Nichols College

Learn. Lead. Succeed.

FINANCIAL STATEMENT YEAR END REVIEW JUNE 30, 2024

Overview

The June 30, 2024 audited financial statements were reviewed and accepted by the Audit Committee at its meeting on September 16, 2024. Our audit firm of Bollus Lynch, LLC gave an unmodified or “clean” audit opinion with no material weaknesses in controls identified and there were no significant audit or financial reporting items noted.

Statement of Financial Position:

Total assets for FY24 decreased by approximately $4M driven primarily by decreases in property, plant and equipment of $3.4M, contributions receivable of $2.2M, beneficial interests of $1.4M and student accounts receivable of $535K offset by an increase in investments of $3.5M.

The decrease in property, plant and equipment is due to an increase in accumulated depreciation of $4.5M offset by an increase in additions of $1M. The decrease in contributions receivable is due to the College receiving over $2M in pledge payments during the year. The decrease in beneficial interests is due to a Charitable Lead Annuity Trust (CLAT) being terminated. The decrease of $535K in student accounts receivable is a result of the College tightening its collection policies and hiring a collections specialist.

Total liabilities for the period decreased by $2.9M due to decreases in the line of credit of $1.7M, in long-term debt of $655K and in accounts payable of $474K. The decrease in the line of credit is primarily attributed to $2M being taken out of the endowment to pay down the line. The decrease in long-term debt is a result of the College making the required monthly payments and the decrease in accounts payable is due to timing of payments.

Net assets decreased by $1.1M for the year. Details of change in net assets are displayed on the Statement of Activities.

Statement of Activities:

The decrease in total net assets for FY24 was $1.1M.

Total revenues of $39.5M increased by $975K from the prior year. The increase is primarily driven by an increase in the endowment return of $2.3M, in auxiliary enterprises of $877K and in other revenue of $734K, offset by a decrease in contributions and gifts of $2.8M. The increase in the endowment return is due to the College taking an additional $2M from the endowment in FY24. The increase in auxiliary enterprises was a result of an increase in fees and in residential students. The increase in the other revenue is due to activity at the Golf Course and Bison Den. The decrease in contributions and gifts is due to fewer donations being received compared to the prior year.

Total expenses increased by $653K or 2% over the prior year. The major drivers of the increases were: salaries and wages $991K, professional fees $483K, employee benefits and payroll taxes $319K, small equipment/software $220K and in printing and mailing of $106K. Savings from uncollectible accounts expense of $468K, vendor services expense of $309K, food service expense of $223K, depreciation and amortization expense of $213K, advertising expense of $160K and operations and maintenance expense of $121K helped to offset the negative variances.

The increase in salaries and wages is due to hiring new staff, coaches, faculty and student workers and bringing Public Safety in-house. The increase in professional fees is due to an increase in consulting and legal fees. The increase in employee benefits and payroll taxes is due to the hiring of new employees as mentioned above and more employees taking advantage of tuition remission. Small equipment increased due to the laptops for the laptop program not being capitalized as they were in the prior year. Printing and mailing increased as a result of adding a variety of printed/mailed pieces that were not part of the College's prior recruiting strategy.

The decrease in uncollectible accounts expense was due to the College tightening its collection policies and hiring a collections specialist. Vendor services, food service, depreciation and amortization and operations and maintenance expenses decreased due to the Bison Den and golf course functioning as separate entities. Advertising expenses decreased due to the marketing department being reorganized.

Statement of Cash Flows:

The College continues to generate sufficient cash flows from operations. The net cash provided by operating activities was $843K compared to $998K for the prior year.

FY24 Actual to Budget Results:

Total operating revenue of $39.5M fell behind the budget target of $42.4M by $2.9M driven primarily by tuition and fees coming in $2.3M under budget and auxiliary enterprises coming in

$668K under budget. Actual total expenses were $43.5M which was very close to the budget amount of $43.3M.

FY25 Projections

The FY25 budget has been revised to account for a total change in net assets of $276K with a deficit from operations of ($971K) expected. The revised budget is based on 1,072 students in the Fall semester and 986 students in the Spring semester.

NICHOLS COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

AND

INDEPENDENT AUDITOR'S REPORT

NICHOLS COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nichols College

Opinion

We have audited the financial statements of Nichols College (the College), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITOR'S REPORT
(Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the College's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
September 16, 2024

NICHOLS COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024
(With summarized comparative information for 2023)

	2024	2023
Assets		
Cash	$ 962,857	$ 1,236,105
Student accounts receivable, less allowance for doubtful accounts of $2,308,940 and $2,690,334 in 2024 and 2023, respectively	1,906,361	2,459,189
Contributions receivable, net	733,184	2,942,455
Other receivables	63,680	187,874
Investments	45,385,080	41,926,715
Other assets	1,142,972	752,194
Beneficial interests	22,508	1,387,905
Right-of-use assets for finance leases, net	241,657	196,674
Property and equipment, net	63,826,734	67,229,649
	$ 114,285,033	$ 118,318,760
Liabilities and Net Assets		
Note payable	$ 5,862,114	$ 7,518,723
Accounts payable, trade	233,853	707,848
Accrued and other liabilities	921,903	1,133,937
Deferred tuition and fees	2,969,297	2,915,157
Finance lease liabilities	240,077	191,587
Long-term debt, net	17,904,489	18,559,045
Total liabilities	28,131,733	31,026,297
Net assets		
Without donor restrictions	47,921,324	49,635,240
With donor restrictions	38,231,976	37,657,223
Total net assets	86,153,300	87,292,463
	$ 114,285,033	$ 118,318,760

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

NICHOLS COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024
(With summarized comparative information for 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
Operating activities:				
Revenue and other support				
Tuition and fees, net of financial aid of $22,143,920 and $20,928,767 in 2024 and 2023, respectively	$ 21,720,200	$ -	$ 21,720,200	$ 21,965,231
Auxiliary enterprises	11,866,580	-	11,866,580	10,990,055
Contributions and gifts	666,393	1,000,294	1,666,687	4,478,278
Government grants	178,572	-	178,572	171,851
Endowment return appropriated for operations	2,864,779	-	2,864,779	546,420
Change in value of beneficial interests	-	134,603	134,603	38,029
Other revenue	1,097,868	-	1,097,868	363,586
Net assets released from restrictions	3,705,343	(3,705,343)	-	-
Total	42,099,735	(2,570,446)	39,529,289	38,553,450
Expenses				
Instruction	8,244,674	-	8,244,674	8,228,712
Academic support	4,588,956	-	4,588,956	4,594,376
Student services	11,314,964	-	11,314,964	11,910,907
Institutional support	8,849,667	-	8,849,667	7,831,007
Institutional development	1,171,475	-	1,171,475	1,218,471
Auxiliary enterprises	9,343,947	-	9,343,947	9,077,660
Total	43,513,683	-	43,513,683	42,861,133
Change in net assets from operating activities	(1,413,948)	(2,570,446)	(3,984,394)	(4,307,683)
Non-operating activities:				
Contributions and gifts for capital purposes	-	27,435	27,435	318,910
Contributions and gifts for long-term investment	-	305,243	305,243	478,025
Net investment return	617,999	4,759,333	5,377,332	3,788,955
Endowment return appropriated for operations	(2,004,327)	(860,452)	(2,864,779)	(546,420)
Net assets released from restrictions	1,086,360	(1,086,360)	-	-
Change in net assets from non-operating activities	(299,968)	3,145,199	2,845,231	4,039,470
Change in net assets	(1,713,916)	574,753	(1,139,163)	(268,213)
Net assets, beginning of year	49,635,240	37,657,223	87,292,463	87,560,676
Net assets, end of year	$ 47,921,324	$ 38,231,976	$ 86,153,300	$ 87,292,463

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

NICHOLS COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024
(With summarized comparative information for 2023)

	Instruction	Academic Support	Student Services	Institutional Support	Institutional Development	Auxiliary Enterprises	Totals 2024	Totals 2023
Salaries and wages	$ 5,482,533	$ 1,962,574	$ 4,893,407	$ 2,842,016	$ 580,076	$ 415,919	$ 16,176,525	$ 15,185,555
Employee benefits and payroll taxes	1,231,544	581,537	1,385,119	995,909	187,827	58,816	4,440,752	4,122,083
Food services	-	-	-	-	-	2,523,165	2,523,165	2,745,791
Professional fees	3,000	27,611	462,436	760,008	240	-	1,253,295	770,482
Vendor services	9,815	107,001	453,694	2,041,330	120,756	659,769	3,392,365	3,701,352
Utilities	-	-	761	163,103	-	179,241	343,105	322,294
Supplies	21,507	150,438	327,717	62,423	12,670	125,547	700,302	668,038
Repairs and maintenance	-	12,911	51,169	13,429	1,568	139,056	218,133	193,747
Rent	1,683	67,778	336,390	3,205	-	6,562	415,618	437,074
General insurance	-	-	62,575	402,057	-	40,721	505,353	448,663
Small equipment/software	925	94,049	150,329	313,036	-	7,039	565,378	345,116
Advertising	-	47,534	83,769	203,516	-	7,382	342,201	502,439
Printing and mailing	-	15,037	179,343	5,932	99,232	6,224	305,768	199,696
Dues and subscriptions	12,747	9,447	52,652	80,618	7,334	12,182	174,980	160,045
Travel and entertainment	41,621	146,254	764,044	124,641	103,907	137,642	1,318,109	1,415,794
Scholarships	-	695,097	-	-	-	-	695,097	654,720
Credit card and bank fees	-	-	-	4,830	13,360	2,569	20,759	26,044
Uncollectible accounts expense	-	-	-	491,871	-	-	491,871	960,131
Operation and maintenance	623,058	290,761	913,819	146,909	19,240	2,159,936	4,153,723	4,274,711
Interest	132,939	62,038	194,977	31,345	4,105	460,855	886,259	921,269
Depreciation and amortization	683,302	318,874	1,002,177	161,114	21,100	2,368,782	4,555,349	4,768,214
Other	-	15	586	2,375	60	32,540	35,576	37,875
	$ 8,244,674	$ 4,588,956	$ 11,314,964	$ 8,849,667	$ 1,171,475	$ 9,343,947	$ 43,513,683	$ 42,861,133

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

NICHOLS COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024
(With summarized comparative information for 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ (1,139,163)	$ (268,213)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,501,776	4,751,962
Amortization of debt issuance costs	10,466	10,105
Amortization of right-of-use assets, financing leases	43,107	6,147
Uncollectible accounts expense	491,871	960,131
Change in value of beneficial interests	(134,603)	(38,029)
Net investment gains	(4,346,095)	(2,796,833)
Contributions and gifts for capital purposes	(27,435)	(318,910)
Contributions and gifts for long-term investment	(305,243)	(478,025)
(Increase) decrease in operating assets:		
Student accounts receivable	60,957	(1,328,777)
Contributions receivable	2,196,822	(1,458,980)
Other receivables	124,194	1,755,255
Other assets	(390,778)	46,159
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(85,417)	(136,063)
Accrued and other liabilities	(212,034)	126,352
Deferred tuition and fees	54,140	165,492
Total adjustments	1,981,728	1,265,986
Net cash provided by operating activities	842,565	997,773
Cash flows from investing activities:		
Expenditures for property and equipment	(1,487,439)	(4,986,549)
Distributions from beneficial interest in trust	1,500,000	200,000
Proceeds from sales and maturities of investments	21,739,074	75,829
Purchases of investments	(20,851,344)	(1,095,215)
Net cash provided by (used in) investing activities	900,291	(5,805,935)
Cash flows from financing activities:		
Net borrowings (payments) of note payable	(1,656,609)	2,617,845
Proceeds from long-term debt	-	2,114,442
Repayments of long-term debt	(665,022)	(646,785)
Repayments of financing lease liabilities	(39,600)	(11,234)
Contributions and gifts received for capital purposes	27,435	318,910
Contributions and gifts received for long-term investment	317,692	441,081
Net cash provided by (used in) financing activities	(2,016,104)	4,834,259
Net increase (decrease) in cash	(273,248)	26,097
Cash, beginning of year	1,236,105	1,210,008
Cash, end of year	$ 962,857	$ 1,236,105

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

1 - DESCRIPTION OF ORGANIZATION

Nichols College (the "College") is a nonprofit, private college, located in Dudley, Massachusetts. The College is governed by a Board of Trustees. The College is empowered to award associate, baccalaureate and master's degrees as well as programs of continuing education.

2 - 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.

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, 2023, from which the summarized information was derived.

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.

2 - 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.

Classification of transactions

All revenues and net gains other than endowment investments 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 its cash in bank deposit accounts 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.

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 a twelve-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 uncollectable accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The College does not assess finance charges against student receivables that are past due.

Opening and closing balances for student accounts receivable were as follows:

	June 30, 2024	June 30, 2023	July 1, 2022
Accounts receivable	$ 1,906,361	$ 2,459,189	$ 2,090,543

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at 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 collectability 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The endowment includes both donor restricted endowment funds and funds designated by the College to function as an endowment. 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.

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 fund that is not classified as non-expendable net assets is classified as expendable net assets 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 of Trustees, the College's Finance Committee shall seek to invest the endowment funds in such a manner that the investments will provide a spendable return consistent with a long-term goal of preserving the funds in real terms. 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.

The College has a policy of appropriating for distribution, as needed, amounts for the purpose of scholarships and financial aid, special programs, capital improvements, and academic and athletic support 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. Such deficiencies amount to $3,662 as of June 30, 2024, with an original gift value of $56,759.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $5,000 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.

Leases

The College determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The College also considers whether its service arrangements include the right to control the use of an asset.

The College recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

The College made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the College made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The College has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to the College, such as maintenance agreements, which are variable in nature and recorded in variable lease expense in the period incurred.

Debt issuance costs

Debt issuance costs represent fees and other costs associated with obtaining long-term financing. Such costs are being amortized on a straight-line basis over the terms of the financing. Long-term financing is presented net of unamortized debt issuance costs on the statement of financial position.

Deferred tuition and fees

Certain deposits and advance payments received for tuition and fees related to the College's Summer Continuing Education and Graduate programs and tuition billed relating to the ensuing academic year are deferred and are recorded as deferred tuition and fees.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tuition and fees (continued)

Opening and closing balances for deferred tuition and fees were as follows:

	June 30, 2024	June 30, 2023	July 1, 2022
Deferred tuition and fees	$ 2,969,297	$ 2,915,157	$ 2,749,665

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.

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 restricted for endowment and capital purposes and investment earnings related to the endowment are recognized as non-operating activities. In addition, the Board of Trustees may designate unrestricted funds for specific non-operating capital or endowment purposes.

Contributions and gifts of financial assets

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.

Contributions of nonfinancial assets

The College receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the College receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the College's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

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, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

- Operation and maintenance, depreciation, amortization, and interest 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, academic and institutional support expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was $342,201 and $502,439 in 2024 and 2023, respectively.

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.

3 - LIQUIDITY AND AVAILABLE FUNDS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023 are:

	2024	2023
Financial assets		
Cash	$ 962,857	$ 1,236,105
Student accounts receivable, net	1,906,361	2,459,189
Contributions receivable, net	733,184	2,942,455
Other receivables	63,680	187,874
Investments	45,385,080	41,926,715
Total financial assets	49,051,162	48,752,338
Less: Financial assets held to meet donor-imposed restrictions		
Purpose-restricted net assets	9,936,940	8,696,907
Contributions receivable unavailable for spending for more than one year, some of which are also subject to purpose restrictions	732,184	1,541,455
Donor-restricted endowment funds	27,539,344	24,629,956
Less: Board-designated endowment funds	4,139,098	5,604,556
Amount available for general expenditures within one year	$ 6,703,596	$ 8,279,464

3 - LIQUIDITY AND AVAILABLE FUNDS (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 available for general use ($27,539,344, of which $16,254,223 is the original gift) or from its designated endowment fund $4,139,098. 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. In addition to the available financial assets summarized above, the College has various sources of liquidity at its disposal, including a line of credit. See note 9 for information about the College's line of credit. Further, the College anticipates collecting sufficient contributions and revenue to cover general expenditures not covered by donor-restricted resources and endowment appropriations.

4 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable as of June 30, 2024 are expected to be received as follows:

2025	$ 400,167
2026	166,600
2027	223,500
2028	100,000
	890,267
Less: Allowance for uncollectible contributions receivable	84,211
Unamortized discount	72,872
	$ 733,184

5 - INVESTMENTS

Investments are included in the following classes of net assets:

	2024	2023
With donor restrictions		
Donor restricted endowment	$ 27,539,344	$ 24,629,956
Purpose restrictions	9,936,940	8,696,907
Without donor restrictions		
Board-designated endowment	4,139,098	5,604,556
Undesignated	3,769,698	2,995,296
	$ 45,385,080	$ 41,926,715

5 - INVESTMENTS (Continued)

Investments are composed of the following:

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Equity securities	$ 100,523	$ 132,580	$ 83,115	$ 92,259
Exchange traded funds	4,152,410	4,190,216	7,127	7,196
Mutual funds, equities	21,205,768	28,476,154	23,497,722	27,968,111
Mutual funds, bonds	9,350,944	8,933,100	14,492,847	13,592,852
Money market funds	3,653,030	3,653,030	266,297	266,297
	$ 38,462,675	$ 45,385,080	$ 38,347,108	$ 41,926,715

The net investment return is composed of the following:

	2024	2023
Interest and dividends	$ 1,104,144	$ 1,057,951
Realized gains (losses)	1,002,995	(2,258)
Unrealized gains	3,343,100	2,799,091
Investment fees	(72,907)	(65,829)
	$ 5,377,332	$ 3,788,955

6 - BENEFICIAL INTERESTS

The College is the beneficiary of a charitable lead annuity trust restricted for various purposes. Under the terms of the trust agreement, the College is to receive $50,000 quarterly for twenty years, at which point the trust is to terminate, and the remaining trust assets are to be distributed to others. In 2024, the trust was terminated early. As a result, the College received $1,500,000. Changes in the fair value of the beneficial interest are classified in the statement of activities as net assets with donor restrictions.

The College is the beneficiary of two charitable remainder trusts, where the College is not the trustee. Under the terms of the trust agreements, the donors are to receive quarterly payments starting in December 2015 and June 2020 for their remaining lifetime, after which the College receives the remaining assets in the trusts. The present value of the estimated future receipts under the trust agreements ($22,508 as of June 30, 2024) is calculated using discount rates of 4.5% and 3.6% and is included in net assets with donor restrictions. Changes in the fair value of the beneficial interest are classified in the statement of activities as net assets with donor restrictions.

7 - PROPERTY AND EQUIPMENT

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

	Estimated Useful Lives	2024	2023
Land, buildings, and improvements	10 - 40 years	$ 109,466,008	$ 108,694,085
Vehicles and equipment	3 - 7 years	8,055,717	7,799,037
Furniture and fixtures	5 - 10 years	1,616,506	1,602,560
Construction in progress	-	3,173,747	3,117,435
		122,311,978	121,213,117
Less: Accumulated depreciation		58,485,244	53,983,468
		$ 63,826,734	$ 67,229,649

Depreciation expense was $4,501,776 and $4,751,962 in 2024 and 2023, respectively.

8 - ENDOWMENT ASSETS

Endowment assets includes invested donor restricted and Board-designated funds. Changes in endowment assets for the year ended June 30, 2024 are as follows:

	Without Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	$ 5,604,556	$ 24,629,956	$ 30,234,512
Net investment return	538,869	3,389,456	3,928,325
Additions	-	421,965	421,965
Release of donor restriction	-	(41,581)	(41,581)
Appropriation for expenditure	(2,004,327)	(860,452)	(2,864,779)
Endowment assets, end of year	$ 4,139,098	$ 27,539,344	$ 31,678,442

9 - NOTE PAYABLE

The College has a $10,000,000 revolving line of credit with its bank, secured by significant assets of the College. The note bears interest at the Prime Rate (8.50% as of June 30, 2024). There was $5,862,114 and $7,518,723 outstanding on this line of credit as of June 30, 2024 and 2023, respectively.

10 - LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
Bonds payable, secured by significant assets of the College, due in month installments of $106,770 including interest at an annual rate equal to 2.95% through June 2036, then increased to the 15-year FHLB Rate plus 1.50% through June 2041.	$ 18,075,908	$ 18,740,930
Less: Unamortized debt issuance costs	171,419	181,885
	$ 17,904,489	$ 18,559,045

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

Year Ended June 30	
2025	$ 769,056
2026	791,878
2027	815,380
2028	838,378
2029	864,471
Thereafter	13,996,745
	$ 18,075,908

The bonds payable requires, among other considerations, the maintenance of certain financial covenants.

11 - LEASES

The College leases equipment under finance lease agreements with terms ranging from 5 to 5.5 years and interest rates ranging from 3.52% to 6.14%. The College's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the years ended June 30:

	2024	2023
Amortization of right-of-use assets	$ 43,107	$ 6,147
Interest on lease liabilities	7,935	1,835
Total finance lease cost	$ 51,042	$ 7,982

Supplemental statement of financial position information related to leases is as follows as of June 30:

	2024	2023
Equipment	$ 290,911	$ 202,821
Less: Accumulated amortization	49,254	6,147
Right-of-use assets for finance leases, net	$ 241,657	$ 196,674

11 - LEASES (Continued)

	2024	2023
Weighted-average remaining lease term	4.4 years	5.3 years
Weighted-average discount rate	4.20%	3.52%

Future undiscounted cash flows and a reconciliation to the finance lease liabilities recognized on the statement of financial position are as follows as of June 30, 2024:

2025	$ 57,258
2026	57,258
2027	57,258
2028	57,258
2029	37,789
	266,821
Less: Imputed interest	26,744
Total present value of lease liabilities	$ 240,077

12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are board-designated endowment funds reserved for future operations. All spending from this reserve must be approved by the governing board. The balance in the board-designated operating reserve is $4,139,098 and $5,604,556 as of June 30, 2024 and 2023, respectively.

13 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2024 and 2023, net assets with donor restrictions are available for the following purposes or periods:

	2024	2023
Purpose restrictions, available for spending		
Public service programs	$ 187,662	$ 150,527
Academic support programs	3,090,143	1,490,099
Student services	935,552	735,360
Institutional support	4,124,560	4,540,213
Capital improvements	414,214	789,537
Scholarships and financial aid	1,184,809	991,171
Total purpose restricted net assets	9,936,940	8,696,907
Time restrictions		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	733,184	2,942,455
Charitable remainder trusts, which are unavailable for spending until the deaths of the beneficiaries	22,508	24,010
Beneficial interest in charitable lead annuity trust	-	1,363,895
Total time restricted net assets	755,692	4,330,360

13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

At June 30, 2024 and 2023, net assets with donor restrictions are available for the following purposes or periods:

	2024	2023
Endowment funds, which must be appropriated by the Board of Trustees before use		
Instruction (original gifts of $2,319,000 in 2024 and 2023)	$ 5,486,532	$ 5,067,113
Academic support programs (original gifts of $2,879,407 in 2024 and $2,880,365 in 2023)	4,915,005	4,440,433
Student services (original gifts of $235,366 in 2024 and $235,266 in 2023)	342,185	299,750
Institutional support (original gifts of $1,000,000 in 2024 and 2023)	1,561,442	1,368,104
Scholarships and financial aid (original gifts of $9,820,450 in 2024 and $9,358,602 in 2023)	15,234,180	13,454,556
Total endowment funds managed by the College	27,539,344	24,629,956
Total net assets with donor restrictions	$ 38,231,976	$ 37,657,223

During 2024 and 2023 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:

	2024	2023
Time restrictions	$ 1,372,301	$ -
Purpose restrictions		
Operating		
Instruction	5,000	-
Academic support programs	160,166	293,371
Student services	329,550	375,848
Institutional support	1,405,933	252,991
Scholarships and financial aid	432,393	391,726
	3,705,343	1,313,936
Non-operating		
Capital improvements	1,086,360	1,806,250
	$ 4,791,703	$ 3,120,186

14 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	2024	2023
Cash paid during the year for		
Interest	$ 971,262	$ 893,866

Included in accounts payable at June 30, 2023 are property and equipment acquisitions of $388,578.

14 - STATEMENT OF CASH FLOWS (Continued)

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2024:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows - payments on finance leases	$ 7,935	$ 1,835
Financing cash outflows - payments on finance leases	39,600	11,234
Right-of-use assets obtained in exchange for new lease obligations		
Finance leases	$ 88,090	$ 202,821

15 - RETIREMENT PLAN

The College offers a retirement plan which covers substantially all employees. Participants in the plan may direct investments to the Teachers Insurance Annuity Association - College Retirement Equities Fund (TIAA-CREF) as custodians of the plan. In general, contributions to this defined contribution plan is made by the College and its employees on a matching basis, with the College and employees contributing 3%. Contributions provided by the College amounted to approximately $541,000 and $483,000 in 2024 and 2023, respectively.

16 - 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 and in-kind contributions).

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 long-term investments.
- recurring measurement of beneficial interests in trusts.

16 - 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 years ended June 30, 2024 and 2023.

Equity securities, mutual funds (equities and bond based) and exchange traded funds: Valued at the closing price reported on the active market in which the individual securities are traded. The mutual and exchange traded funds held by the College are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The securities held by the College are deemed to be actively traded.

Money market funds: Valued at the closing price reported in the market in which the individual securities are traded. Fair value hierarchy for each is based on the level of active trading within the respective markets for each asset or liability.

Beneficial interests: Valued at the present value of the estimated future receipts.

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 assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2024 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 132,580	$ -	$ -	$ 132,580
Exchange traded funds	4,190,216	-	-	4,190,216
Mutual funds, equities	28,476,154	-	-	28,476,154
Mutual funds, bonds	8,933,100	-	-	8,933,100
Money market funds	3,653,030	-	-	3,653,030
Total investments	45,385,080	-	-	45,385,080
Beneficial interests	-	-	22,508	22,508
Total	$ 45,385,080	$ -	$ 22,508	$ 45,407,588

16 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The College's assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2023 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 92,259	$ -	$ -	$ 92,259
Exchange traded funds	7,196	-	-	7,196
Mutual funds, equities	27,968,111	-	-	27,968,111
Mutual funds, bonds	13,592,852	-	-	13,592,852
Money market funds	266,297	-	-	266,297
Total investments	41,926,715	-	-	41,926,715
Beneficial interests	-	-	1,387,905	1,387,905
Total	$ 41,926,715	$ -	$ 1,387,905	$ 43,314,620

There were no significant transfers between the levels during the year. 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.

The College did not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position as of June 30, 2024 and June 30, 2023.

The following is a reconciliation of level 3 assets:

Balance at June 30, 2023	$ 1,387,905
Payments received	(1,500,000)
Change in value of beneficial interest	134,603
Balance at June 30, 2024	$ 22,508

17 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. 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. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

18 - RELATED-PARTY TRANSACTIONS

At June 30, 2024 and 2023, contributions receivable included $385,000 and $1,165,000, respectively, from members of the College's Board of Trustees. Total contributions received from board members were $356,075 and $860,965 in 2024 and 2023, respectively.

19 - RECLASSIFICATION

Certain amounts in the 2023 comparative information have been reclassified to conform with the 2024 presentation. Such reclassifications had no effect on the change in net assets as previously reported.

20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2024, 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.