SPRINGFIELD COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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SPRINGFIELD COLLEGE

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Independent Auditor's Report

To the Board of Trustees
Springfield College

Report on the Financial Statements

We have audited the accompanying financial statements of Springfield College (the College), which comprise the statements of financial position as of June 30, 2020 and 2019, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider 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.

CohnReznick

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Springfield College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
March 11, 2021

SPRINGFIELD COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,803,774	$ 10,227,099
Short-term investments	21,583,053	23,378,181
Accounts receivable, net	3,364,225	4,309,151
Contributions receivable, net	1,946,819	675,807
Inventories	374,844	416,773
Prepaid expenses and other assets	3,517,750	3,871,319
Loans receivable, net	2,217,136	2,834,841
Restricted cash	7,637,298	8,791,763
Long-term investments	81,445,811	79,997,507
Land, buildings and equipment, net	122,514,572	125,967,237
Total assets	$ 248,405,282	$ 260,469,678
Liabilities		
Accounts payable and accrued expenses	$ 9,841,325	$ 11,248,705
Deferred income and deposits	4,568,037	5,840,683
Accounts held for others	385,873	343,649
Grants refundable	3,255,003	3,991,953
Capital lease obligations	341,243	451,646
Asset retirement obligations	1,690,881	1,772,325
Debt arrangements, net	65,528,299	66,693,526
Total liabilities	85,610,661	90,342,487
Net Assets		
Net assets without donor restrictions	93,268,744	100,726,048
Net assets with donor restrictions		
Time or purpose	30,311,783	31,579,774
Perpetual	39,214,094	37,821,369
Total net assets with donor restrictions	69,525,877	69,401,143
Total net assets	162,794,621	170,127,191
Total liabilities and net assets	$ 248,405,282	$ 260,469,678

The accompanying notes are an integral part of the financial statements

SPRINGFIELD COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions: Time or Purpose	With Donor Restrictions: Perpetual	Total
Operating				
Revenues, gains and other support				
Tuition and fees	$ 117,606,595	$ -	$ -	$ 117,606,595
Less scholarship aid	(51,203,284)	-	-	(51,203,284)
Net tuition and fees revenue	66,403,311	-	-	66,403,311
Private contributions and grants	1,188,157	2,587,071	-	3,775,228
Federal and state grants	778,566	4,392,432	-	5,170,998
Net investment income	1,032,357	1,254	-	1,033,611
Endowment spending allocation	742,462	2,227,316	-	2,969,778
Sales and services of educational departments	810,280	3,250	-	813,530
Sales and services of auxiliary enterprises	19,884,066	-	-	19,884,066
Other income	1,630,068	258,744	-	1,888,812
Net assets released from restrictions	8,401,191	(8,401,191)	-	-
Total revenues, gains and other support	100,870,458	1,068,876	-	101,939,334
Expenses				
Educational	71,678,305	-	-	71,678,305
Institutional support	11,209,717	-	-	11,209,717
Auxiliary enterprises	21,915,427	-	-	21,915,427
Scholarship and fellowships	1,729,441	-	-	1,729,441
Total expenses	106,532,890	-	-	106,532,890
Changes in net assets from operations	(5,662,432)	1,068,876	-	(4,593,556)
Non-operating Activity				
Private contributions and grants	-	61,198	1,328,880	1,390,078
Net investment income	(22,469)	21,584	39,140	38,255
Endowment spending allocation	(742,462)	(2,227,316)	-	(2,969,778)
Change in split interest agreements	-	(15,256)	(143,194)	(158,450)
Change in fair value of interest rate swap	(1,162,654)	-	-	(1,162,654)
Gain on disposal of assets	123,535	-	-	123,535
Change in donor intent	(4,822)	(163,077)	167,899	-
Net assets released from restrictions	14,000	(14,000)	-	-
Net non-operating activity	(1,794,872)	(2,336,867)	1,392,725	(2,739,014)
Change in Net Assets	(7,457,304)	(1,267,991)	1,392,725	(7,332,570)
Net Assets - Beginning of Year	100,726,048	31,579,774	37,821,369	170,127,191
Net Assets - End of Year	$ 93,268,744	$ 30,311,783	$ 39,214,094	$ 162,794,621

The accompanying notes are an integral part of the financial statements

SPRINGFIELD COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions: Time or Purpose	With Donor Restrictions: Perpetual	Total
Operating				
Revenues, gains and other support				
Tuition and fees	$ 116,058,760	$ -	$ -	$ 116,058,760
Less scholarship aid	(46,534,615)	-	-	(46,534,615)
Net tuition and fees revenue	69,524,145	-	-	69,524,145
Private contributions and grants	1,461,147	1,374,933	-	2,836,080
Federal and state grants	703,531	1,047,153	-	1,750,684
Net investment income	1,913,905	2,457	-	1,916,362
Endowment spending allocation	588,601	2,555,934	-	3,144,535
Sales and services of educational departments	1,159,654	5,595	-	1,165,249
Sales and services of auxiliary enterprises	24,288,711	-	-	24,288,711
Other income	2,694,143	396,035	-	3,090,178
Net assets released from restrictions	5,991,699	(5,991,699)	-	-
Total revenues, gains and other support	108,325,536	(609,592)	-	107,715,944
Expenses				
Educational	71,269,772	-	-	71,269,772
Institutional support	16,093,801	-	-	16,093,801
Auxiliary enterprises	22,330,745	-	-	22,330,745
Total expenses	109,694,318	-	-	109,694,318
Changes in net assets from operations	(1,368,782)	(609,592)	-	(1,978,374)
Non-operating Activity				
Private contributions and grants	-	147,361	646,538	793,899
Net investment income	581,403	2,581,786	48,328	3,211,517
Endowment spending allocation	(588,601)	(2,555,934)	-	(3,144,535)
Change in split interest agreements	(141,642)	17,166	61,252	(63,224)
Change in fair value of interest rate swap	(767,290)	-	-	(767,290)
Loss on disposal of assets	(86,375)	-	-	(86,375)
Change in donor intent	(8,669)	(143,583)	152,252	-
Net assets released from restrictions	89,467	(89,467)	-	-
Net non-operating activity	(921,707)	(42,671)	908,370	(56,008)
Change in Net Assets	(2,290,489)	(652,263)	908,370	(2,034,382)
Net Assets - Beginning of Year	103,016,537	32,232,037	36,912,999	172,161,573
Net Assets - End of Year	$ 100,726,048	$ 31,579,774	$ 37,821,369	$ 170,127,191

The accompanying notes are an integral part of the financial statements

SPRINGFIELD COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ (7,332,570)	$ (2,034,382)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,424,914	8,116,701
Change in fair value of interest rate swap	1,162,654	767,290
Bad debt expense	536,924	879,189
Net realized and unrealized investment losses (gains)	2,131,555	(705,523)
Contributions restricted for long-term investment	(1,328,880)	(798,790)
Gifts in kind of land, buildings and equipment	(5,589)	(5,499)
Receipt of contributed securities	(288,767)	(645,401)
Loss (gain) on disposal of assets	(123,535)	86,375
(Increase) decrease in operating assets:		
Accounts receivable	408,002	(843,736)
Contributions receivable	(1,264,711)	14,640
Inventories	41,929	17,243
Prepaid expenses and other assets	247,185	(365,804)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(793,553)	(782,543)
Deferred income and deposits	(1,272,646)	(400,015)
Accounts held for others	42,224	35,568
Grants refundable	(736,950)	-
Asset retirement obligations	(81,444)	4,395
Net cash provided by (used in) operating activities	(233,258)	3,339,708
Cash Flows from Investing Activities		
Purchases of land, buildings and equipment	(6,622,060)	(4,401,602)
Proceeds from sales of assets	190,238	102,296
Payments received for loans receivable	617,705	653,606
Proceeds from sales of contributed securities	288,767	645,401
Purchases of short-term investments	(9,012,895)	(10,208,803)
Sales and maturities of short-term investments	10,969,093	12,423,349
Purchases of long-term investments	(25,057,669)	(49,540,346)
Sales and maturities of long-term investments	21,316,740	47,114,822
Net cash used in investing activities	(7,310,081)	(3,211,277)
Cash Flows from Financing Activities		
Proceeds from notes payable	1,340,019	-
Payments on debt arrangements	(2,586,646)	(2,566,654)
Payments on capital lease obligations	(110,403)	(100,847)
Proceeds from contributions restricted for long-term investment	1,322,579	1,079,957
Net cash used in financing activities	(34,451)	(1,587,544)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(7,577,790)	(1,459,113)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	19,018,862	20,477,975
Cash, Cash Equivalents and Restricted Cash - End of Year	$ 11,441,072	$ 19,018,862
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 2,024,026	$ 2,064,278
Construction related assets included in accounts payable	$ 259,437	$ 1,929,534

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Springfield College (the College) is an independent, nonprofit, coeducational institution founded in 1885. Nearly 4,000 students, including 2,200 full-time traditional undergraduate students, study at its main campus in Springfield, Massachusetts, and at its regional campuses across the country. Springfield College inspires students through the guiding principles of its Humanics philosophy - educating students in spirit, mind, and body for leadership in service to others.

Basis of Accounting and Presentation

The College's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

GAAP establishes standards for general purpose financial statements of private, not-for-profit organizations that measure aggregate net assets based on the absence or existence of donor-imposed restrictions. GAAP requires the College to classify its net assets into two classifications: net assets without donor restrictions and net assets with donor restrictions.

Brief definitions of the two net asset classes are presented below:

Net Assets Without Donor Restriction

Net assets derived from tuition and other institutional resources that are not subject to explicit donor-imposed stipulations or to those imposed by operation of law. Net assets without donor restriction may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net Assets With Donor Restrictions

Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or accumulated investment income and gains on donor-restricted assets. In addition, net assets with donor restrictions includes net assets that are subject to explicit donor-imposed stipulations that they be maintained in perpetuity by the College. When time and purpose restrictions are met or expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

During 2020, the College adopted the provisions of Accounting Standards Update ("ASU") No. 2018-08, *Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance clarifies and improves the scope and accounting guidance for contributions received and contributions made. Specifically, the ASU assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. There are no effects of the new requirements on amounts reported in the College's financial statements.

In June 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* which provides for the elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities. The core principle of Topic 606, which replaces most existing revenue recognition guidance with a five-step framework, is that revenue from contracts with customers is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services. Upon its adoption, Topic 842 replaces existing lease accounting guidance and requires lessees to recognize right of use assets and corresponding lease liabilities for their leases other than those on their statement of financial position for all leases, including those classified as operating, except for short-term leases. Lessor accounting under Topic 842 is largely unchanged when compared to existing guidance.

The College has elected to apply the deferrals provided by ASU 2020-05 and therefore expects to adopt (i) Topic 606 for annual reporting periods beginning after December 15, 2019; and (ii) Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The College is currently evaluating the potential impacts of adopting Topic 606 and Topic 842 on its financial statements.

Operations Measure

Changes in net assets from operations presented in the statement of activities include revenue, gains and other support, and operating expenses. Operating revenue, gains and other support include revenue from tuition and fees, net of scholarships, grants and contracts, contributions for operations, the allocation of endowment spending for operations, sales and services of educational departments and auxiliary enterprises, and other revenue. Operating expenses are classified on the statement of activities by functional classification. Non-operating activity includes contributions for the acquisition and construction of long-lived assets, contributions to the College's endowment, net investment income related to the endowment, change in the fair value of interest rate swap, gain or loss on the disposal of assets, and other items.

Classification of Revenues and Expenses

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled, gains are appropriated for expenditure and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Tuition and fees are recognized in the period in which the educational instruction is performed and are presented net of financial aid. Accordingly, any tuition and fees for the next semester, which are billed or for which an obligation of payment exists in accordance with the terms of the enrollment agreement as of the end of the current fiscal year, are deferred until the period in which instruction is performed.

Dividends, interest and net realized and unrealized gains or losses, net of external investment expenses, on investments of endowments and similar funds are reported as increases or decreases in net assets with donor restrictions if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains, and as increases or decreases in net assets without restrictions in all other cases.

Liquidity

The College's financial assets available within one year for general expenditure as of June 30, 2020 and 2019 are as follows:

	2020	2019
Total assets, end of year	$ 248,405,282	$ 260,469,678
Less nonfinancial assets:		
Inventories	(374,844)	(416,773)
Prepaid expenses and other assets	(3,517,750)	(3,871,319)
Land, buildings and equipment, net	(122,514,572)	(125,967,237)
Financial assets, end of year	121,998,116	130,214,349
Less unavailable for general expenditure within one year due to:		
Loans receivable, net	(2,217,136)	(2,834,841)
Restricted cash	(7,637,298)	(8,791,763)
Contributions receivable not due in one year or less	(1,482,343)	(338,840)
Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	(5,683,586)	(5,421,889)
Donor-restricted endowment subject to appropriation	(23,145,854)	(25,819,045)
Donor-restricted endowments to be retained in perpetuity	(39,214,094)	(37,821,369)
Board-designated endowments	(18,442,541)	(15,360,018)
Expected to be available for general expenditure within one year:		
Pay-out on donor-restricted endowments	2,248,000	2,234,000
Pay-out on board-designated endowments	1,215,000	1,071,000
Financial assets available for expenditure within one year	$ 27,638,264	$ 37,131,584

The College regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations 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, marketable debt and equity securities and a line of credit. See Note 8 for more information about the College's line of credit. In addition to the available financial assets, a significant portion of the College's annual expenditures will be funded by current year operating revenues including tuition revenue, contributions without donor restrictions and program supporting revenue and fees. The College structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the College invests excess operating cash in various income earning investments including money markets, certificates of deposit, or US government instruments.

Additionally, while the College operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures, liabilities and other obligations, the College has board-designated funds of $18,442,541, which could be made available if necessary.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to the operations of the College along with any debt obligations to be general expenditures. Student loans receivable are not considered to be available to meet general expenditures due to the payments received on these loans being used to solely make new loans.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash and money market investments with maturities of 90 days or less at the date of purchase. These amounts do not include cash equivalents held as collateral or cash that is held in an investment manager's account until suitable investment opportunities are identified.

Restricted cash consists primarily of cash on deposit with banks for compliance with debt covenants, along with cash held for the revolving loan fund for Federal Perkins Loans and funds designated for transfer to the College's pooled endowment.

Cash, cash equivalents and restricted cash consist of the following at June 30, 2020 and 2019:

	2020	2019
Cash	$ 3,527,593	$ 5,055,034
Cash equivalents	276,181	5,172,065
Total Cash and Cash Equivalents	3,803,774	10,227,099
Cash restricted for debt compliance	6,624,191	7,485,156
Cash restricted for student loans	612,606	977,614
Cash restricted for endowment	400,501	328,993
Total Restricted Cash	7,637,298	8,791,763
Total Cash, Cash Equivalents and Restricted Cash	$ 11,441,072	$ 19,018,862

Short-Term Investments

Short-term investments consist primarily of cash, certificates of deposit, fixed income securities and mutual funds. Certificates of deposit are recorded at face value.

Accounts Receivable

Accounts receivable are stated net of allowance for doubtful accounts. The College estimates the allowance based on its historical experience of the relationship between actual bad debts and net revenue, taking into consideration the age of past due accounts and an assessment of the debtor's ability to pay. Uncollectible account balances are written off when management determines the probability of collection is remote.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as net assets without donor restriction support. Promises to give that are scheduled to be received after the fiscal year-end are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with perpetual donor restrictions.

A conditional promise to give is a transaction where the College has to meet certain obligations to be entitled to the gift and the donor has the right of return of any advanced funding if the College does not meet those obligations. The College recognizes the contribution revenue upon fulfilling the obligation and any funding received prior to fulfilling the obligation is recognized as a refundable advance.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts are computed using the risk-free rates applicable to the year in which the promises are received. The discount rates used ranged from 1.00% to 3.68% for 2020 and 2019. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restriction, if any, on the contributions.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is 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. See Note 6 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Securities received by gift are initially recorded at fair value at the date of acquisition. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the College's gains and losses on investments bought and sold as well as held during the year, net of external investment management fees. Net realized and unrealized gains and losses and investment income on donor-restricted endowment assets are classified as net assets with donor restrictions until appropriated for expenditure.

The College commingles certain investment assets of its various funds into investment pools and uses the unit-share method for distributing pooled investment income and net realized and unrealized gains and losses.

The Investment Committee of the College determines the College's valuation policies and procedures utilizing information provided by investment advisors, asset custodians and fund managers.

Land, Buildings and Equipment

Land, buildings and equipment, including capitalized interest, are recorded at cost on the date of acquisition or, in the case of gifts, fair value at the date of receipt plus the cost of any related asset retirement obligations. Maintenance and repairs are charged to expense as incurred; individual additions, renewals and betterments of $5,000 or more are capitalized. For assets sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Depreciation expense is computed on a straight-line basis over the estimated useful lives using a half-year convention beginning in the year of acquisition or capitalization of construction in progress. Useful lives of the assets are as follows:

Buildings	30 or 75 years
Improvements	5 to 15 years
Furniture	10 years
Equipment	3 to 10 years
Library books	10 years

Bond Issuance Costs

Bond issuance costs are fees and other costs incurred in obtaining financing that are amortized on a straight-line basis over the term of related debt. Bond issuance costs are presented as a direct deduction of the carrying amount of the debt. Amortization of bond issuance costs is included in interest expense.

Interest Rate Swap Agreement

The College has entered into an interest rate swap agreement associated with a portion of its 2016 Massachusetts Development Finance Agency bonds payable. The agreement effectively changes the interest rate exposure of the bonds payable from variable rate to fixed rate. Accordingly, the College has reflected the swap agreement in the accompanying financial statements at the current market value in effect on June 30, which is reflected on the accompanying statements of financial position in accounts payable for June 30, 2020 and prepaid expenses and other assets for June 30, 2019. The differential paid or received on the swap agreement is recognized separately in the accompanying statements of activities. See Note 8 for a discussion on debt arrangements.

Accounts Held for Others

Accounts held for others, which are reported as liabilities in the accompanying financial statements, represent funds placed on deposit with the College as custodian.

Asset Retirement Obligations

The College recognizes conditional asset retirement obligations, primarily arising from regulations on the disposal of certain hazardous material if facilities are demolished or undergo major renovations or repairs. Asset retirement obligations are initially recorded in the period in which they occurred if a reasonable estimate of approximate fair value can be made, and the liability is accreted to its present value each period. The discount rates used for the present value calculations range from 3.30% to 4.00%. When the liability is initially recorded, the cost of the related long-lived asset is increased for the amount of the liability, which is then depreciated over the useful life of the asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

During 2020 and 2019, the College recognized accretion on the conditional asset retirement obligation of $1,794 and $4,395, respectively, which is reported within expenditures on the statements of activities. A liability has been recorded for the conditional asset retirement obligations of $1,690,881 and $1,772,325 as reported in the statements of financial position at June 30, 2020 and 2019, respectively.

Donated Materials, Equipment and Services

Donated materials and equipment are recorded at their estimated fair value at the date of receipt. No amounts have been reflected in the accompanying financial statements for donated services since such services generally do not require specialized skills.

Government Grants and Contracts

Revenues associated with government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for as net assets without donor restrictions or net assets with donor restrictions depending on the nature of the grant. The College records reimbursement of indirect costs relating to the Federal Pell Grant, Supplemental Education Opportunity Grant and Corporation for National and Community Service Grants at authorized rates for each fiscal year as net assets without donor restrictions revenue.

Functional Allocation of Expenses

The costs of providing the College's programs and other activities have been summarized on a functional basis in the statements of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

Income Taxes

The College has been granted tax-exempt status under the Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) and, accordingly, does not provide for income taxes. However, the College is subject to unrelated business income taxes related to other program income and such taxes are included in management and general expenses in the statements of activities.

The College had no uncertain tax positions at June 30, 2020 or 2019. The College's federal information returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and activities.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through March 11, 2021, which represents the date the financial statements were available to be issued.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Student accounts receivable	$ 5,329,436	$ 5,718,736
Other receivables	709,136	1,082,507
	6,038,572	6,801,243
Less allowance for doubtful accounts	(2,674,347)	(2,492,092)
Accounts Receivable, Net	$ 3,364,225	$ 4,309,151

NOTE 3 - GROUND LEASE

In May 1990, the College, as lessor, entered into a 75-year ground lease. The land has been developed into a continuing care retirement community (the CCRC) by an unrelated party. The lease, as amended and restated on August 18, 2009, provided for an annual base rent of $40,000 beginning August 1, 2014. This amount increased to $75,000 on August 1, 2019 and will increase to $100,000 on August 1, 2022 through the rent termination date.

During the year ended June 30, 2009, the College loaned the CCRC $375,000 for operational purposes, which is included in accounts receivable, net on the accompanying statements of financial position. Interest payments commenced on August 1, 2011 at 5% per annum on the unpaid balance on a monthly basis. Principal payments commenced on August 1, 2014, with the principal balance being amortized over ten years.

In January 2018, the College, as lessor, entered into a 60-year ground lease with EC Springfield Realty, Inc. The land is being developed by the lessee into a pre-kindergarten through secondary school. The lease provides for an annual base rent of $100, which was prepaid in full for the entire term of the ground lease. Upon the termination of the lease, all permanent additions and improvements to the leased property become property of the College.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Contributions receivable	$ 2,228,010	$ 770,730
Less discount to present value	(27,341)	(14,543)
Less allowance for uncollectible contributions	(253,850)	(80,380)
Contributions Receivable, Net	$ 1,946,819	$ 675,807

Contributions receivable are expected to be realized during the following years as of June 30, 2020 and 2019:

	2020	2019
Less than one year	$ 745,667	$ 431,890
One to five years	1,476,343	338,840
More than five years	6,000	-
Contributions Receivable	$ 2,228,010	$ 770,730

The College also currently has conditional pledges to give in the amount of $13,725,412 as of June 30, 2020. These amounts are not included in contributions receivable in the accompanying financial statements.

NOTE 5 - LOANS RECEIVABLE

The College's student loan receivables consist of a revolving loan fund for Federal Perkins Loans (the Program) for which the College acts as an agent for the federal government in administering the Program and an institutional loan fund created by the College to assist students in funding their education.

Other loans receivable consist of loans to employees for the College's Employee Neighborhood Homeownership Program.

Loans receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
Student loans:		
Federal government programs	$ 2,488,770	$ 3,134,989
Institutional programs	51,361	70,871
Total student loans	2,540,131	3,205,860
Less allowance for doubtful accounts:		
Beginning of year	(372,519)	(314,515)
Decreases (increases)	45,505	(58,004)
End of year	(327,014)	(372,519)
Student loan receivables, net	2,213,117	2,833,341
Other loans receivable	4,019	1,500
Loans Receivable, Net	$ 2,217,136	$ 2,834,841

Funds advanced by the federal government of $3,255,003 and $3,991,953 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the accompanying statements of financial position.

The following amounts were past due under the Program at June 30, 2020 and 2019:

	1-89 Days Past Due	90-179 Days Past Due	>180 Days Past Due	Total Past Due
June 30, 2020	$ 752	$ 15,298	$ 335,478	$ 351,528
June 30, 2019	$ 1,171	$ 8,313	$ 378,390	$ 387,874

Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

NOTE 6 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Equity Securities

These items are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed Income Securities

Fixed income securities include corporate bonds and U.S. Treasuries valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Real Assets

Interests in real assets are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the College's Investment Committee. In the case where investments are made in funds or partnerships that are not traded on an active market and therefore not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Mutual Funds

Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

Real Estate and Limited Partnerships

Interests in real estate and limited partnerships are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the College's Investment Committee. Because investments in these partnerships are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Absolute Return and Hedge Funds

Interests in absolute return and hedge funds are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the College's Investment Committee. Because investments in these funds are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swap assets and liabilities is determined using observable market inputs such as current interest rates and considers nonperformance risk of the College and that of its counterparties.

There have been no changes in the methodologies used at June 30, 2020 and 2019.

The methods described above may produce a fair value calculation that 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 fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the College's assets and liabilities at fair value, including cash and cash equivalents held by investment managers as of June 30, 2020 and 2019:

	2020			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term Investments:				
Cash and cash equivalents	$ 76,186	$ -	$ -	$ 76,186
Equity securities	9,410,842	-	-	9,410,842
Mutual funds:				
Money market funds	160,867	-	-	160,867
Domestic equity funds	22,514,545	-	-	22,514,545
International and global equity	20,171,698	-	-	20,171,698
Fixed income	21,771,815	-	-	21,771,815
Real assets	1,937,312	-	-	1,937,312
Investments measured at net asset value (a):				
Real estate and limited partnerships	-	-	-	5,236,129
Absolute return and hedge funds	-	-	-	166,417
Total long-term investments	76,043,265	-	-	81,445,811
Short-term investments:				
Cash and cash equivalents	3,109,151	-	-	3,109,151
Mutual funds:				
Equity funds	5,431,981	-	-	5,431,981
Fixed income	13,041,921	-	-	13,041,921
Total short-term investments	21,583,053	-	-	21,583,053
Total Assets Recorded at Fair Value	$ 97,626,318	$ -	$ -	$ 103,028,864
Interest rate swap liabilities	$ -	$ 1,056,270	$ -	$ 1,056,270
Total Liabilities Recorded at Fair Value	$ -	$ 1,056,270	$ -	$ 1,056,270

	2019			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term Investments:				
Cash and cash equivalents	$ 6,079,971	$ -	$ -	$ 6,079,971
Equity securities	9,550,219	-	-	9,550,219
Mutual funds:				
Money market funds	577,365	-	-	577,365
Domestic equity funds	18,379,723	-	-	18,379,723
International and global equity	24,107,778	-	-	24,107,778
Fixed income	18,120,984	-	-	18,120,984
Real assets	1,968,784	-	-	1,968,784
Investments measured at net asset value (a):				
Real estate and limited partnerships	-	-	-	1,015,177
Absolute return and hedge funds	-	-	-	197,506
Total long-term investments	78,784,824	-	-	79,997,507
Short-term investments:				
Cash and cash equivalents	214,072	-	-	214,072
Mutual funds:				
Equity funds	6,884,498	-	-	6,884,498
Fixed income	16,279,611	-	-	16,279,611
Total short-term investments	23,378,181	-	-	23,378,181
Interest rate swap assets	-	106,384	-	106,384
Total Assets Recorded at Fair Value	$ 102,163,005	$ 106,384	$ -	$ 103,482,072

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended June 30, 2020 and June 30, 2019.

The College uses pricing information supplied by investment managers to determine the net asset value for real estate and limited partnerships and absolute return and hedge funds.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2020 and 2019 is as follows:

	2020						
		Net Asset Value		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Liquidity or Other Restrictions**
Absolute return and hedge funds:							
Commonfund global distressed investors (a)	$	166,417	$	273,300	N/A	N/A	No redemption provisions
Real estate and limited partnerships:							
Commonfund Capital Partners 2000 (a)		103,916		23,567	N/A	N/A	No redemption provisions
Commonfund Capital Partners VII LP (a)		1,750,541		3,625,000	N/A	N/A	No redemption provisions
Siguler Guff Small Buyout Opport. Fund IV LP (b)		158,103		840,500	N/A	N/A	No redemption provisions
Hamilton Lane Secondary Feeder LP (c)		165,128		850,000	N/A	N/A	No redemption provisions
Polaris Capital International Value LP (d)		3,058,441		-	N/A	N/A	Monthly liquidity
	$	5,402,546					

	2019						
		Net Asset Value		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	**Liquidity or Other Restrictions**
Absolute return and hedge funds:							
Commonfund global distressed investors (a)	$	197,506	$	273,300	N/A	N/A	No redemption provisions
Real estate and limited partnerships:							
Commonfund Capital Partners 2000 (a)		173,123		23,567	N/A	N/A	No redemption provisions
Commonfund Capital Partners VII LP (a)		842,054		4,262,500	N/A	N/A	No redemption provisions
	$	1,212,683					

The investment strategies of these investments are as follows:

(a) To invest primarily in U.S. commercial real estate and distressed investment strategies.

(b) To invest in buyout opportunities in the small and lower middle markets; portfolio will invest in a mix of primary fund investments as well as co-investments in select deals.

(c) To invest in opportunities that leverage the firm's platform advantages, global footprint, and primary relationships; portfolio will remain flexible with regards to deal size and type.

(d) To invest in long-term capital growth and income by investing in a diversified portfolio consisting of primarily foreign securities.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	$ 5,602,430	$ 5,602,430
Buildings and leasehold improvements	205,205,208	202,450,514
Furniture	12,517,021	12,490,209
Equipment	37,265,206	35,073,612
Library books	7,031,078	7,031,078
Total land, buildings and equipment	267,620,943	262,647,843
Less accumulated depreciation	(147,363,874)	(139,067,668)
	120,257,069	123,580,175
Construction in progress	2,257,503	2,387,062
Land, Buildings and Equipment, Net	$ 122,514,572	$ 125,967,237

Construction in progress at June 30, 2020 and 2019 represents the cost of certain campus improvement projects not yet placed into service or depreciated as of the end of the fiscal year.

Depreciation expense of the above assets amounted to $8,343,514 and $8,035,301 for the years ended June 30, 2020 and 2019, respectively.

NOTE 8 - DEBT ARRANGEMENTS

Debt arrangements consist of bonds and notes payable at June 30, 2020 and 2019:

	2020		2019	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
$63,125,000 Massachusetts Development Finance Agency revenue bonds, including Series A bonds: $48,125,000, 15 year fixed interest rate of 3.09%; Series B bonds: $15,000,000, 2.373% interest rate fixed through a swap for 15 years, due monthly through 2041.	$ 55,607,118	$ 596,240	$ 57,584,753	$ 625,325
$13,820,000 Massachusetts Development Finance Agency revenue bonds, which include $10,315,000 of nontaxable bonds and $3,505,000 of taxable bonds; nontaxable and taxable interest rates of 2.26% and 3.29%, respectively, due monthly through 2033.	9,857,497	680,095	10,466,508	732,410
$1,340,019 CIT Bank N.A. installment financing: 0% interest over 36 months, due quarterly through 2023.	1,340,019	-	-	-
Total	66,804,634	$ 1,276,335	68,051,261	$ 1,357,735
Less unamortized debt issuance costs	(1,276,335)		(1,357,735)	
Debt Arrangements, Net	$ 65,528,299		$ 66,693,526	

The following is a schedule of debt maturities payable over the next five years and thereafter by the College at June 30, 2020:

Year Ending June 30

2021	$	3,104,125
2022		3,172,124
2023		3,241,875
2024		2,862,885
2025		2,940,054
Thereafter		51,483,571
Total principal payments	$	66,804,634

Restricted Cash of $6,624,191 and $7,485,156 at June 30, 2020 and 2019, respectively, have been established in accordance with bond agreements and are comprised of debt service funds of $310,750 and $951,261 at June 30, 2020 and 2019, respectively; cash on deposit with banks for debt covenant compliance of $6,313,441 and $6,533,395 at June 30, 2020 and 2019, respectively; and $0 and $500 remaining to be drawn on the 2016 Series B bonds at June 30, 2020 and 2019, respectively.

Interest expense was $2,087,750 and $2,234,706 for the years ended June 30, 2020 and 2019, respectively. The College must satisfy certain contractual covenants under the terms of certain bond agreements that include, among others, a debt service coverage ratio.

The College maintains a line of credit for short-term borrowing for up to $10,000,000 on terms as mutually agreed upon by the College and the bank. The line of credit bears interest at a rate of 3.50% and is secured by all business assets of the College. This agreement is reviewed annually and expired September 30, 2020. At June 30, 2020 and 2019, there were no amounts outstanding on this line of credit. The College expects to obtain a new line of credit during fiscal year ending June 30, 2021.

In June 2016, the College issued $63,125,000 in Revenue Bonds with the Massachusetts Development Finance Agency (MDFA). The bonds were a direct bank issue through BankUnited and UniBank for Series A and Series B respectively. The proceeds from the Series A issuance were used to refinance the existing MDFA 2010 Bond issue and to cover the cost of issuance. The purpose of the refinance was to generate annual debt service savings.

The proceeds from the Series B issuance were primarily used to finance the Harold C. Smith Learning Commons project and to cover the cost of issuance. Draw-down of the net proceeds for project related costs began in June 2017, after the College met the covenant to apply $5,000,000 of its own funds to the project.

In connection with the issuance of the Series B bonds, the College entered into an interest rate swap agreement with UniBank, for the notional amount of $15,000,000. Under the terms of the agreement, the College will pay a fixed rate of 2.373%, and receive a variable rate of 65% of the One Month London Interbank Offer Rate (LIBOR) with a spread of 126.1 basis points. The term of the swap agreement is for the first fifteen years of the 25-year bond amortization term, with payments commencing in July 2016 and ending in June 2031.

The fair value of the interest rate swap was a liability of $1,056,270 and an asset of $106,384, reflected in accounts payable and prepaid expenses and other assets on the statements of financial position as of June 30, 2020 and 2019, respectively. The change in fair value is reflected separately on the statement of activities.

NOTE 9 - NET ASSETS

Following is the composition of the College's net assets at June 30, 2020 and 2019:

	2020	2019
Without donor restrictions:		
Board designated endowment, subject to spending policy and appropriations	$ 18,442,541	$ 15,360,018
Undesignated	74,826,203	85,366,030
Total net assets without donor restrictions	$ 93,268,744	$ 100,726,048
With donor restrictions:		
Donor-restricted endowments, subject to spending policy and appropriations	$ 23,145,854	$ 25,819,045
Unexpended gift and grants balances	7,165,929	5,760,729
Total donor-restricted for time or purpose	30,311,783	31,579,774
Donor-restricted endowments, perpetual in nature	39,214,094	37,821,369
Total net assets with donor restrictions	$ 69,525,877	$ 69,401,143

Pursuant to The Commonwealth of Massachusetts Attorney General's position regarding the treatment of donor-restricted funds in financial statements prepared in accordance with GAAP, such appreciation is considered net assets with donor restrictions until appropriated pursuant to board action. The Board of Trustees can appropriate for expenditure such appreciation subject to its fiduciary responsibilities under the Massachusetts state version of the Uniform Prudent Management of Institutional Funds Act (MAUPMIFA).

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTION

Donor-restricted income that was both received and expended during the year was recorded as net assets without restrictions revenue. Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor.

The net assets with donor restrictions released from restriction for the years ended June 30, 2020 and 2019, related to the following:

	2020	2019
Purpose restrictions accomplished:		
Student aid	$ 4,161,225	$ 2,737,791
Capital improvements	14,000	83,000
Instruction and research	1,113,432	1,918,061
Public service	6,214	21,520
Student services	641,987	755,070
Other activities	2,028,597	117,190
Passage of time	449,736	448,534
Total Net Assets Released from Restrictions	$ 8,415,191	$ 6,081,166

NOTE 11 - ENDOWMENT

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted MAUPMIFA as encouraging the preservation of the fair 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) accumulations of investment returns not yet appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by MAUPMIFA. In accordance with MAUPMIFA, the College 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 effect 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

Endowment Net Assets

The College's endowment consists of approximately 475 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Endowment net asset composition by type of fund as of June 30, 2020 and 2019, is as follows:

	June 30, 2020			
	Without Donor Restrictions	With Donor Restrictions: Time or Purpose	With Donor Restrictions: Perpetual	Total
Donor-restricted endowment funds	$ -	$ 23,185,672	$ 39,214,094	$ 62,399,766
Board-designated endowment funds	18,442,541	-	-	18,442,541
Underwater endowment funds	-	(39,818)	-	(39,818)
Total	$ 18,442,541	$ 23,145,854	$ 39,214,094	$ 80,802,489

	June 30, 2019			
	Without Donor Restrictions	With Donor Restrictions: Time or Purpose	With Donor Restrictions: Perpetual	Total
Donor-restricted endowment funds	$ -	$ 25,824,900	$ 37,821,369	$ 63,646,269
Board-designated endowment funds	15,360,018	-	-	15,360,018
Underwater endowment funds	-	(5,855)	-	(5,855)
Total	$ 15,360,018	$ 25,819,045	$ 37,821,369	$ 79,000,432

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	2020			
	Without Donor Restrictions	**With Donor Restrictions**		
		Time or Purpose	**Perpetual**	**Total**
Endowment net assets - June 30, 2019	$ 15,360,018	$ 25,819,045	$ 37,821,369	$ 79,000,432
Investment returns, net	(22,471)	6,211	(104,055)	(120,315)
Contributions	110,719	-	1,496,780	1,607,499
Additional Board designations	3,628,785	-	-	3,628,785
Appropriation for expenditure	(634,510)	(2,679,402)	-	(3,313,912)
Endowment net assets - June 30, 2020	$ 18,442,541	$ 23,145,854	$ 39,214,094	$ 80,802,489

	2019			
	Without Donor Restrictions	**With Donor Restrictions**		
		Time or Purpose	**Perpetual**	**Total**
Endowment net assets - June 30, 2018	$ 14,278,929	$ 25,777,464	$ 36,912,999	$ 76,969,392
Investment returns, net	611,873	2,597,515	80,547	3,289,935
Contributions	160,443	-	827,823	988,266
Additional Board designations	897,374	-	-	897,374
Appropriation for expenditure	(588,601)	(2,555,934)	-	(3,144,535)
Endowment net assets - June 30, 2019	$ 15,360,018	$ 25,819,045	$ 37,821,369	$ 79,000,432

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MAUPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restriction were $39,818 and $5,855 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new perpetually donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The College permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

The amount to which funds were underwater for the years ended June 30, 2020 and 2019 was calculated as follows:

	2020	2019
Total original gift amount	$ 2,641,195	$ 250,111
Total fair value	2,601,377	244,256
Total underwater	$ 39,818	$ 5,855

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to earn a sufficient total return without harming the long-term real value (the inflation-adjusted purchasing power of principal and income) after accounting for endowment spending, inflation and costs of investment management. In order to achieve this objective, the endowment assets are invested in a manner that is intended to produce results that are in line with or exceed the price and yield results of similarly managed accounts over a full market cycle (three to five years) as measured by a blend of mutually agreeable benchmarks while assuming a reasonable level of investment risk. Actual returns in any given year may vary from this amount.

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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year an amount that shall not exceed 5% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The appropriations were $3,313,912 and $3,144,535 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, the College determined the endowment draw would be 5% for endowment scholarship funds and 4% for all other endowment funds; for the year ended June 30, 2019, the endowment draw was 4% for all funds. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at a rate to recognize the ongoing obligation to pay out annually substantial monies for operations. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 12 - FUNCTIONAL AND NATURAL CLASSIFICATIONS OF EXPENSES

The total operating and non-operating expenses reported for years ending June 30, 2020 and 2019 by functional and natural classifications were as follows:

	2020			
	Program		Support	
	Instruction	Auxiliary Enterprises	Institutional Support	Total
Salaries and wages	$ 39,146,676	$ 4,953,261	$ 5,045,835	$ 49,145,772
Employee benefits	12,159,880	1,624,045	1,647,381	15,431,306
Professional services	655,623	635,478	528,412	1,819,513
Advertising and marketing	451,446	102,979	233,762	788,187
Office expenses	6,092,732	1,085,755	1,152,492	8,330,979
Information technology	982,606	630,538	555,618	2,168,762
Rent and utilities	3,536,759	1,771,479	285,046	5,593,284
Travel	911,787	24,321	132,923	1,069,031
Athletics	1,651,442	957	-	1,652,399
Auxiliary enterprises	131,679	6,039,696	10,065	6,181,440
Scholarships	1,729,441	-	-	1,729,441
Other expenses	1,211,450	405,005	575,057	2,191,512
Depreciation expense	3,796,299	3,712,864	834,351	8,343,514
Interest expense	949,926	929,049	208,775	2,087,750
Total expenses	$ 73,407,746	$ 21,915,427	$ 11,209,717	$ 106,532,890

	2019			
	Program		Support	
	Instruction	Auxiliary Enterprises	Institutional Support	Total
Salaries and wages	$ 38,965,343	$ 4,490,153	$ 7,461,302	$ 50,916,798
Employee benefits	11,100,441	1,011,100	2,485,371	14,596,912
Professional services	699,422	555,125	559,091	1,813,638
Advertising and marketing	403,341	55,763	290,574	749,678
Office expenses	6,769,143	1,043,958	1,710,786	9,523,887
Information technology	859,016	588,163	634,420	2,081,599
Rent and utilities	3,696,730	2,424,695	300,889	6,422,314
Travel	1,408,259	42,376	204,193	1,654,828
Athletics	1,827,836	7,974	-	1,835,810
Auxiliary enterprises	94,172	7,023,242	21,403	7,138,817
Other expenses	951,290	389,110	1,349,630	2,690,030
Depreciation expense	3,535,533	3,696,238	803,530	8,035,301
Interest expense	959,246	1,002,848	272,612	2,234,706
Total expenses	$ 71,269,772	$ 22,330,745	$ 16,093,801	$ 109,694,318

The College allocates the cost of operations and maintenance of plant, management and general, depreciation, amortization and interest expense across all functional expense categories to reflect the full cost of those activities. The College applies various methods of cost allocation, primarily using estimates of the percentage of building space usage and percentage of time spent. There are no dedicated lines showing the allocation of operations and maintenance of plant or management and general as they have been allocated to the natural expense categories.

Expenses are categorized as a functional expense as follows: instruction expenses include educational services, academic support, student services, public services and athletics; institutional support expenses includes management and general and fundraising; auxiliary enterprises expenses includes expenses related to non-tuition revenue generation, such as housing and dining services expenses.

NOTE 13 - LEASES

Operating Leases

The College has noncancelable operating leases for classroom and administrative space, office equipment and vehicles. Expense under these leases was approximately $2,202,000 and $2,360,000 for the years ended June 30, 2020 and 2019, respectively.

The future minimum rental commitments under these agreements over the next five years and thereafter are approximately as follows:

Year Ending June 30

2021	$	2,338,000
2022		1,820,000
2023		1,467,000
2024		1,475,000
2025		1,163,000
Thereafter		1,114,000
Total future payments	$	9,377,000

Capital Leases

During the year ended June 30, 2018, the College entered into a five-year lease agreement for printing, copying and mailing equipment of approximately $590,000.

There was approximately $341,000 and $452,000 outstanding under the capital lease obligations at June 30, 2020 and 2019, respectively.

Equipment under capital lease net of accumulated amortization totaled $295,247 and $417,402 as of June 30, 2020 and 2019, respectively. Amortization of assets held under capital leases is included in depreciation expense.

The following is a schedule by years of the approximate future minimum payments under capital leases, together with the present value of the minimum lease payments as of June 30, 2020:

Year Ending June 30

2021	$	151,932
2022		151,932
2023		88,627
Total minimum lease payments		392,491
Less amount representing interest		(51,248)
Capital Lease Obligations	$	341,243

NOTE 14 - RETIREMENT PLAN

Retirement benefits for most of the faculty, administration and staff are provided through the Teachers Insurance and Annuity Association under a defined contribution plan. Eligible employees may contribute up to a certain dollar value of their annual salaries, pre-tax, subject to various restrictions of the Internal Revenue Code. The College contributes 8% or 9% of a plan participant's annual salary, depending upon the employee's contribution. The College's total contribution to the plan was approximately $3,230,000 and $3,378,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 - COMMITMENTS

The College participates in the Massachusetts College Savings Prepaid Tuition program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase increased by the Consumer Price Index plus 2%. The potential financial impact associated with this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the College.

The College entered into an agreement that has been extended to 2024, whereby the College engaged Aramark Educational Services, Inc. (Aramark) to provide the College with meals. In consideration, Aramark has made payments either to the College or directly for purchases of equipment for $4,500,000 for investment in food service facility renovations. This balance is being amortized as deferred deposits through 2020 (the original expiration date) and 2024.

NOTE 16 - CONCENTRATIONS

Credit Risk

Financial instruments which potentially subject the College to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The College maintains its cash equivalents with high credit quality financial institutions. At times, such amounts may exceed federally insured limits. At June 30, 2020, the College had cash in excess of federally insured limits of $10,608,238.

Concentrations of credit risk with respect to receivables are limited due to the large number of students and donors and generally short payment terms. In addition, management closely monitors these balances while maintaining allowances for potential losses.

NOTE 17 - CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the College's financial position, results of activities, and cash flows. The College is not able to reliably estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to monitor and assess the situation as it evolves.

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