

BECKER COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
AND
INDEPENDENT AUDITOR'S REPORT

BECKER COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Becker College

Report on the Financial Statements

We have audited the accompanying financial statements of Becker College (the "College"), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that Becker College will continue as a going concern. As discussed in Note 1 to the financial statements, the College has suffered recurring losses from operations and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Becker College's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
March 4, 2021

BECKER COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ 4,596,749	\$ 1,298,236
Student accounts receivable, less allowance for doubtful accounts of \$495,240 and \$212,592 in 2020 and 2019, respectively	214,936	205,849
Other receivables	262,438	356,029
Contributions receivable, net	264,496	500,377
Inventories and prepaid expenses	<u>601,290</u>	<u>712,807</u>
Total current assets	5,939,909	3,073,298
Long-term contributions receivable, net	236,801	182,085
Other receivables	2,128,000	2,128,000
Investments	5,024,459	5,116,037
Student loans - Federal Perkins Loan Program	48,156	48,156
Other assets	235,942	265,551
Assets under capital leasing arrangements, net	1,241,333	3,200,599
Property and equipment, net	<u>32,926,532</u>	<u>34,241,485</u>
	<u>\$ 47,781,132</u>	<u>\$ 48,255,211</u>
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	\$ 508,636	\$ 508,636
Current portion of capital lease obligations	407,657	922,696
Accounts payable, trade	815,008	562,166
Accrued and other liabilities	1,748,279	1,680,316
Prepayments and deposits	<u>1,591,474</u>	<u>1,635,779</u>
Total current liabilities	<u>5,071,054</u>	<u>5,309,593</u>
Long-term debt, less current maturities, net	10,000,831	10,486,508
Capital lease obligations, less current portion	1,914,427	3,908,065
Note payable, other	3,308,139	-
Prepayments and deposits	3,765,125	4,243,625
Student loans - Federal Perkins Loan Program	<u>56,499</u>	<u>56,499</u>
	<u>19,045,021</u>	<u>18,694,697</u>
Net assets		
Without donor restrictions	17,465,761	18,310,705
With donor restrictions	<u>6,199,296</u>	<u>5,940,216</u>
Total net assets	<u>23,665,057</u>	<u>24,250,921</u>
	<u>\$ 47,781,132</u>	<u>\$ 48,255,211</u>

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

BECKER COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

(With Summarized Comparative Information for 2019)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2020	2019
Operating				
Revenue and other support				
Tuition and fees, net of financial aid of \$26,387,766 and \$26,475,017 in 2019 and 2018, respectively	\$ 30,967,718	\$ -	\$ 30,967,718	\$ 33,285,198
Auxiliary enterprises	7,899,915	-	7,899,915	10,479,282
Educational services	112,218	-	112,218	115,384
Contributions and gifts	676,148	522,711	1,198,859	1,381,854
Government grants	880,918	-	880,918	116,667
Net investment return	8,788	(8,129)	659	335,733
Other revenue	274,167	-	274,167	227,737
Net assets released from restrictions				
Satisfaction of purpose restrictions	400,033	(400,033)	-	-
Investment return appropriated for programs and scholarships	311,818	(311,818)	-	-
Total	41,531,723	(197,269)	41,334,454	45,941,855
Expenses				
Program services				
Instruction	10,117,092	-	10,117,092	10,941,944
Academic support	2,265,343	-	2,265,343	2,452,918
Student services	8,108,929	-	8,108,929	9,380,808
Auxiliary enterprises	8,906,913	-	8,906,913	9,747,100
Institutional support	12,702,421	-	12,702,421	13,122,031
Institutional development	834,309	-	834,309	866,405
Total	42,935,007	-	42,935,007	46,511,206
Change in net assets from operating activities	(1,403,284)	(197,269)	(1,600,553)	(569,351)
Non-operating				
Contributions restricted for expenditures for capital improvements	-	620,196	620,196	85,389
Contributions restricted for long-term investment	-	6,276	6,276	165,749
Loss on interest rate swap agreements	(198,506)	-	(198,506)	(275,457)
Loss on disposal of property and equipment	-	-	-	(71,152)
Gain on termination of capital lease obligation	586,723	-	586,723	-
Net assets released from restrictions				
Satisfaction of purpose restrictions	170,123	(170,123)	-	-
Change in net assets from non-operating activities	558,340	456,349	1,014,689	(95,471)
Change in net assets	(844,944)	259,080	(585,864)	(664,822)
Net assets, beginning of year	18,310,705	5,940,216	24,250,921	24,915,743
Net assets, end of year	\$ 17,465,761	\$ 6,199,296	\$ 23,665,057	\$ 24,250,921

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

BECKER COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

(With Summarized Comparative Information for 2019)

	Program Services						Totals	
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Institutional Development	2020	2019
Salaries and wages	\$ 7,329,129	\$ 1,318,726	\$ 3,423,315	\$ 233,884	\$ 4,193,921	\$ 485,899	\$ 16,984,874	\$ 18,694,943
Employee benefits and payroll taxes	1,359,561	339,542	867,191	47,826	1,497,379	97,739	4,209,238	4,493,085
Outside service vendors	44,069	214,616	501,147	3,166,300	2,640,151	21,449	6,587,732	6,121,023
Professional fees	38,356	38,779	109,259	23,906	966,642	44,239	1,221,181	1,521,866
Food services	-	-	-	2,866,374	-	-	2,866,374	3,543,005
Communication	-	-	-	-	356,566	-	356,566	388,467
Supplies	218,640	125,521	295,262	12,975	124,089	474	776,961	879,797
Repairs and maintenance	1,438	5,866	22,926	104,759	280,196	-	415,185	501,948
Advertising	71,460	-	202,285	-	48,054	-	321,799	268,287
General insurance	-	-	-	-	680,581	-	680,581	668,354
Operation and maintenance of plant	414,076	54,010	918,169	72,013	324,060	18,003	1,800,331	1,959,401
Printing and publications	1,564	217	70,467	482	9,054	69,774	151,558	309,055
Rent and leases	605	84,000	3,646	852,401	40,926	-	981,578	1,089,944
Travel	9,801	425	195,506	193	89,617	1,315	296,857	451,443
Uncollectible accounts expense	-	-	-	-	315,629	-	315,629	146,899
Interest	-	-	-	815,979	377,227	-	1,193,206	1,285,408
Depreciation and amortization	603,980	78,780	1,339,259	699,635	472,680	26,260	3,220,594	3,434,945
Other	24,413	4,861	160,497	10,186	285,649	69,157	554,763	753,336
	<u>\$ 10,117,092</u>	<u>\$ 2,265,343</u>	<u>\$ 8,108,929</u>	<u>\$ 8,906,913</u>	<u>\$ 12,702,421</u>	<u>\$ 834,309</u>	<u>\$ 42,935,007</u>	<u>\$ 46,511,206</u>

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

BECKER COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (585,864)	\$ (664,822)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,220,594	3,434,945
Amortization of deferred financing costs	22,960	22,960
Loss on disposal of property, plant, and equipment	-	71,152
Gain on termination of capital lease obligation	(586,723)	-
Uncollectible accounts expense	315,629	146,899
Net investment (gains) losses	113,160	(162,346)
Loss on interest rate swap agreements	198,506	275,457
Contributions restricted for long-term investment	(6,276)	(165,749)
Contributions restricted for expenditures for capital improvements	(620,196)	(85,389)
(Increase) decrease in operating assets:		
Student accounts receivable	(324,716)	(84,027)
Other receivables	93,591	114,122
Contributions receivable	289,864	(230,864)
Inventories and prepaid expenses	108,517	(239,464)
Other assets	29,609	29,602
Increase (decrease) in operating liabilities:		
Accounts payable, trade	258,646	(328,078)
Accrued and other liabilities	(130,543)	91,158
Prepayments and deposits	(522,805)	(1,167,488)
Total adjustments	<u>2,459,817</u>	<u>1,722,890</u>
Net cash provided by operating activities	<u>1,873,953</u>	<u>1,058,068</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(874,573)	(985,190)
Proceeds from disposals of property and equipment	-	450,000
Proceeds from sales and maturities of investments	2,680,682	2,770,802
Payments for purchases of investments	<u>(2,702,264)</u>	<u>(2,762,311)</u>
Net cash used in investing activities	<u>(896,155)</u>	<u>(526,699)</u>
Cash flows from financing activities:		
Principal payments of long-term debt	(508,637)	(533,636)
Borrowings on note payable, other	3,308,139	-
Principal payments of capital lease obligations	(996,560)	(986,660)
Contributions restricted for long-term investment	108,558	63,467
Contributions restricted for expenditures for capital improvements	<u>409,215</u>	<u>312,883</u>
Net cash provided by (used in) financing activities	<u>2,320,715</u>	<u>(1,143,946)</u>
Net increase (decrease) in cash	3,298,513	(612,577)
Cash, beginning of year	<u>1,298,236</u>	<u>1,910,813</u>
Cash, end of year	<u>\$ 4,596,749</u>	<u>\$ 1,298,236</u>

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

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS

1 - FINANCIAL CONDITION

Becker College (the “College”) has experienced reductions in net assets in recent years, including reductions in net assets from operating activities of \$(1,600,553) and \$(569,351) in 2020 and 2019, respectively, and overall reductions in net assets of \$(585,864) and \$(664,822) in 2020 and 2019, respectively. Subsequent to June 30, 2020 management performed its analysis of whether substantial doubt exists about the College’s ability to remain a going concern, including the preparation of budgets and cash flow projections for the next two fiscal years. During this process it became evident that subsequent to the balance sheet date, the College’s financial position has been negatively impacted by the coronavirus pandemic. The College elected to move to remote learning for the 2020 fall semester resulting in the loss of auxiliary revenue from room and board charges. The College plans to resume on-campus activities for the Spring 2021 semester, however it is possible that government-imposed coronavirus restrictions may force the College to revisit this decision, resulting in a further decline in auxiliary revenue. The College did have positive cash flows from operations during 2020 and 2019, however projections for future periods reflect a use of cash through 2022. See Note 5 for information on the College’s liquidity and availability as of June 30, 2020 and Note 4 for further information on the coronavirus pandemic.

Management is taking several steps to actively address this situation, with the goal of stabilizing the College’s financials. As part of this effort, the College’s Board of Trustees has been engaged in strategic planning and working aggressively with management to strengthen the financial health of the College and plan for the future. The College’s commitment is to ensure that the students served continue to receive a high quality of education. Some of these initiatives include the following:

- In the area of donor relations, the College is working to release restrictions on certain endowed funds to support operational expenditures. As an example, the College obtained a donor’s release of \$750,000 of previously restricted funds provided by a long-term supportive foundation of the College to be used for direct program support in 2021.
- The College has also been successful in working with its major supportive partners, vendors, and suppliers to reduce annual operating costs.
- In the area of banking relations, efforts are in process to restructure the College’s financial obligations, with the intent to release restrictions on some of the College’s property (\$45 million assessment as of April 2020) for the sale of underutilized real estate. In August, the College sold three such buildings, and the proceeds were used to reduce debt by \$1,000,000. The College is in negotiations with its lender to obtain a release of proceeds from future real estate sales to provide operating funds.
- Subsequent to year end, the College secured a Letter of Intent for the sale of additional underutilized properties for a total of \$2,100,000 in anticipation of the successful release of the above-mentioned lender restrictions on these properties.
- The College prepared for the return of students to the residence halls for the Spring 2021 semester, restoring the related auxiliary revenue. The College implemented appropriate safety protocols, testing plans, and has acquired PPE supplies. The College obtained additional grant funding grants for these unexpected expenses. However, the actual census of students returning to the residence halls fell below budgeted targets resulting lower than anticipated auxiliary revenues.
- The College is subject to oversight by various government agencies and commissions, including annual financial monitoring and screening based on established benchmarks. The most recent screening results indicated that the College was at enhanced financial risk and may be at risk of imminent closure. The College responded with risk mitigation plans that were accepted in December 2020. The College notified regulators that spring semester budgeted targets were lower than expected and therefore the College is subject to continued oversight by the agencies and commissions.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - FINANCIAL CONDITION (Continued)

- In addition to the steps being taken by management, an additional \$2,580,575 was allocated to the College under the CARES Act in January 2021. Of this amount, \$822,585 must be distributed to students and \$1,757,990 can be used by the College for institutional purposes in accordance with the terms of the grant.

Management believes that, once implemented, these plans will address the liquidity concerns noted above.

2 - DESCRIPTION OF ORGANIZATION

The College is a nonprofit, private college, with locations in Worcester and Leicester, Massachusetts. The College is governed by a local Board of Trustees. The College is empowered to award associate, baccalaureate and graduate degrees as well as programs of continuing education.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the College are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of the College have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the College obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the College's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The College's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the College, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the College may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the College must continue to use the resources in accordance with the donor's instructions.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

The College's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the College, unless the donor provides more specific directions about the period of its use.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash

The College maintains accounts at various institutions which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on cash. Cash held in money market accounts by the College's investment custodian awaiting reinvestment is considered to be part of the investment portfolio.

Student accounts receivable

Student accounts receivable are reported net of any anticipated losses due to uncollectible amounts. The College considers an account to be past due when a student leaves mid-semester with an unpaid account balance or when a student has an account balance after the final payment due date of the semester. Past due accounts are subject to past due letter collection efforts and are subsequently placed with third-party collection agencies. If an account balance still exists at the conclusion of the six month collection period, the account is written off. The collectability of individual accounts is evaluated closely at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. Historical write-off history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectible amounts.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received in writing. Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The College's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds include invested gifts and cash.

As required by generally accepted accounting principles, the College classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds is classified as expendable net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the College may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the College; and the investment policies of the College.

The College has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a portfolio of debt and equity securities with the objective of achieving long-term capital appreciation while moderating the level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College has invested in debt and equity securities that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

The College has a policy of appropriating for distribution, as needed, amounts for the purposes of scholarships and financial aid, capital projects, and special programs. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the College to retain as a fund of perpetual duration. The College may appropriate for expenditure from these underwater endowment funds in accordance with the prudent measures prescribed by state law. As of June 30, 2020, funds with an original gift value of \$1,874,266 were underwater by \$95,603. As of June 30, 2019, funds with an original gift value of \$54,178 were underwater by \$2,145.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred financing costs

Deferred financing costs represent fees and other costs associated with obtaining long-term financing. Such costs are being amortized on a straight-line basis, which is not materially different from the level-yield method, over the terms of the related financing. Long-term debt is presented net of unamortized deferred financing costs on the statement of financial position.

Leases

Leases for a portion of the College's facilities and certain equipment and motor vehicles are classified as either capital or operating leases in the financial statements. Leases containing a bargain purchase option or a transfer of ownership at the end of the lease term are capitalized and the related asset included in property and equipment on the statement of financial position.

Leases with terms covering a majority of the underlying asset's economic life, or for which the present value of the payments substantially exceeds the fair value of the underlying asset, are capitalized and the related asset included in "assets under capital leasing arrangements" on the statement of financial position.

All other leases are classified as operating leases and are expensed on a straight-line basis over the lease term.

Derivative instruments

Derivative instruments, including interest rate swaps, are recorded on the statement of financial position as either assets or liabilities measured at their fair value. All changes in the fair value of derivatives are recognized currently in the statement of activities.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepayments and deposits

Certain deposits and advance payments received for tuition and fees related to the College's summer continuing education, nursing program, and ensuing academic year are deferred and are recorded as deferred tuition and fees. Refundable advances received from the College's food service and maintenance vendors are recorded as deferred revenue and recognized ratably over the life of the contract.

Measure of operations

In its statement of activities, the College includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions and other revenue restricted for endowment and capital purposes and changes in the fair value of the College's interest rate swap agreements are recognized as non-operating activities.

Contributions, gifts, grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense recognition and allocation

The cost of providing the College's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages and employee benefits and payroll taxes are allocated based on the time spent by employees on the College's programs and supporting activities.
- Operation and maintenance of plant and depreciation and amortization are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

Institutional support expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the College.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The College generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was \$321,799 and \$268,287 in 2020 and 2019, respectively.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-exempt status

The College is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the College are tax deductible to donors under Section 170 of the IRC. The College is not classified as a private foundation.

4 - RISKS AND UNCERTAINTIES

As a result of the COVID-19 pandemic, in March 2020, the College asked students not to return to campus after spring break and converted the remainder of the spring semester to a period of virtual learning. Students living on-campus received credits for their unused housing through the end of the semester, resulting in lost revenue of approximately \$1.1 million, which would have been included in auxiliary enterprises on the Statement of Activities for the fiscal year ended June 30, 2020.

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Higher Education Emergency Relief Fund allocated funding of \$1,645,170 to the College. At least half of this funding must be distributed directly to students as emergency aid for expenses related to the disruption of campus operations during the pandemic, with the remaining half used for institutional purposes to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. During the year ended June 30, 2020, \$822,585 was disbursed to qualifying students and recorded within financial aid on the Statement of Activities. The remaining \$822,585 was used for institutional purposes and is recorded within government grants on the Statement of Activities.

Keeping the health and safety of its community top of mind, the College decided to conduct its courses and programs online for the fall 2020 semester. As discussed in Note 1, this decision will significantly impact the College’s financial operations for the fiscal year ending June 30, 2021.

5 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 4,596,749	\$ 1,298,236
Student accounts receivable, net	214,936	205,849
Contributions receivable, net	501,297	682,462
Other receivables	2,390,438	2,484,029
Investments	<u>5,024,459</u>	<u>5,116,037</u>
Total financial assets	12,727,879	9,786,613
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	1,435,076	783,442
Contributions receivable unavailable for spending until due, which are also subject to purpose restrictions	501,297	682,462
Donor-restricted endowment funds	4,262,923	4,474,312
Less: Financial assets not available within one year:		
Other receivables	<u>2,128,000</u>	<u>2,128,000</u>
Amount available for general expenditures within one year	<u>\$ 4,400,583</u>	<u>\$ 1,718,397</u>

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - LIQUIDITY AND AVAILABILITY (Continued)

The above table reflects donor-restricted endowment funds as unavailable because it is the College's intention to invest those resources for the long-term support of the College. However, in the case of need, the Board of Trustees could appropriate resources from the donor-restricted funds (\$4,262,923, of which \$4,044,006 is the original gift). Note 2 provides more information about those funds and about the spending policies for all endowment funds.

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Further, the College anticipates collecting sufficient contributions and tuition revenue to cover general expenditures not covered by donor-restricted resources and endowment appropriations. Refer to the statement of cash flows, which identifies the sources and uses of the College's cash and shows positive cash flows from operations for 2020 and 2019.

6 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable as of June 30, 2020 are expected to be received as follows:

2021	\$ 280,000
2022	190,000
2023	40,000
2024	<u>30,000</u>
	540,000
Less: Allowance for uncollectible contributions receivable	15,504
Unamortized discount	<u>23,199</u>
	<u>\$ 501,297</u>

7 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2020</u>	<u>2019</u>
With donor restrictions		
Donor restricted endowment	\$ 4,262,923	\$ 4,474,312
Purpose restrictions	<u>761,536</u>	<u>641,725</u>
	<u>\$ 5,024,459</u>	<u>\$ 5,116,037</u>

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - INVESTMENTS (Continued)

Investments are composed of the following:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mutual funds				
Equities	\$ 384,489	\$ 480,086	\$ 767,123	\$ 948,553
Fixed income	740,378	744,358	721,401	723,070
Money market funds	178,227	178,227	101,372	101,372
Closed-end funds	1,309,128	1,348,287	1,044,124	1,123,535
Equities	1,590,067	1,914,380	1,562,895	1,851,634
Municipal bonds	74,919	77,258	70,308	71,527
Corporate bonds	148,225	161,182	134,172	139,676
U.S. Treasury securities	110,314	120,681	150,605	156,670
	<u>\$ 4,535,747</u>	<u>\$ 5,024,459</u>	<u>\$ 4,552,000</u>	<u>\$ 5,116,037</u>

Net investment return reflected in the financial statements is comprised of:

	2020	2019
Interest and dividend income	\$ 162,037	\$ 227,679
Net investment gains (losses)	(113,160)	162,346
Investment fees	(48,218)	(54,292)
Net investment return	<u>\$ 659</u>	<u>\$ 335,733</u>

8 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	Estimated Useful Lives	2020	2019
Land, building and improvements	10 - 50 years	\$ 57,733,319	\$ 57,046,916
Equipment	3 - 20 years	12,462,903	11,926,872
Furniture and fixtures	5 - 10 years	1,959,848	1,906,989
Motor vehicles	5 years	972,663	905,036
Construction-in-process	-	93,648	128,522
		<u>73,222,381</u>	<u>71,914,335</u>
Less: Accumulated depreciation		<u>40,295,849</u>	<u>37,672,850</u>
		<u>\$ 32,926,532</u>	<u>\$ 34,241,485</u>

Depreciation expense was \$2,622,999 and \$2,837,349 in 2020 and 2019, respectively.

9 - NOTE PAYABLE, BANK

The College had a \$1,000,000 line of credit with its bank, secured by significant assets of the College. The line of credit matured in October 2019 and was not renewed. Interest was charged at the one-month LIBOR plus 1.75% (4.15% at June 30, 2019). There were no amounts outstanding on the line of credit as of June 30, 2019.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
Bonds payable, secured by significant assets of the College, interest is due in monthly installments at a variable rate. Annual principal installments ranging from \$175,000 to \$970,000, due through February 2040.	\$ 8,475,000	\$ 8,870,000
Term note, secured by significant assets of the College, due in monthly installments of \$9,470 plus interest at a variable rate, through September 2022, with a lump sum due in October 2022.	<u>2,225,379</u>	<u>2,339,016</u>
	10,700,379	11,209,016
Less: Current maturities of long-term debt	508,636	508,636
Unamortized deferred financing costs	<u>190,912</u>	<u>213,872</u>
	<u>\$ 10,000,831</u>	<u>\$ 10,486,508</u>

The College has an interest rate swap agreement, expiring in October 2022, to fix the interest rate at 2.85% on \$8,475,000 of the College's borrowings under the above term debt. In January 2018, the College entered into a second interest rate swap agreement, expiring in October 2022, to fix the interest rate at 4.63% on \$2,225,379 of the College's borrowings under the above term debt. Payments made or received under these agreements are recorded as a component of interest expense. The fair value of the remaining agreements as of June 30, 2020 and 2019 was \$(411,248) and \$(212,742), respectively, and the loss recorded in 2020 and 2019 was \$(198,506) and \$(275,457), respectively.

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

2021	\$ 508,636
2022	508,636
2023	2,393,107
2024	395,000
2025	395,000
Thereafter	<u>6,500,000</u>
	<u>\$ 10,700,379</u>

The College is subject to various restrictive covenants in connection with this debt, including financial reporting requirements and compliance with certain financial ratios.

11 - NOTE PAYABLE, OTHER

On April 20, 2020, the College received loan proceeds in the amount of \$3,308,139 under the Paycheck Protection Program ("PPP"). Established as part of the CARES Act, the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The College intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - NOTE PAYABLE, OTHER (Continued)

To the extent that the College is not granted forgiveness, the College will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 20, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The College has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The College currently believes that its use of the loan proceeds is consistent with the PPP and it will meet the conditions for forgiveness of the loan.

12 - ENDOWMENT ASSETS

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

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 4,474,312	\$ 4,474,312
Investment return:			
Interest and dividend income, net	-	105,031	105,031
Net investment losses	-	(113,160)	(113,160)
Total investment return	-	(8,129)	(8,129)
Additions	-	108,558	108,558
Appropriation for expenditure	-	(311,818)	(311,818)
End of year	\$ -	\$ 4,262,923	\$ 4,262,923

13 - LEASES

The College leases a portion of its facilities, primarily for student housing, and certain equipment and motor vehicles under various lease agreements. The College's agreements for its facilities leases require the College to pay all executory costs such as insurance, maintenance and utilities. These leases are classified as either capital or operating leases in the financial statements.

The following is a summary of the leased property under capital leases:

	2020	2019
Land and buildings	\$ 2,280,000	\$ 4,935,574
Equipment	1,086,873	1,787,330
Motor vehicles	309,793	242,167
	3,676,666	6,965,071
Less: Accumulated depreciation	1,897,808	2,933,441
	\$ 1,778,858	\$ 4,031,630

Equipment and motor vehicles included in property and equipment had a net book value of \$537,525 and \$831,031 as of June 30, 2020 and 2019, respectively. The balance of the land and buildings is classified as "Assets under capital leasing arrangements, net" in the statement of financial position.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - LEASES (Continued)

Future minimum lease payments under operating leases, together with the present value of future minimum capital lease payments as of June 30, 2020 are as follows:

	Capital Leases	Operating Leases
2021	\$ 681,240	\$ 528,590
2022	576,199	102,722
2023	420,837	98,762
2024	375,398	90,842
2025	372,000	70,000
Thereafter	<u>1,178,000</u>	<u>140,000</u>
Total minimum lease payments	3,603,674	<u>\$ 1,030,916</u>
Less: Amount representing interest	<u>1,281,590</u>	
Present value of minimum lease payments	<u>\$ 2,322,084</u>	

Rent expense was \$981,578 and \$1,089,944 in 2020 and 2019, respectively.

14 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Purpose restrictions, available for spending:		
Capital projects	\$ 254,215	\$ 15,123
Scholarships and financial aid	157,317	68,642
Special programs	<u>1,023,544</u>	<u>699,677</u>
Total purpose restricted net assets	<u>1,435,076</u>	<u>783,442</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due and are also subject to purpose restrictions	<u>501,297</u>	<u>682,462</u>
Endowment funds, which must be appropriated by the Board of Trustees before use:		
Scholarships and financial aid (original gifts of \$2,419,791 in 2020 and \$2,311,233 in 2019)	2,686,243	2,747,021
Special programs (original gifts of \$1,624,215 in 2020 and 2019)	<u>1,576,680</u>	<u>1,727,291</u>
Total endowment funds managed by the College	<u>4,262,923</u>	<u>4,474,312</u>
Total net assets with donor restrictions	<u>\$ 6,199,296</u>	<u>\$ 5,940,216</u>

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

14 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Capital projects	\$ 170,123	\$ 304,960
Scholarships and financial aid	122,261	135,100
Special projects	277,772	78,920
Investment return appropriated for programs and scholarships	<u>311,818</u>	<u>331,343</u>
	<u>\$ 881,974</u>	<u>\$ 850,323</u>

15 - FAIR VALUE MEASUREMENTS

The College reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the College measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the College is required to measure at fair value (for example, unconditional promises to give).

The primary uses of fair value measures in the College's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of endowment and other long-term investments.
- recurring measurement of the interest rate swaps.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

15 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2020 and 2019.

Mutual funds and closed-end funds: Determined by the published net asset value (NAV) per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Equities: Determined by the closing price on the last business day of the fiscal year.

Municipal bonds and corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Treasury securities: Determined using the contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same obligation or an obligation with a similar maturity is actively traded.

Hedging instrument: Valued at the present value of the estimated future payments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2020 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds				
Equities	\$ 480,086	\$ -	\$ -	\$ 480,086
Fixed income	744,358	-	-	744,358
Money market funds	178,227	-	-	178,227
Closed-end funds	1,348,287	-	-	1,348,287
Equities	1,914,380	-	-	1,914,380
Municipal bonds	-	77,258	-	77,258
Corporate bonds	-	161,182	-	161,182
U.S. Treasury securities	-	120,681	-	120,681
Total investments	<u>\$ 4,665,338</u>	<u>\$ 359,121</u>	<u>\$ -</u>	<u>\$ 5,024,459</u>

The College's financial liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2020 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Hedging instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,248</u>	<u>\$ 411,248</u>

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

15 - FAIR VALUE MEASUREMENTS (Continued)

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2019 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds				
Equities	\$ 948,553	\$ -	\$ -	\$ 948,553
Fixed income	723,070	-	-	723,070
Money market funds	101,372	-	-	101,372
Closed-end funds	1,123,535	-	-	1,123,535
Equities	1,851,634	-	-	1,851,634
Municipal bonds	-	71,527	-	71,527
Corporate bonds	-	139,676	-	139,676
U.S. Treasury securities	-	156,670	-	156,670
Total investments	<u>\$ 4,748,164</u>	<u>\$ 367,873</u>	<u>\$ -</u>	<u>\$ 5,116,037</u>

The College's financial liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2019 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Hedging instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,742</u>	<u>\$ 212,742</u>

There were no significant transfers between the levels during the year, although some investments moved into level 2 when the markets for them became less active. The College's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

A reconciliation of liabilities measured at fair value using significant unobservable inputs (Level 3) follows:

Hedging instruments

Balance at June 30, 2019	\$ (212,742)
Unrealized loss	<u>(198,506)</u>
Balance at June 30, 2020	<u>\$ (411,248)</u>

16 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	<u>2020</u>	<u>2019</u>
Cash paid during the year for interest	\$ 1,183,959	\$ 1,267,130

The College acquired property, plant and equipment and incurred capital lease obligations in the amount of \$439,276 and \$288,738 in 2020 and 2019, respectively.

During 2020, the College terminated a capital lease agreement for land and a building. The associated asset under capital lease of \$1,364,670 and capital lease obligation of \$1,951,393 were written off, resulting in a gain of \$586,723.

BECKER COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

17 - RETIREMENT PLANS

The College participates in a retirement plan which covers substantially all employees. The plan is administered by the Teachers Insurance and Annuity Association of America (TIAA). In general, contributions to this defined contribution plan are made by the College and its employees. Contributions provided by the College amounted to \$136,793 and \$545,707 in 2020 and 2019, respectively.

18 - COMMITMENTS AND CONTINGENCIES

The College is subject to certain claims which arise in the normal course of business. Management believes that adverse decisions, if any, relative to these matters will not have a material effect on the College's financial position.

19 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the College's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

20 - RELATED-PARTY TRANSACTIONS

At June 30, 2020 and 2019, contributions receivable included \$50,000 and \$60,000, respectively, from members of the College's Board of Trustees. Total contributions received from board members was approximately \$140,000 and \$62,000 in 2020 and 2019, respectively.

21 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 4, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

22 - RECLASSIFICATIONS

Certain amounts in the 2019 comparative information have been reclassified to conform with the 2020 presentation. Such reclassifications had no effect on the change in net assets as previously reported.