books and artwork	830,049	808,281
Automobiles	505,425	580,637
Construction in progress	1,646,397	32,462,231
	280,462,938	274,824,762
Accumulated depreciation	(145,696,995)	(136,958,059)
Land, buildings and equipment, net	$ 134,765,943	$ 137,866,703

The College recognized depreciation expense of $8,936,126 and $8,436,838 during the years ended June 30, 2023 and 2022, respectively. The College capitalizes the interest cost related to outstanding debt on qualifying assets. Interest cost capitalized net of interest earned was $156,541 and $546,908 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, the construction in progress balance was $1,646,397. This balance related to various campus projects for residence hall improvements expected to be completed during the fiscal year ended June 30, 2024, for minimal additional costs.

As of June 30, 2022, the construction in progress balance was $32,462,231. Of this amount, approximately $30,800,000 was related to renovation of an academic building and $980,000 was related to renovation of athletic facilities, both placed in service during the year ended June 30, 2023. The remaining balance related to various campus projects.

Note 9. 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 $252,999,480 and $237,637,423 as of June 30, 2023 and 2022, respectively. Pool B funds are designated by the Board to fund capital projects and had a fair value of $3,219,000 and $3,826,855 as of June 30, 2023 and 2022, respectively. The College's endowment consists of 635 donor-restricted and 34 Board-restricted individual funds for a variety of purposes as of June 30, 2023. The endowment consisted of 631 donor-restricted and 32 Board-restricted individual funds established for a variety of purposes as of June 30, 2022. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 9. Endowment Investments (Continued)

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.

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

	2023	2022
Fair value of underwater endowment funds	$ 5,849,454	$ 9,857,606
Original endowment gift amount	6,031,269	10,458,748
Underwater endowment	$ (181,815)	$ (601,142)

Approximately $145,000 of funds were spent from underwater funds during fiscal year ended June 30, 2023. No amounts were spent from underwater funds during the fiscal year ending June 30, 2022.

Note 9. Endowment Investments (Continued)

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 long-term inflation rate plus the annual spending rate.

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 of the average market value of Pool A funds for 20 quarters of the five prior fiscal years. The spending rate of Pool A for fiscal years 2023 and 2022 was 6% and 5%, respectively. 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.

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.

Distributions from endowment utilized for operations were as follows for the fiscal years ending June 30:

	2023	2022
Pool A distribution	$ 13,045,184	$ 10,596,779
Pool B distribution	845,000	845,000
Total endowment distribution	$ 13,890,184	$ 11,441,779

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.

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.

Note 9. Endowment Investments (Continued)

Endowment net assets consist of the following as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 46,432,348	$ -	$ 46,432,348
Donor-restricted endowment funds			
Original donor—restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	136,575,958	136,575,958
Accumulated gains	-	73,210,174	73,210,174
Total endowed net assets	$ 46,432,348	$ 209,786,132	$ 256,218,480

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 41,755,034	$ -	$ 41,755,034
Donor-restricted endowment funds			
Original donor—restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	131,438,780	131,438,780
Accumulated gains	-	68,270,464	68,270,464
Total endowed net assets	$ 41,755,034	$ 199,709,244	$ 241,464,278

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	$ 41,755,034	$ 199,709,244	$ 241,464,278
Net investment return	4,064,598	15,204,992	19,269,590
Gifts and additions	4,353,000	5,021,796	9,374,796
Endowment return utilized for operations	(3,740,284)	(10,149,900)	(13,890,184)
Endowment net assets, June 30, 2023	$ 46,432,348	$ 209,786,132	$ 256,218,480

Note 9. Endowment Investments (Continued)

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2021	$ 47,752,748	$ 219,124,959	$ 266,877,707
Net investment loss	(3,377,546)	(18,597,664)	(21,975,210)
Gifts and additions	500,000	7,503,560	8,003,560
Endowment return utilized for operations	(3,120,168)	(8,321,611)	(11,441,779)
Endowment net assets, June 30, 2022	$ 41,755,034	$ 199,709,244	$ 241,464,278

Note 10. Bonds and Loans Payable

Revenue Bonds were issued through Massachusetts Development Finance Agency for the acquisition, installation, construction, renovation and equipping of various academic, residential and administrative facilities. Bonds and loans are as follows as of June 30:

	Maturity	Interest Rate	2023	2022
Massachusetts Development Finance Authority (MDFA)				
(a) Series H (2017)	January 1, 2053	Fixed—5%	$ 37,435,000	$ 38,310,000
(b) Series I (2021)	January 1, 2053	Fixed—5%	13,420,000	13,420,000
(c) Series J (2021)	January 1, 2049	Fixed—4.63%	21,320,000	21,320,000
Town of Norton				
(a) Connection Loan	December 1, 2036	Fixed—2.54%	1,792,496	1,902,473
(b) Construction Loan	December 1, 2036	Fixed—2.4%	1,396,920	1,483,587
			75,364,416	76,436,060
	Unamortized premium		10,451,138	10,805,414
	Debt issuance costs, net		(860,116)	(890,873)
	Total bonds, loans and leases payable		$ 84,955,438	$ 86,350,601

In April 2020, the College was granted a PPP Loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, the loan and its associated interest was forgivable if it is used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan would be 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 loan of $6,500,042 and accrued interest of $83,598 had been forgiven in full and is reported as forgiveness of indebtedness on the statements of activities for the year ended June 30, 2022. The loan remains subject to audit by the SBA for six years subsequent to the forgiveness date.

The bonds were issued with a premium which is reported net of bonds and loans payable. Amortization of the premium was $354,276 for the years ended June 30, 2023 and 2022.

Note 10. Bonds and Loans Payable (Continued)

Maturities of outstanding bonds and loans for each of the next five fiscal years, and to maturity, are as follows:

Years ending June 30:	
2024	$ 1,121,557
2025	1,176,593
2026	1,456,754
2027	1,517,044
2028	1,587,467
Thereafter	68,505,001
	75,364,416
Unamortized premium	10,451,138
Debt issuance costs	(860,116)
Total	$ 84,955,438

Debt issuance costs are capitalized and amortized over the life of the bonds. Debt issuance costs totaled $978,893 for the fiscal years ended June 30, 2023 and 2022, and are reported net of accumulated amortization of $118,777 and $88,020 in bonds and notes payable as of June 30, 2023 and 2022, respectively. Amortization expense was $30,757 and $30,394 for the years ended June 30, 2023 and 2022, respectively.

Note 11. Net Assets

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

	2023	2022
Contributions receivable	$ 3,166,278	$ 2,733,323
Planned giving arrangements:		
Charitable gift annuities	525,650	767,778
Charitable trusts	6,615,538	6,240,590
Capital improvements	2,310,583	17,937,609
Financial aid	30,912,058	32,138,835
Instruction	22,574,689	23,653,778
Academic support	5,976,371	6,474,678
General	85,135,661	76,757,912
Cumulative endowment appreciation	73,210,147	68,270,464
Total net assets with donor restrictions	$ 230,426,975	$ 234,974,967

Note 11. Net Assets (Continued)

Net assets were released from donor restrictions as a result of the endowment spending policy and 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:

	2023	2022
Capital improvements	$ 15,680,649	$ 99,776
Financial aid	6,913,931	5,170,680
Instruction	3,593,063	2,901,547
Academic support and other	2,936,987	1,463,913
Net assets released from restrictions	$ 29,124,630	$ 9,635,916

Note 12. Functional Expenses

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

2023	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and benefits	$18,332,116	$ 2,730,024	$ 9,323,678	$11,928,472	$ 402,877	$ 5,171,609	$47,888,776
Contracted services and events	2,671,508	228,248	1,910,623	2,697,756	5,754,944	1,582,402	14,845,481
Utilities, maintenance, equipment and insurance	307,171	33,374	246,508	838,222	605,555	7,062,571	9,093,401
Library acquisitions, supplies, printing and other	767,963	906,901	1,951,398	1,923,014	13,420	48,467	5,611,163
Depreciation and accretion	3,255,576	110,511	1,096,207	419,851	3,340,147	867,520	9,089,812
Interest and amortization	1,775,561	-	-	-	1,301,020	88,156	3,164,737
	27,109,895	4,009,058	14,528,414	17,807,315	11,417,963	14,820,725	89,693,370
Operations and maintenance allocation	2,732,056	847,689	2,968,568	3,981,182	4,291,230	(14,820,725)	-
Total functional expenses	$29,841,951	$ 4,856,747	$17,496,982	$21,788,497	$15,709,193	$ -	$89,693,370

2022	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and benefits	$17,381,965	$ 2,595,429	$ 8,425,916	$ 9,236,207	$ 369,429	$ 4,654,816	$42,663,762
Contracted services and events	2,130,509	273,334	2,688,002	2,838,854	5,028,703	1,558,821	14,518,223
Student grants	-	-	1,750,961	-	-	-	1,750,961
Utilities, maintenance, equipment and insurance	183,267	72,985	278,626	823,088	582,874	5,380,987	7,321,827
Library acquisitions, supplies, printing and other	826,773	806,542	1,798,393	1,233,580	18,904	107,857	4,792,049
Depreciation and accretion	2,697,366	155,922	1,057,434	492,809	3,333,516	854,395	8,591,442
Interest and amortization	1,390,007	164	-	-	1,418,044	92,949	2,901,164
	24,609,887	3,904,376	15,999,332	14,624,538	10,751,470	12,649,825	82,539,428
Operations and maintenance allocation	1,905,486	697,496	3,935,033	2,976,135	3,135,675	(12,649,825)	-
Total functional expenses	$26,515,373	$ 4,601,872	$19,934,365	$17,600,673	$13,887,145	$ -	$82,539,428

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 and College Retirement Equities Fund. 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 $2,620,842 and $1,999,680 for the years ended June 30, 2023 and 2022, 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. Related Party Transactions

Members of the Board and senior management may, from time to time, be associated, either directly or indirectly, with organizations doing business with the College. The College has a written conflict of interest policy that requires the Board and management to annually disclose any such relationship. Members may not participate in decisions involving the College's relationship with any such organization.

Two members of management sit on two different voluntary boards for companies in which the College does business with. One company provides health insurance through a captive which the College is a member and partial owner (See Note 15). As of June 30, 2023 and 2022, the College had estimated liabilities for the self-funded retention of $1,000,000 and $960,000, respectively, which are included within accounts payable and accrued expenses on the accompanying statements of financial position. Total premium and self-funded retention costs under the program were $4,727,282 and $4,190,242 for the years ended June 30, 2022 and 2021, respectively.

The second company provides professional services to the College. During the years ended June 30, 2022 and 2023, the College had $113,250 and $102,075 of expenses related to these professional services.

The College had $2,293,320 and $3,223,870 of gross contributions receivable from Trustees as of June 30, 2023 and 2022, respectively.

Note 15. Commitments and Contingencies

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.

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.

From time to time, the College may become engaged in various legal matters arising from the normal course of its operations. The College believes the outcome of these matters will have no material adverse effect on the financial position of the College.

Note 15. Commitments and Contingencies (Continued)

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, 2023.

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.