Financial Statements

Stonehill College, Inc.

June 30, 2020 and 2019

STONEHILL COLLEGE, INC.

Financial Statements

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Financial Statements:

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Independent Auditors' Report

The Board of Trustees
Stonehill College, Inc.
Easton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Stonehill College, Inc. (the "College"), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Mayer Hoffman McCann P.C.

November 20, 2020
Boston, Massachusetts

STONEHILL COLLEGE, INC.

Statements of Financial Position

June 30,

	2020	2019
Assets		
Cash and cash equivalents	$ 18,636,757	$ 19,515,480
Accounts and loans receivable, net	1,155,414	1,189,318
Prepaids and other assets	714,502	784,127
Contributions and grants receivable, net	12,477,274	15,298,573
Investments	218,579,376	217,800,188
Perpetual trusts held by third parties	2,313,963	2,328,604
Property, plant and equipment	180,574,887	178,772,814
Total assets	**$ 434,452,173**	**$ 435,689,104**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,635,496	$ 5,131,603
Accrued payroll and other benefits	1,813,767	2,897,827
Student deposits and deferred revenue	6,669,315	2,615,952
Capital leases and other liabilities	1,610,282	1,570,638
Government advances for student loans	356,392	591,074
Interest rate swap agreements	10,425,655	7,983,256
Annuity obligations	414,350	428,287
Loans and bonds payable	102,257,863	107,405,335
Total liabilities	**125,183,120**	**128,623,972**
Net assets:		
Without donor restrictions	224,312,585	217,724,761
With donor restrictions	84,956,468	89,340,371
Total net assets	**309,269,053**	**307,065,132**
Total liabilities and net assets	**$ 434,452,173**	**$ 435,689,104**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Tuition and fees, net	$ 53,835,271	$ -	$ 53,835,271	$ 53,479,149
Room and board, net	28,904,007	-	28,904,007	34,318,631
Net tuition, fees, room and board	**82,739,278**	**-**	**82,739,278**	**87,797,780**
Federal and state grants	4,067,891	-	4,067,891	1,229,464
Contributions and private grants	676,477	-	676,477	815,424
Other revenues	4,242,877	-	4,242,877	5,450,746
Endowment return utilized in operations	8,765,473	-	8,765,473	8,467,006
Net assets released from restriction used in operations	809,082	-	809,082	1,204,587
Total operating revenues	**101,301,078**	**-**	**101,301,078**	**104,965,007**
Operating expenses:				
Instruction	36,931,562	-	36,931,562	36,505,946
Research	493,929	-	493,929	696,212
Public service	229,422	-	229,422	282,946
Academic support	6,863,187	-	6,863,187	7,780,961
Student services	17,927,451	-	17,927,451	19,477,258
Institutional support	15,373,447	-	15,373,447	15,957,341
Auxiliary services	19,696,145	-	19,696,145	21,669,251
Total operating expenses	**97,515,143**	**-**	**97,515,143**	**102,369,915**
Increase in net assets from operations	**3,785,935**	**-**	**3,785,935**	**2,595,092**
Non-operating activities:				
Contributions and grants	1,344,160	2,847,171	4,191,331	11,876,223
Net loss from interest rate swaps	(3,559,250)	-	(3,559,250)	(2,912,065)
Loss on disposal of property, plant and equipment	-	-	-	(546,069)
Investment return	5,184,241	2,176,219	7,360,460	11,603,509
Endowment return utilized in operations	(6,212,002)	(2,553,471)	(8,765,473)	(8,467,006)
Net assets released from restriction used in operations	-	(809,082)	(809,082)	(1,204,587)
Non-operating net assets released from restriction	6,044,740	(6,044,740)	-	-
Change in net assets from non-operating activities	**2,801,889**	**(4,383,903)**	**(1,582,014)**	**10,350,005**
Change in net assets	**6,587,824**	**(4,383,903)**	**2,203,921**	**12,945,097**
Net assets, beginning of year	217,724,761	89,340,371	307,065,132	294,120,035
Net assets, end of year	**$ 224,312,585**	**$ 84,956,468**	**$ 309,269,053**	**$ 307,065,132**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Operating revenues:			
Tuition and fees, net	$ 53,479,149	$ -	$ 53,479,149
Room and board, net	34,318,631	-	34,318,631
Net tuition, fees, room and board	**87,797,780**	-	**87,797,780**
Federal and state grants	1,229,464	-	1,229,464
Contributions and private grants	815,424	-	815,424
Other revenues	5,450,746	-	5,450,746
Endowment return utilized in operations	8,467,006	-	8,467,006
Net assets released from restriction used in operations	1,204,587	-	1,204,587
Total operating revenues	**104,965,007**	-	**104,965,007**
Operating expenses:			
Instruction	36,505,946	-	36,505,946
Research	696,212	-	696,212
Public service	282,946	-	282,946
Academic support	7,780,961	-	7,780,961
Student services	19,477,258	-	19,477,258
Institutional support	15,957,341	-	15,957,341
Auxiliary services	21,669,251	-	21,669,251
Total operating expenses	**102,369,915**	-	**102,369,915**
Increase in net assets from operations	**2,595,092**	-	**2,595,092**
Non-operating activities:			
Contributions and private grants	2,026,075	9,850,148	11,876,223
Net loss from interest rate swaps	(2,912,065)	-	(2,912,065)
Loss on disposal of property, plant and equipment	(546,069)	-	(546,069)
Investment return	8,214,039	3,389,470	11,603,509
Endowment return utilized in operations	(6,072,210)	(2,394,796)	(8,467,006)
Net assets released from restriction used in operations	-	(1,204,587)	(1,204,587)
Non-operating net assets released from restriction	47,650	(47,650)	-
Change in net assets from non-operating activities	**757,420**	**9,592,585**	**10,350,005**
Change in net assets	**3,352,512**	**9,592,585**	**12,945,097**
Net assets, beginning of year	214,372,249	79,747,786	294,120,035
Net assets, end of year	**$ 217,724,761**	**$ 89,340,371**	**$ 307,065,132**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statements of Cash Flows

Years Ended June 30,

		2020		2019
Cash flows from operating activities:				
Change in net assets	$	2,203,921	$	12,945,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		8,184,226		7,124,211
Net realized and unrealized gain on investments		(6,333,329)		(10,817,988)
Unrealized loss on interest rate swap agreements		2,457,040		1,941,093
Loss on disposal of property, plant and equipment		-		546,069
Contributions to be used for long-term investment		(8,437,535)		(5,224,365)
Change in contributions receivable discount/allowance		(403,841)		(176,992)
Change in operating assets and liabilities:				
Accounts receivable		(75,919)		(287,809)
Contributions and grants receivable		3,225,139		(3,963,668)
Prepaids and other assets		69,626		(102,145)
Accounts payable and accrued liabilities		374,229		(509,646)
Accrued payroll and other benefits		(1,084,060)		181,998
Student deposits and deferred revenue		4,053,363		(18,430)
Government advances for student loans		(234,682)		(3,371)
Other liabilities		175,333		(72,611)
Net cash provided by operating activities		**4,173,511**		**1,561,443**
Cash flows from investing activities:				
Loans collected		109,824		302,894
Purchase of property, plant and equipment		(13,780,272)		(33,207,597)
Purchase of investments		(17,223,978)		(4,387,515)
Proceeds from sale of investments		22,778,118		9,421,413
Net cash used in investing activities		**(8,116,308)**		**(27,870,805)**
Cash flows from financing activities:				
Payments on long-term debt and capital lease obligations		(5,373,461)		(3,873,844)
Proceeds from long-term debt		-		21,372,256
New debt issuance costs		-		(26,108)
Contributions to be used for long-term investment		8,437,535		5,224,365
Net cash provided by financing activities		**3,064,074**		**22,696,669**
Net decrease in cash and cash equivalents		**(878,723)**		**(3,612,693)**
Cash and cash equivalents, beginning of year		19,515,480		23,128,173
Cash and cash equivalents, end of year	**$**	**18,636,757**	**$**	**19,515,480**
Supplemental disclosures:				
Cash paid for interest on loans and bonds payable	$	2,289,390	$	2,665,540
Cash paid for interest on interest rate swap agreements	$	1,185,149	$	894,208
Amounts included in accounts payable and other liabilities related to property, plant and equipment	$	63,914	$	3,934,250

Note 1 - Summary of Significant Accounting Policies

Stonehill College (the “College”), is a not-for-profit, private, catholic and co-educational liberal arts college, founded in 1948 by the Congregation of the Holy Cross. It is located on a 384 acre campus in Easton which is south of Boston, Massachusetts. The College provides academic, residential and other services to a diverse student population of approximately 2,500, predominately from the Northeast region of the United States of America, other U.S. states and to a lesser extent internationally.

The College’s mission is to educate the whole person so that each Stonehill graduate thinks, acts, and leads with courage toward the creation of a more just and compassionate world through its curriculum of over 90 rigorous academic programs in the humanities, arts, natural and social sciences, business, education, and pre-professional programs. The College offers the Bachelor of Arts and Sciences degree at the undergraduate level as well as certain graduate masters programs.

The College is accredited by the New England Commission of Higher Education, Inc. (“NECHE”) in addition to accreditation by the Association to Advance Collegiate Schools of Business (“AACSB”) as well as certain other accrediting bodies. The College’s accreditation status, like other educational organizations, is subject to certain operating and interim reporting requirements.

The College participates in student financial aid programs sponsored by the United States Department of Education (“ED”) and to a much lesser extent the Commonwealth of Massachusetts, as well as other states within the U.S. These programs facilitate the payment of tuition and other expenses for eligible students when they are determined to be eligible as evaluated by the College’s financial aid office. Such determinations are subject to after the fact review by funders.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”) which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated certain amounts from net assets without donor restrictions to function as endowment. Net assets without donor restriction also include investment in property, plant and equipment, net of accumulated depreciation and related loans and bonds payable and net investment of funds for student loans.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, events specified by the donor, or both. Accumulated unspent gains on permanent endowment funds also are temporary in nature and are subject to the endowment spending policy as adopted by the Board of Trustees. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and other highly liquid debt instruments with maturities at date of purchase of three months or less. Such accounts are carried at cost plus accrued interest. Cash and cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The College maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Included in cash and cash equivalents are amounts restricted for the following purposes at June 30:

	2020	***2019***
Federal Perkins Loan Program	$ 105,321	$ 498,020
Funds held by trustee under bond agreement	-	1,091,895
Unspent amount of student portion of Higher Education Emergency Relief Funds	391,841	-
	$ 497,162	**$ 1,589,915**

Accounts and Loans Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition and fees and room and board charges are generally due by the start of the academic period with the recognition that on behalf payments being made by ED or others are subject to specific requirements within those programs as to when those funds can be availed. Certain ED funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by ED. Thus cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized.

Perkins Loans receivable represent amounts due from students associated with an ED-sponsored campus-based loan program. The College shared funding of such resources creating a revolving loan fund in concert with funds from ED. Perkins Loans in default that meet certain requirements can be assigned to the ED which reduces the obligation for refundable U.S. government grants. The ED has ended this program and as the funds are collected such amounts will be returned to ED and the College as applicable based on original funding.

Accounts and loans receivable are stated net of allowances for doubtful accounts of $171,038 and $115,300 for the years ended June 30, 2020 and 2019, respectively. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically. The College regularly assesses the adequacy of the allowance for doubtful accounts related to accounts and loans receivable by performing ongoing evaluations of the student account and loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The level of the allowance is adjusted based on the results of this analysis. Credit risk on the Perkins Loans receivable is mitigated given the ability to assign such loans to ED as outlined above.

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions and Grants Receivable

Contributions and grants receivable are initially recorded at fair value utilizing Level 2 inputs as per the fair value policies covered later in this section. Contributions and grants to be received after one year are valued using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Contributions and grants receivable of shorter duration are recorded at estimated net realizable value. Amortization of present value amounts are included in with donor restrictions or without donor restrictions contribution revenue depending on the restrictions associated with the original gift. An allowance for uncollectible contributions and grants receivable is provided based upon management estimates including factors of historical experience and a specific review of circumstances relative to major pledges and other factors.

Investments

Investments are carried at fair market value consistent with the fair value policies described elsewhere in this section.

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

The investment objective of the College is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board-approved spending policy and to increase investment values after inflation. Major investment decisions are authorized by the investment subcommittee of the Board of Trustees that oversees the College's investments mindful of diversification among asset classes.

Split-Interest Agreements

Perpetual Trusts Held by Third Parties

Perpetual trusts held by third parties are carried at fair value as per the fair value policies later in this section. Changes in fair value are reported as part of investment return as they occur.

Charitable Gift Annuities

From time to time, the College receives charitable gift annuities in which donors contribute assets and receive a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 with the related annuity obligation being measured at Level 2 per the fair value policies later in this section. The assets received are transferred to the College's managers for long-term investment as part of the investment portfolio. The annuity obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The College reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include short-term investments, long-term investments and perpetual trusts held by third parties. Non-recurring fair values include items such as the initial recording of contributions receivable.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (but for those items valued at NAV) as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the College has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition when the useful life is over one year and such amounts exceed a management established capitalization threshold or at fair value at the date of gift for donated assets using Level 3 methods as per the fair value policies elsewhere in this section. Depreciation is computed on the straight-line basis over the estimated useful lives of the individual asset with the half year convention used in the year of acquisition. Useful lives are as follows:

	Estimated Useful Lives
Land improvements	20 years
Buildings and improvements	10 - 60 years
Furniture, equipment and vehicles	4 - 15 years
Leasehold improvements	Lesser of life of the asset or lease term

Property, plant, and equipment are removed from the College's records at the time of disposal with any resulting gain or loss being reflected in the Statement of Activities. Replacements and major improvements are capitalized; expenses for maintenance and repairs are charged as incurred. Operation and maintenance expense totaled $12,362,116 and $12,746,535 for the years ended June 30, 2020 and 2019, respectively.

Student Deposits and Deferred Revenue

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

Government Advances for Student Loans

Government advances represent amounts advanced from ED subject to certain adjustment associated with the Perkins program as discussed in the student accounts and notes section of these policies. Given the termination of this program, it is expected that such obligations will begin to be repaid as funds become available on collection of prior loans from students.

Interest Rate Swap Agreements

Interest rate swap agreements are carried at fair market value using Level 2 fair value methods as per the fair value policies elsewhere in this section. These agreements are intended to synthetically fix interest rates over the term of the arrangement as rates that are more favorable than otherwise available in the market at the time of issuance.

Loans and Bonds Payable

Loans and bonds payable are reported at the face value of the remaining obligation under the related debt issue, net of the premium, discount and issuance costs. Premiums, discounts and issuance costs are amortized over the term of the related indenture.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions, unless use of the related asset is limited by donor-imposed restrictions, as follows:

A substantial portion of the College's revenue is derived from student tuition and fees. The College also derives revenue from housing fees which are reported as room and board in the statement of activities. These revenue streams are aligned to an academic semester which is less than one year in length and recognized as revenue in the period the services are provided, net of any institutional financial aid provided.

Under accounting standards, revenue measurement is driven via a principles-based process that requires entities 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied.

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

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to an 80% refund within the first two weeks of classes declining to no refund after the fifth week of classes. Given the normal timing of the College's programs the exposure to such is limited at year end.

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

Revenue earned on grants for research is recognized as related costs are incurred. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Contributions with donor imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

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

Conditional contributions and grants are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions and grants received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

The College also derives revenue from conferences and events and sports camps which is recorded as revenue over time as earned and reported in other revenues in the statement of activities.

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

Operating and Nonoperating Activity

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of items attributable to the College's undergraduate and graduate education programs, grants for research conducted by academic departments, auxiliary enterprise activities, certain contributions, amount allocated under the College's spending policy and other sources. Nonoperating activities include investment return, less amounts allocated under the spending policy, contributions received for endowment, net gains and losses related to the College's interest rate swap agreements, grants for capital additions to support research by academic departments and miscellaneous items not related to the College's academic or research activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Expenses are reported as decreases in net assets without donor restrictions. The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt. Included in institutional support are fundraising expenses of $1,849,218 and $2,099,544 for the years ended June 30, 2020 and 2019, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

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

Uncertain Tax Positions

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

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

During 2020, the College adopted Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows: Restricted Cash*, that requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash, and that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The adoption of ASU No. 2016-18 did not have a material effect on the financial statements; however, prior period restricted cash was added to cash and cash equivalents on the statements of financial position and cash flows to conform to the current presentation.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases*. This update is intended to improve financial reporting of leasing transactions. The update requires entities to recognize assets and liabilities for leases with lease terms of more than 12 months. The ASU also requires qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases and is effective for the College's June 30, 2022 financial statements. The College is evaluating the effect this update will have on its financial statements and related disclosures.

Management does not believe that other pending accounting pronouncements will have a notable impact on the College.

Reclassification

Certain amounts reported in prior year financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

The College has evaluated subsequent events through November 20, 2020, the date the financial statements were issued.

Note 2 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities within its investment portfolio. The Board of Trustees has designated much of the investment portfolio to function as a quasi-endowment fund, but such resources can and would be made available by the Board should such be needed for operations.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of education and related services as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College seeks to operate with a budget surplus and anticipates collecting revenue in excess of general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

The following table shows the financial assets available within one year of the balance sheet date to meet general expenditures at June 30:

	2020	*2019*
Cash and cash equivalents	$ 18,139,595	$ 17,925,565
Contributions and grants receivable, net, for general expenditure due in 1 year or less	6,089,109	6,051,841
Accounts receivable, net	741,906	864,415
Endowment appropriation	8,856,748	8,790,631
Board-restricted endowment convertible to cash in less than 1 year	96,532,015	93,438,380
Total financial assets available to meet general expenditures over next 12 months	**$ 130,359,373**	**$ 127,070,832**

Note 3 - Contributions and Grants Receivable

Contributions and grants receivable are expected to be realized in the following time frame as of June 30:

	2020	***2019***
Amounts expected to be collected in:		
One year or less	$ 6,150,435	$ 6,501,248
Two to five years	6,949,191	9,823,518
	13,099,626	16,324,766
Less:		
Discount to present value	(493,082)	(864,931)
Allowance for uncollectibles	(129,270)	(161,262)
Contributions and grants receivable, net	**$ 12,477,274**	**$ 15,298,573**

Over 75% of gross contributions and grants receivable were due from two donors at June 30, 2020 and one donor at June 30, 2019. Conditional contributions and grants, as defined in Note 1, are $2,205,451 and $1,809,838 at June 30, 2020 and 2019, respectively.

Note 4 - Investments and Fair Value Measurements

The following table summarizes the valuation of the College's financial instruments as of June 30:

	2020					2019
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total	Total
Assets						
Investments:						
Cash and equivalents	$ 4,052,950	$ -	$ -	$ -	$ 4,052,950	$ 3,233,294
Equities:						
Domestic	11,291,303	-	-	-	11,291,303	3,561,256
International	10,222,623	-	-	-	10,222,623	15,923,955
Fixed income	4,308,439	-	-	-	4,308,439	5,561,856
Hedge funds:						
Commingled	-	-	-	13,954,370	13,954,370	12,480,781
Multi-strategy	-	-	-	3,590,629	3,590,629	4,095,853
Fixed income	-	-	-	2,469,216	2,469,216	3,144,450
Long/short equity	-	-	-	27,206,409	27,206,409	32,051,116
Private equity funds	-	-	-	12,814,096	12,814,096	15,683,870
Interest in Notre Dame Endowment pool:						
Multi-strategy	-	-	-	128,669,341	128,669,341	122,063,757
Total investments	29,875,315	-	-	188,704,061	218,579,376	217,800,188
Perpetual trusts held by third parties	-	-	2,313,963	-	2,313,963	2,328,604
Total assets	**$ 29,875,315**	**$ -**	**$ 2,313,963**	**$ 188,704,061**	**$ 220,893,339**	**$ 220,128,792**
Liabilities						
Interest rate swap agreements	**$ -**	**$ 10,425,655**	**$ -**	**$ -**	**$ 10,425,655**	**$ 7,983,256**

As a member of the Congregation of Holy Cross, the College invests in the Notre Dame Endowment Pool ("NDEP"). The NAV of the securities held by limited partnerships and NDEP that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2020 and 2019. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

Note 4 - Investments and Fair Value Measurements (Continued)

The redemption frequency of the College's investments are as follows at June 30, 2020:

Redemption Frequency	*Fair Value*
Daily	$ 39,315,518
Monthly	16,751,598
Quarterly	40,464,899
Annual	46,121,282
Illiquid	75,926,079
Total Investments	**$ 218,579,376**

Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles which could impact the ultimate liquidity of funds. Unfunded commitments under various investment vehicles amounted to $2,504,147 at June 30, 2020.

Perpetual trusts held by third parties relate to the assets which are held by independent donor-appointed trustees. Income is recognized "upon distribution" unless deemed as return of capital plus or minus any change in the fair value of the underlying asset while income from the remainder trust represents the change in fair value of the trust assets. Management has elected to omit disclosures relating to Level 3 activity given modest amounts involved.

Note 5 - Property, Plant and Equipment

Property, plant and equipment are as follows as of June 30:

	2020	*2019*
Land	$ 752,119	$ 752,119
Land improvements	19,157,202	19,039,980
Buildings and improvements	234,393,435	200,371,273
Leasehold improvements	1,060,741	565,869
Furniture, equipment and vehicles	41,761,007	38,280,330
Construction in progress	1,654,216	30,228,544
Total property, plant and equipment	298,778,720	289,238,115
Less accumulated depreciation	(118,203,833)	(110,465,301)
	$ 180,574,887	**$ 178,772,814**

Note 5 - Property, Plant and Equipment (Continued)

Included in property, plant and equipment as of June 30, 2020 and 2019 are assets under capital lease for equipment with a cost of $1,144,811, and related accumulated amortization of $899,494 and $735,950, respectively. Capital lease obligations as of June 30, 2020 and 2019 were $229,821 and $398,447, respectively, and are included in capital leases and other liabilities on the statements of financial position.

For the years ended June 30, 2020 and 2019, assets with an original cost of $351,534 and $2,441,650, respectively, and accumulated depreciation of $344,400 and $1,895,581, respectively, were disposed of for a loss of $7,134 and $546,069, respectively.

Depreciation expense was $8,107,864 and $7,044,390 for the years ended June 30, 2020 and 2019, respectively.

Note 6 - Interest Rate Swap Agreements

The College has entered into various interest rate swap agreements in order to partially hedge variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The College does not enter into derivative instruments for trading or speculative purposes. Net payments under swap agreements are accounted for as interest expense.

Interest expense on swap agreements for the years ended June 30, 2020 and 2019 was $1,112,540 and $882,242, respectively. This expense is included in net loss from interest rate swaps in the statements of activities.

These swaps hedge much of the variable exposure in the Series K bonds as detailed in Note 7. The College has three swap agreements as per below at June 30:

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	2020 Fair Value (Liability)	2019 Fair Value (Liability)
$ 28,865,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.369%	$ (1,966,871)	$ (1,657,986)
10,190,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.594%	(1,345,453)	(1,126,217)
19,000,000	July 1, 2037	USD-1M LIBOR + 0.67%	3.651%	(7,113,331)	(5,199,053)
$ 58,055,000				**$ (10,425,655)**	**$ (7,983,256)**

The swap agreements have no collateral requirements applicable to the College.

As a result of the use of derivative instruments, the College is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, the College only enters into contracts with selected major financial institutions based upon their credit ratings and other factors and continually assesses the creditworthiness of counterparties. The counterparties to the College’s interest rate swaps had investment grade ratings at June 30, 2020 and 2019, respectively. To date, all counterparties have performed in accordance with their contractual obligation.

Note 7 - Loans and Bonds Payable

Loans and bonds payable are as follows as of June 30:

	2020	2019
HEFA Series L, dated August 5, 2009, fixed interest rates ranging from 2.50% to 5.375% due serially on July 1, from July 1, 2011 to July 1, 2029.	$ -	$ 1,065,000
J.P. Morgan direct placement loan, dated May 31, 2013, at a fixed interest rate of 1.80% due serially from July 1, 2013 to July 1, 2020.	-	599,308
Century Bank MDFA Series K-1 direct placement loan, dated November 4, 2015, variable interest rates due quarterly from July 1, 2016 to December 31, 2018, and 79% of one month libor plus 0.75% from January 1, 2019 through November 3, 2025, and 79% of one month libor plus 0.95% through July 1, 2037, with an actual interest rate of 0.73% and 2.52% at June 30, 2020 and 2019, respectively.	25,168,750	26,112,500
People's United Bank MDFA Series K-2 direct placement loan, dated November 4, 2015, variable interest rates of 68% of one month libor plus 1.15% due quarterly from July 1, 2016 to July 1, 2037, with an actual interest rate of 0.90% and 2.44% at June 30, 2020 and 2019, respectively.	25,168,750	26,112,500
People's United Bank MDFA Series M direct placement loan, dated March 30, 2017, fixed interest rate of 2.80% due quarterly from July 1, 2017 to April 1, 2029, at which point interest rate reevaluated and paid quarterly from July 1, 2029 to April 1, 2047.	14,351,217	14,687,615
TD Bank MDFA Series N direct placement loan, dated November 9, 2017, fixed interest rate of 2.49% due quarterly from January 1, 2018 to July 1, 2029.	13,132,492	14,449,116
Century Bank, MDFA Series O direct placement drawdown bond, dated June 1, 2018, variable interest rate of 79% of one month libor plus 0.90% due quarterly from July 1, 2018 to June 1, 2027 and 1.50% due quarterly thereafter to July 1, 2048, with an actual interest rate of 0.85% and 2.64% at June 30, 2020 and 2019, respectively.	25,000,000	25,000,000
	102,821,209	108,026,039
Less unamortized debt issuance costs	(563,346)	(620,704)
	$ 102,257,863	**$ 107,405,335**

Note 7 - Loans and Bonds Payable (Continued)

The outstanding loans and bonds payable include a pledge of tuition receipts. The College is also subject to certain financial covenants.

Mandatory annual principal payments on loans and bonds payable are as follows as of June 30:

2021	$	3,198,119
2022		4,612,277
2023		4,798,526
2024		4,884,157
2025		5,124,188
Thereafter		80,203,942
	$	**102,821,209**

During the years ended June 30, 2020 and 2019, interest in the amount of $56,163 and $352,720, respectively, was capitalized during construction.

Note 8 - Endowments

The College's endowment consists of approximately 250 individual restricted endowment funds as well as Board-designated endowment funds for a variety of purposes plus other funds such as those held in support of split-interest agreements. The net assets associated with endowment funds including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College tracks the original value of gifts donated to the permanent endowment, subsequent gifts to the permanent endowment and any required additions to these funds per the donor agreement. Any amounts in excess of these levels which is generally accumulated unspent gains on such funds are subject to appropriation for expenditure by the College via the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 8 - Endowments (Continued)

Relevant Law (Continued)

In accordance with UPMIFA, the College also considers the following factors in making a determination to appropriate endowment funds:

1) The duration and preservation of the fund;
2) The purposes of the College and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the College; and
7) The investment policies of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

The College tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of funds with donor restrictions. The College had no such deficits for the years ended June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The investment objective of the endowment funds, through the careful management of assets, is designed to preserve the funds’ purchasing power and to ensure a total return (income plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time provide a dependable source of income for current operations and programs. To accomplish this objective, the funds seek to generate a total return that will exceed not only its spending authority, but also the eroding effects of inflation and its operating expenses over the long term. To meet this long-term objective, all total return (interest income, dividends, realized gains and unrealized gains), above and beyond the amount approved for expenditures, will be reinvested in the funds.

Note 8 - Endowments (Continued)

Strategies Employed for Achieving Investment Objectives

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of the College determines the method to be used to distribute endowment funds for expenditure. Under the College's endowment spending policy for the years ended June 30, 2020 and 2019, the College applied a rate of 4.5% to a weighted average calculation based on the previous year's ending endowment value and the previous year's endowment spending. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

Endowment net asset composition by type of fund is as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Donor-restricted endowment funds	$ -	$ 48,258,198	$ 19,541,566	$ 67,799,764
Board-designated endowment funds	151,032,953	-	-	151,032,953
Total endowment funds	**$ 151,032,953**	**$ 48,258,198**	**$ 19,541,566**	**$ 218,832,717**

Endowment net asset composition by type of fund is as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Original Gift	Accumulated Gains	
Donor-restricted endowment funds	$ -	$ 45,895,635	$ 19,217,766	$ 65,113,401
Board-designated endowment funds	152,126,617	-	-	152,126,617
Total endowment funds	**$ 152,126,617**	**$ 45,895,635**	**$ 19,217,766**	**$ 217,240,018**

Note 8 - Endowments (Continued)

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

	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Endowment net assets, beginning of year	$ 152,126,617	$ 65,113,401	$ 217,240,018
Total investment return	5,113,013	2,150,546	7,263,559
Gifts and additions	5,325	3,114,110	3,119,435
Distribution of endowment assets for expenditure	(6,212,002)	(2,578,293)	(8,790,295)
Endowment net assets, end of year	**$ 151,032,953**	**$ 67,799,764**	**$ 218,832,717**

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

	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Endowment net assets, beginning of year	$ 150,143,576	$ 61,270,839	$ 211,414,415
Total investment return	8,049,176	3,384,490	11,433,666
Gifts and additions	6,075	2,878,307	2,884,382
Distribution of endowment assets for expenditure	(6,072,210)	(2,420,235)	(8,492,445)
Endowment net assets, end of year	**$ 152,126,617**	**$ 65,113,401**	**$ 217,240,018**

Note 9 - Net Assets

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

		2020		*2019*
Donor restricted for scholarship and other programs	$	13,013,511	$	17,145,838
Funds for facilities and student loans		1,050,183		4,013,115
Annuity and perpetual trusts held by third parties		3,093,010		3,068,017
Endowment funds:				
Restricted for scholarship support		61,905,597		60,942,824
Restricted for faculty support		3,519,755		1,754,185
Restricted for program support		2,374,412		2,416,392
Total endowment funds		67,799,764		65,113,401
Total net assets with donor restrictions	**$**	**84,956,468**	**$**	**89,340,371**

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

		2020		*2019*
Endowment return utilized in operations:				
Scholarship	$	2,373,807	$	2,207,551
Other program support		179,664		187,245
Capital improvements (non-operating)		6,044,740		47,650
Scholarship		355,213		368,429
Student services		302,494		320,471
Other program support		151,375		515,687
Net assets released from restrictions	**$**	**9,407,293**	**$**	**3,647,033**

Note 10 - Revenue Matters

The College's revenues from tuition, fees and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of cash flows include policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by ED rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by ED for new students are available later than for continuing students. The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in CPI plus 2%. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The College has a number of lines of business which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs. The College's revenue is predominantly from undergraduate education, therefore, additional disclosure of revenue by each line of business is not deemed necessary.

Tuition, fees, room and board revenue are presented on the statement of activities net of the following discounts for the years ended June 30:

	2020	2019
Tuition and fees discount:		
Institutional scholarships (funded by College)	$ 51,965,394	$ 51,037,724
Endowed scholarships (funded)	2,760,835	2,586,911
Federal and other scholarships	1,555,267	654,397
Room and board discount	358,744	406,287
	$ 56,640,240	**$ 54,685,319**

During fiscal 2020, as a result of the effects of the COVID-19 pandemic, the College migrated to a remote platform for student instruction. As a result of the move to remote learning, the College refunded a prorated share of room fees in the amount of approximately $4,530,000.

The higher education industry was provided funding through The Federal Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). Through this program the College was awarded a grant by the Higher Education Emergency Relief Fund ("HEERF") in the amount of $1,500,000. The provision of the grant required that 50% of the funding be used for direct grants to students for costs associated with the transition to remote learning. The College was awarded the other 50% to be used by the College for certain COVID-19 related costs. Total revenue associated with the HEERF grants in fiscal 2020 amounted to approximately $1,100,000 with approximately $360,000 of that amount paid directly to students. The remaining funds will be paid to eligible students during FY 2021.

The CARES Act also provided employers the opportunity to participate in various wage retention programs. The College was eligible to participate in the Employee Retention Program which allowed for an employer tax credit provision that provided for a credit of 50% of the employer portion of social security taxes on wages paid to employees for time that they were not able to fully render services to the College. The College received a tax credit of approximately $1,600,000 in fiscal 2020.

Note 11 - Employee Benefit Plans

The College offers its employees a defined contribution plan and participates in the Teachers Insurance and Annuity Association contributory retirement program. This program covers substantially all full-time employees of the College. The College made contributions of $3,676,972 and $3,631,398 for the fiscal years ended June 30, 2020 and 2019, respectively. The College also maintains a self-funded medical plan for its employees. The self-funded medical and short-term disability plans are funded by both employee and College contributions. The College paid claims of $4,265,540 and $4,422,837 for the fiscal years ended June 30, 2020 and 2019, respectively.

Note 12 - Lease Commitments

The College leases property for terms ranging from ten to fifty years expiring through June 30, 2066. Leases generally provide for the pass through of an increases in operating costs over the lease term. The annual minimum operating lease commitments are as follows for the years ended June 30:

2021	$ 343,745
2022	348,901
2023	354,135
2024	359,446
2025	364,839
Thereafter	17,078,192
	$ 18,849,258

Total rental expense on these leases was $338,665 and $332,361 for the years ended June 30, 2020 and 2019, respectively.

The following is a schedule of future minimum lease payments under capital leases included in capital leases and other liabilities on the statements of financial position, together with the present value of the net minimum lease payments as of June 30, 2020:

2021	$ 174,669
2022	58,223
	232,892
Interest	(3,072)
	$ 229,820

Note 13 - Natural Classification of Expenses

Expenses presented by natural classification and function are as follows for the years ended June 30:

	2020				
	Instruction/ Academic Support	*Student Services*	*Institutional Support*	*Auxiliary Services*	*Total*
Salaries and benefits	$ 29,256,951	$ 9,834,652	$ 8,247,534	$ 3,230,949	$ 50,570,086
Contracted services	3,473,386	1,715,072	1,778,794	4,281,537	11,248,789
Utilities and maintenance	3,442,877	2,251,113	1,197,926	5,780,182	12,672,098
Supplies and office expense	999,856	744,656	656,249	81,923	2,482,684
Interest, depreciation and amortization	3,486,945	1,538,619	957,075	4,410,525	10,393,164
Other operating expenses	3,134,734	1,843,339	3,259,220	1,911,029	10,148,322
Total expenses	**$ 43,794,749**	**$ 17,927,451**	**$ 16,096,798**	**$ 19,696,145**	**$ 97,515,143**

	2019				
	Instruction/ Academic Support	*Student Services*	*Institutional Support*	*Auxiliary Services*	*Total*
Salaries and benefits	$ 29,268,103	$ 9,887,957	$ 7,899,363	$ 3,364,840	$ 50,420,263
Contracted services	4,347,602	1,944,600	1,281,873	5,536,021	13,110,096
Utilities and maintenance	3,403,425	2,400,520	1,313,762	6,176,244	13,293,951
Supplies and office expense	1,272,065	898,622	632,599	103,209	2,906,495
Interest, depreciation and amortization	3,003,301	1,415,740	835,805	4,257,494	9,512,340
Other operating expenses	3,971,569	2,929,819	3,993,939	2,231,443	13,126,770
Total expenses	**$ 45,266,065**	**$ 19,477,258**	**$ 15,957,341**	**$ 21,669,251**	**$ 102,369,915**

Note 14 - Related Parties

Certain members of the Board are members, employees or officers of companies which do business with the College. The College has polices regarding such transactions including review and approval by the trustees and recusal by the interested party prior to entering into such transactions. The College believes that these transactions are favorable or otherwise on commercially reasonable terms to the College. Related party transactions were $1,618,071 and $1,789,299 for the fiscal years ended June 30, 2020 and 2019, respectively. The College had $9,424 and $432,242 recorded in accounts payable due to related parties as of June 30, 2020 and 2019, respectively.

Note 14 - Related Parties (Continued)

As indicated in Note 1, the Congregation of Holy Cross was instrumental in the founding of the College. Members of the Congregation of Holy Cross are administrators and faculty at the College as well as serve on the College's Board of Trustees. The College remits to the Congregation of Holy Cross lay-equivalent salaries for those services received from the Congregation of Holy Cross members. The College also rents property from the congregation. Payments for rents and salaries totaled $1,453,561 and $1,414,939 for the years ended June 30, 2020 and 2019, respectively, and are included in operating expenses.

Note 15 - Commitments and Contingencies

Litigation

On May 4, 2020, a class action lawsuit was filed in State Superior Court seeking refunds associated with the payment of tuition and fees given the move to online learning associated with the COVID-19 pandemic. The suit alleges that pricing of online courses are lower than the rates charged for in person courses and that certain of the fees charged by the College were for the use of facilities, technology and other benefits that were not available given the shift to online mode. The College announced its plans to move to the online mode on March 12, 2020 after the governor of the Commonwealth of Massachusetts declared a state of emergency relative to the COVID-19 pandemic. The College provided refunds for room and board charges through the end of that academic period. The College plans to vigorously defend itself against these claims, however the ultimate outcome of this matter cannot presently be determined.

In the ordinary course of business, the College is involved in a number of litigation matters. In the opinion of management, these matters will not have a significant effect on the financial statements of the College.

Contingencies

For the upcoming academic year, management has addressed the COVID-19 pandemic with the implementation of both an on-campus and remote learning experience, in addition to providing regular testing and contact tracing capabilities to the College community. The financial impact of reduced revenues has been incorporated into the College's planning and corresponding savings and reserves have been established to minimize the pandemic's impact on the College's net assets.

Note 15 - Commitments and Contingencies (Continued)

Contracts

The College has a contract with its food service provider expiring in 2031.

The College also has a long-term contract with its energy and natural gas providers that expires in 2022.

The College has a long-term contract with a solar energy provider to purchase energy at a fixed rate in exchange for allowing the use of certain property of the College to house a solar farm through 2033.

The College has collective bargaining agreements covering certain police and facilities employees of the College, expiring June 30, 2021.