THOMAS AQUINAS COLLEGE

Financial Statements

For the Years Ended June 30, 2022 and 2021

with

Independent Auditors' Report

ALMICH & ASSOCIATES
Certified Public Accounting and Business Services

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Thomas Aquinas College:

Opinion

We have audited the accompanying financial statements of Thomas Aquinas College (the College, a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, 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 Auditors' 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 these 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 for one year after the date that the financial statements are available to be issued.

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

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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.

Lake Forest, California
November 14, 2022

THOMAS AQUINAS COLLEGE

Statements of Financial Position

June 30, 2022 and 2021

Assets

	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,868,812	$ 5,246,156
Marketable and other securities	1,002,454	-
Accounts receivable, net of allowance for doubtful accounts of $25,800 for both 2022 and 2021	266,401	447,258
Current portion of gifts and grants receivable	700,000	1,845,370
Prepaid expenses and other	1,765,749	1,183,457
Total current assets	5,603,416	8,722,241
Long-term assets:		
Cash and cash equivalents restricted for purchases of property, plant and equipment	2,146,741	7,076,404
Cash restricted for endowment	426,410	-
Student loans receivable, net of allowance for doubtful accounts of $107,535 for both 2022 and 2021	350,397	297,624
Gifts and grants receivable, net of current portion and present value discount	2,423,152	1,035,061
Property, plant and equipment, net of accumulated depreciation and amortization of $43,793,829 for 2022 and $40,440,058 for 2021	95,696,473	91,424,343
Interests in producing oil and gas properties	2,132,000	2,132,000
Assets held in trusts and gift annuities	3,235,285	3,472,115
Marketable and other securities	28,944,295	32,006,102
Real properties held for sale	697,316	-
Total long-term assets	136,052,069	137,443,649
Total assets	$ 141,655,485	$ 146,165,890

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statements of Financial Position
June 30, 2022 and 2021

Liabilities and Net Assets

	2022	2021
Current liabilities:		
Accounts payable	$ 1,376,958	$ 941,393
Accrued expenses	1,621,978	1,550,329
Prepaid tuition and room deposits	1,429,551	1,381,293
Current portion of obligations under trusts and gift annuities	182,826	170,544
Current portion of long-term debt	100,000	135,000
Total current liabilities	4,711,313	4,178,559
Long-term liabilities:		
Paycheck Protection Program loan	-	1,860,310
Obligations under trusts and gift annuities, net of current portion	1,708,897	1,596,665
Long-term debt, net of current portion	8,500,000	5,026,088
Total long-term liabilities	10,208,897	8,483,063
Total liabilities	14,920,210	12,661,622
Net assets:		
Without donor restrictions	94,091,353	93,012,289
With donor restrictions	32,643,922	40,491,979
Total net assets	126,735,275	133,504,268
Total liabilities and net assets	$ 141,655,485	$ 146,165,890

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Tuition	$ 12,805,353	$ -	$ 12,805,353
Auxiliary enterprises	4,865,333	-	4,865,333
Gifts and grants	11,450,124	4,256,937	15,707,061
Oil/gas royalty and working interest	278,156	-	278,156
Gain on investments:			
Dividends and interest	1,821	410,568	412,389
Realized gain (loss) on marketable and other securities, net	(4,051)	39,756	35,705
Unrealized loss on marketable and other securities, net	(22,329)	(5,824,904)	(5,847,233)
Gain from sale of real properties held for sale	134,039	-	134,039
Other gains and support	2,690,644	-	2,690,644
Total revenues, gains and other support	32,199,090	(1,117,643)	31,081,447
Net assets released from restrictions	6,730,414	(6,730,414)	-
	38,929,504	(7,848,057)	31,081,447
Expenses:			
Instruction	9,022,238	-	9,022,238
Administration	2,461,176	-	2,461,176
Student recruitment	1,359,432	-	1,359,432
Development	3,624,166	-	3,624,166
Operations and maintenance	5,859,973	-	5,859,973
Student financial aid	5,698,063	-	5,698,063
Interest and fees on debt	216,090	-	216,090
Auxiliary enterprises	6,167,702	-	6,167,702
Depreciation and amortization	3,353,771	-	3,353,771
Other	87,829	-	87,829
Total expenses	37,850,440	-	37,850,440
Change in net assets	1,079,064	(7,848,057)	(6,768,993)
Net assets, beginning of year	93,012,289	40,491,979	133,504,268
Net assets, end of year	$ 94,091,353	$ 32,643,922	$ 126,735,275

THOMAS AQUINAS COLLEGE
Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Tuition	$ 11,815,538	$ -	$ 11,815,538
Auxiliary enterprises	4,368,730	-	4,368,730
Gifts and grants	9,576,789	3,237,653	12,814,442
Oil/gas royalty and working interest	132,223	-	132,223
Gain on investments:			
Dividends and interest	5,004	418,338	423,342
Realized gain on marketable and other securities, net	1,814	412,272	414,086
Unrealized gain on marketable and other securities, net	3,515	4,022,741	4,026,256
Other gains and support	12,381,447	-	12,381,447
Total revenues, gains and other support	38,285,060	8,091,004	46,376,064
Net assets released from restrictions	8,108,688	(8,108,688)	-
	46,393,748	(17,684)	46,376,064
Expenses:			
Instruction	7,740,733	-	7,740,733
Administration	2,006,818	-	2,006,818
Student recruitment	1,083,655	-	1,083,655
Development	2,591,298	-	2,591,298
Operations and maintenance	4,449,816	-	4,449,816
Student financial aid	5,537,624	-	5,537,624
Interest and fees on debt	406,390	-	406,390
Auxiliary enterprises	5,152,791	-	5,152,791
Depreciation and amortization	3,268,718	-	3,268,718
Other	199,535	-	199,535
Total expenses	32,437,378	-	32,437,378
Change in net assets	13,956,370	(17,684)	13,938,686
Net assets, beginning of year	79,055,919	40,509,663	119,565,582
Net assets, end of year	$ 93,012,289	$ 40,491,979	$ 133,504,268

THOMAS AQUINAS COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (6,768,993)	$ 13,938,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,353,771	3,268,718
Unrealized loss (gain) on marketable and other securities, net	5,847,233	(4,026,256)
Gain on Paycheck Protection Program loan forgiveness	(1,860,310)	(1,860,310)
Gain from sale of real properties held for sale	(134,039)	-
Changes in assets and liabilities:		
Accounts receivable, net	180,857	(230,755)
Student loans receivable, net	(52,773)	(33,041)
Gifts and grants receivable, net	(242,721)	1,242,381
Prepaid expenses and other	(582,292)	(66,658)
Assets held in trusts and gift annuities	236,830	(191,064)
Accounts payable	435,565	96,657
Accrued expenses	71,649	865,415
Prepaid tuition and room deposits	48,258	679,894
Obligations under trusts and gift annuities	124,514	(33,408)
Net cash provided by operating activities	657,549	13,650,259
Cash flows from investing activities:		
Net purchases of marketable and other securities	(3,787,880)	(4,533,011)
Purchases of property, plant and equipment	(8,486,709)	(9,912,904)
Proceeds from sale of fixed assets	860,808	-
Purchases of real properties held for sale	(1,835,000)	-
Proceeds from sale of real properties held for sale	1,271,723	1,420,894
Net cash used by investing activities	(11,977,058)	(13,025,021)
Cash flows from financing activities:		
Principal repayments on long-term debt	(3,735,000)	(6,005,000)
Proceeds from Paycheck Protection Program loan	-	1,860,310
Proceeds from long-term debt	7,173,912	-
Net cash provided (used) by financing activities	3,438,912	(4,144,690)
Net decrease in cash, cash equivalents and restricted cash	(7,880,597)	(3,519,452)
Cash, cash equivalents, and restricted cash at beginning of year	12,322,560	15,842,012
Cash, cash equivalents, and restricted cash at end of year	$ 4,441,963	$ 12,322,560
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 221,677	$ 412,836
Cash paid for income taxes	$ -	$ -

See notes to financial statements

THOMAS AQUINAS COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Thomas Aquinas College (the College) is a Catholic nonprofit educational institution with two campuses located in Santa Paula, California and Northfield, Massachusetts. The College offers an integrated liberal arts program based on a study of the Great Books. The College is primarily funded by tuition, room and board charges, and gifts.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that need to be maintained permanently by the College or whose restrictions will be met either by the actions of the College or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

As of June 30, 2022 and 2021, net assets with donor restrictions that are available for certain operations and facility improvements of the College amounted to $5,979,250 and $17,537,433, respectively, and net assets restricted in perpetuity amounted to $26,664,672 and $22,954,546, respectively. The income from net assets restricted in perpetuity is classified as restricted and is expendable to primarily support student financial aid, library operations, and the St. Vincent de Paul Lecture Series.

Net assets released from restrictions for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Appropriated for endowment spending	$ 1,357,140	$ 1,186,650
Facilities	5,373,274	6,922,038
	$ 6,730,414	$ 8,108,688

Cash and Cash Equivalents

The College considers cash equivalents to be only those investments with original maturities of three months or less at the time of purchase and readily convertible to cash. Cash equivalents consist entirely of money market funds as of June 30, 2022 and 2021.

Accounts and Student Loans Receivable

Accounts and student loans receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized. The allowance for doubtful accounts associated with the College's accounts and student loans receivable is management's best estimate based upon historical experience. As of June 30 of each year, classes are not in session and, therefore, all of the College's receivables are fully-earned. Management continually monitors and adjusts its allowance associated with the College's receivables to address any credit risks associated with the accounts and student loans receivable. When uncertainty exists as to the collection of receivables, the College records an allowance for doubtful accounts and a corresponding charge to bad debt expense.

Revenue Recognition

The College recognizes revenue in accordance with *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers,* which provides a five-step model for recognizing revenue from contracts with customers. The College's program is designed to be completed in 4 years. Student tuition and room and board charges are billed on a semester-by-semester basis and earned evenly over the semester. Prepaid tuition and room deposits represent cash collected in excess of tuition and room and board charges billed as of the statement of financial position date; these amounts are applied to future tuition and room and board charges should the student remain active; if not, the monies are refunded.

Gifts and grants are recognized as revenue when they are received or unconditionally pledged to the College. Unconditional pledges to give to the College are reflected as gifts and grants receivable. The College reports gifts of cash and other assets as support with donor restrictions if the donor places limitations on the use of the donated asset. Gifts of assets other than cash are recorded at estimated fair value at the date of the gift.

Assets Held in Trusts and Gift Annuities and Obligations Under Trusts and Gift Annuities

Assets held in trusts include assets in irrevocable trusts. The College has been named trustee for these trusts by the donors. The trust assets are being invested in various investment securities and are reflected at estimated fair market value on the accompanying statements of financial position.

Under certain of the trusts, the donors are the life beneficiaries and will receive payments per annum from the net income of the trust or a fixed percentage of the fair market value of the trust assets, as stipulated in trust agreements. An amount equal to the estimated present value of the liability for the annuity payables has been recorded as an obligation under trusts and gift annuities on the accompanying statements of financial position. The estimated present values as of June 30, 2022 and 2021, were calculated using appropriate Internal Revenue Service (IRS) regulations. The College has been named the remainder beneficiary or co-beneficiary of all trusts. The fair market value of the trust assets at June 30, 2022 and 2021 was $835,669 and $911,391, respectively.

Certain trust agreements require that income of the trusts be added to and become principal, and that the trustee shall from time to time apply, for the benefit of the beneficiaries, such amounts as needed for tuition and room and board at the College. These trusts will terminate upon the beneficiaries graduation from the College, or upon the beneficiaries reaching a certain age, as stipulated in the trust agreements. The College has been named the remainder beneficiary of these trusts. The fair market value of the trust assets at June 30, 2022 and 2021 was $247,761 and $263,604, respectively.

In addition, the College has a gift annuity plan under which the donors are the life beneficiaries and will receive payments calculated in accordance with the plan. An amount equal to the estimated present value of the liability for the annuity payable has been recorded as an obligation under trusts and gift annuities on the accompanying statements of financial position. The discount rate and actuarial assumption (life expectancy) used in calculating the estimated present value is based on the 2000CM Mortality Table and IRS discount rate of each annuity. The fair market value of the gift annuity assets at June 30, 2022 and 2021 was $2,151,855 and $2,297,120, respectively.

Real Properties Held for Sale

As of June 30, 2020, the College held real properties of $1,420,894; the College sold these properties during the year ended June 30, 2021 for the same amount.

In July 2021, the College purchased ten real properties near the Northfield campus for $1,835,000; seven of the properties were sold during the year ended June 30, 2022 for $1,271,723, resulting in a collective gain of $134,039. The College intends to sell the remaining three properties.

Marketable and Other Securities

The College invests in various investment securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the College's account balances and the amounts reported in the statements of financial position.

Endowment

The College's endowment funds are all donor restricted and primarily support student financial aid, library operations, and the St. Vincent de Paul Lecture Series. The College's endowment funds are managed by an independent investment firm selected and overseen by the Investment Committee of the Board of Governors. The endowment's securities are held by an independent custodian. The investment objectives are to maintain a well-diversified account with quality securities and cash equivalents, with an emphasis on preservation of capital coupled with long term growth of principal with income sufficient to meet the College's spending policies.

The College's policy is to retain within the endowment any dividend or interest income earned by endowment funds. On September 30 of each year, an amount equal to a percentage of the average market value of the endowment fund on June 30 of the preceding three fiscal years will be transferred from the endowment fund to the unrestricted fund. The percentage for both of the fiscal years ended June 30, 2022 and 2021 was 5.0%. In so doing, the College has implemented the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College has two endowment funds with different donor specified spending policies. Amounts appropriated for spending are included within net assets released from restrictions on the accompanying statements of activities.

When an individual endowment fund explicitly prohibits "under water" distributions, such distributions will not be made. The College considers a fund to be "under water" if the fair value of a fund is less than the original value of initial and subsequent gift amounts donated to the fund.

The changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Endowment net assets, beginning of year	$ 32,006,102	$ 25,578,804
Contributions	3,710,126	3,093,653
Dividends and interest	410,220	417,949
Realized gain on marketable and other securitites	39,756	411,736
Unrealized gain (loss) on marketable and other securities, net	(5,438,359)	3,690,610
Amounts appropriated for spending	(1,357,140)	(1,186,650)
Endowment net assets, end of year	$ 29,370,705	$ 32,006,102

Interests in Producing Oil & Gas Properties

The College has a portfolio of donated oil and gas interests which was recorded at its estimated fair market value at the date of gift. These interests have been valued by an independent petroleum engineer. These assets are maintained at the lesser of cost or fair market value, as determined on an annual basis by an independent petroleum engineer. As of June 30, 2022 and 2021, the appraisal from an independent petroleum engineer estimated the fair market value of the asset to be approximately $4,084,000 and $3,143,000, respectively.

Income Taxes

The College is a not-for-profit entity that is exempt from federal income tax pursuant to Internal Revenue Code Section (IRC) 501(c)(3) and the corresponding section of the California Revenue and Taxation Code.

The College has unrelated business income from time to time related to certain of its interests in producing oil and gas properties. There was no provision for unrelated business income tax for the years ended June 30, 2022 and 2021.

Auxiliary Enterprises

Auxiliary enterprises consist of bookstore, dormitory and food service operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Subsequent Events

The College has evaluated subsequent events through the date of the auditors' report, November 14, 2022, which is the date the accompanying financial statements were available to be issued.

NOTE 2 – GIFTS AND GRANTS RECEIVABLE

Gifts and grants receivable consist of unconditional promises to give cash to the College. The gifts and grants receivable as of June 30, 2022 and 2021 were not subject to donor-imposed stipulations.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of 3.0 percent and are being accreted and recognized over the discount period.

Gifts and grants receivable are expected to be collected in the following periods as of June 30:

	2022	2021
Less than one year	$ 700,000	$ 1,845,370
One to five years	2,565,427	1,091,641
	3,265,427	2,937,011
Present value discount	(142,275)	(56,580)
Gifts and grants receivable	$ 3,123,152	$ 2,880,431

As of June 30, 2022, approximately 91% of total gifts and grants receivable were due from two donors. Management does not believe that there are any collectability issues associated with the College's gifts and grants receivable.

NOTE 3 – FAIR VALUE MEASUREMENTS

The College uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets for identical assets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Following is a description of the valuation methodologies used for investments measured at fair value at June 30, 2022 and 2021.

Equity securities: Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation.

U.S. government obligations: These securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. These are categorized in level 1 and level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities.

Commercial mortgage and assets backed securities: The fair value of these securities are estimated based on models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche.

Corporate obligations: The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

Equity securities - private companies: Valued at book value per share.

Municipals: Municipals are fixed income bonds that are normally valued based on quotes and active trades of similar securities as well as reviews of current economic conditions, market psychology, trading levels, spread relationships and the slope of the yield curve.

U.S. agency obligations: U.S. agency obligations are comprised of agency issued debt. Agency issued debt securities are generally valued in a manner similar to U.S. government securities.

Short term investments: Short-term investments generally consist of investments in money market mutual funds. The fair values of money market mutual fund investments are carried at NAV of $1 per share.

Exchange-traded funds: The fair value is at intraday indicative value using most recent value of the fund based on market prices of the underlying securities.

Repurchase agreements: Short-term repurchase agreements are recorded at fair value, which is determined to be amortized cost.

Collateralized mortgage obligations: Collateralized mortgage obligations are comprised of mortgage pass-throughs. Mortgage passthroughs include to-be-announced (TBA) securities and mortgage pass-through certificates. TBA securities and mortgage pass-throughs are generally valued using dealer quotations.

Certificates of deposit: Fair values are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

The following tables set forth by level, within the fair value hierarchy, the College's marketable and other securities and assets held in trusts and gift annuities at fair value as of June 30, 2022 and 2021. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

2022	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities and other:				
Equity securities	$ 18,599,621	$ 18,599,621	$ -	$ -
U.S. government obligations	4,843,598	-	4,843,598	-
Commercial mortgage securities	2,954,715	-	2,954,715	-
Corporate obligations	2,810,582	-	2,810,582	-
Asset backed securities	586,825	-	586,825	-
Equity securities - private companies	89,638	-	-	89,638
Municipals	61,771	-	61,771	-
	$ 29,946,749	$ 18,599,621	$ 11,257,490	$ 89,638
Less: current portion	(1,002,454)			
	$ 28,944,295			

2021	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities and other:				
Equity securities	$ 21,315,700	$ 21,315,700	$ -	$ -
Corporate obligations	3,884,936	-	3,884,936	-
U.S. government obligations	2,249,959	-	2,249,959	-
U.S. agency obligations	1,834,000	-	1,834,000	-
Short term investments	982,700	982,700	-	-
Commercial mortgage securities	570,202	-	570,202	-
Asset backed securities	553,285	-	553,285	-
Exchange-traded funds	241,510	241,510	-	-
Repurchase agreements	171,384	-	171,384	-
Equity securities - private companies	75,050	-	-	75,050
Collateralized mortgage obligations	70,653	-	70,653	-
Municipals	56,722	-	56,722	-
	$ 32,006,102	$ 22,539,910	$ 9,391,142	$ 75,050

2022	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held in trusts and gift annuities:				
Equity securities	$ 2,083,492	$ 2,083,492	$ -	$ -
Exchange-traded funds	371,002	371,002	-	-
Cash	717,427	717,427	-	-
U.S. government obligations	63,365	63,365	-	-
	$ 3,235,285	$ 3,235,285	$ -	$ -

2021	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held in trusts and gift annuities:				
Equity securities	$ 1,417,007	$ 1,417,007	$ -	$ -
Exchange-traded funds	1,013,202	1,013,202	-	-
Cash	600,276	600,276	-	-
U.S. government obligations	308,314	308,314	-	-
Corporate obligations	107,761	-	107,761	-
Certificates of deposit	25,555	25,555	-	-
	$ 3,472,115	$ 3,364,354	$ 107,761	$ -

The following table sets forth a summary of changes in the fair value of the College's Level 3 assets for the years ended June 30:

	2022	2021
Balance, beginning of year	$ 75,050	$ 96,867
Sales of equity securities	-	(21,817)
Unrealized gains	14,588	-
Balance, end of year	$ 89,638	$ 75,050

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are either stated at purchase cost or the estimated fair market value at date of gift and consisted of the following at June 30:

	2022	2021
Land	$ 10,039,815	$ 10,089,980
Buildings and improvements	100,844,961	101,571,508
Equipment and artwork	8,808,137	8,406,935
Library books	718,235	691,719
	120,411,148	120,760,142
Less: accumulated depreciation and amortization	(43,793,829)	(40,440,058)
	76,617,319	80,320,084
Construction in progress	19,079,154	11,104,259
	$ 95,696,473	$ 91,424,343

Depreciation and amortization expense was $3,353,771 and $3,268,718 for the years ended June 30, 2022 and 2021, respectively.

It is the College's policy to capitalize all additions with a purchase cost or estimated fair market value at date of gift of $2,000 or more. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	30 years
Equipment	5 - 10 years
Library books	10 years

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. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the College's long-lived assets.

NOTE 5 – LONG-TERM DEBT

Promissory Note

The College had a Promissory Note Agreement (the Promissory Note) with a financing institution in the amount of $5,000,000. The borrowings under the Promissory Note bore a rate equal to the Applicable Treasury Constant Maturity Rate plus 250 basis points or 4.00%, whichever was greater, and required monthly principal and interest payments with the remaining principal and any accrued but unpaid interest due in full on the maturity date of May 1, 2042. The Promissory Note was secured by the College's Northfield campus. As of June 30, 2021, the outstanding balance of this note was $1,600,000. During the year ended June 30, 2022, the College borrowed an additional $2,000,000 under the Promissory Note. In April 2022, the Promissory Note was terminated and the outstanding balance under the Promissory Note of $3,600,000 was paid in full.

Note Payable

The College has a Note Agreement (the Note) with a bank bearing interest at 4.00%, requiring monthly payments of interest only with annual principal payments of $135,000, with the final payment due July 1, 2024. In April 2022, the College amended the Note with the bank and borrowed an additional $1,573,912 for facility construction. The amended Note bears interest at 3.50%, requires monthly payments of interest only with annual principal payments of $100,000, with final payment due May 1, 2029. Prepayments of principal may be made at any time without penalty. The amended Note is secured by a deed of trust on the College's property. As of June 30, 2022 and 2021, the outstanding balance of the Note was $5,000,000 and $3,561,088, respectively.

Line of Credit

The College has a line of credit agreement with a bank which was amended in April 2022 increasing the line from $5,000,000 to $10,000,000 and extend the maturity date to May 1, 2029. Borrowings under the line of credit agreement bear interest at 3.75% and are collateralized by a deed of trust on the College's property. In April 2022, the College borrowed $3,600,000 under the line of credit agreement to pay off the outstanding balance under the Promissory Note. As of June 30, 2022, the outstanding balance under the line of credit was $3,600,000. There was no outstanding balance under the line of credit as of June 30, 2021.

Future maturities of the long-term debt as of June 30, 2022 were as follows:

Year Ending June 30,	
2023	$ 100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
Thereafter	8,100,000
	8,600,000
Less: current portion	(100,000)
	$ 8,500,000

The long-term debt has certain financial covenants. As of June 30, 2022, the College was in compliance with such covenants.

NOTE 6 – RETIREMENT CONTRIBUTION ARRANGEMENTS FOR EMPLOYEES

The College operates a defined contribution plan (the Plan) under section 403(b) of IRC. Substantially all employees of the College are eligible to participate in the Plan. The College may make matching contributions of 5% of participant's eligible compensation, up to IRS limitations, for participants who make an elective deferral of 5% or more. All contributions made to the Plan vest immediately. Total matching contributions to employee selected retirement funds for the years ended June 30, 2022 and 2021 were approximately $489,000 and $394,000, respectively.

NOTE 7 – OTHER GAINS AND SUPPORT

Settlement Proceeds

During the year ended June 30, 2021, the College received approximately $9,800,000 pertaining to settlement of a dispute; the amount is reflected within other gains and support on the accompanying 2021 statement of activities.

Paycheck Protection Program Loans

In April 2020, the College received approximately $1,860,000 in loan proceeds from a bank pursuant to the U.S. Small Business Administration's (SBA) Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Securities Act (CARES ACT). The College received full forgiveness of the loan proceeds in February 2021. The amount is reflected within other gains and support on the accompanying 2021 statement of activities.

In February 2021, the College received another approximately $1,860,000 in loan proceeds from the same bank pursuant to the SBA's Paycheck Protection Program under the CARES ACT. In August 2021, the College received full forgiveness of the loan proceeds. The amount is reflected within other gains and support on the accompanying 2022 statement of activities.

Higher Education Emergency Relief Fund (HEERF)

During the year ended June 30, 2021, the College received approximately $487,000 in grant funds through the HEERF established under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021. This amount is reflected within other gains and support on the 2021 statement of activities.

During the year ended June 30, 2022, the College received approximately $488,000 in grant funds through HEERF established under American Rescue Plan. This amount is reflected within other gains and support on the 2022 statement of activities.

NOTE 8 – LIQUIDITY AND AVAILABILITY

The College's financial assets available within one year of the date of financial position for general expenditures are as follows:

	2022	2021
Cash and cash equivalents	$ 1,868,812	$ 5,246,156
Marketable and other securities	1,002,454	-
Accounts receivable, net	266,401	447,258
Current portion of gifts and grants recievable	700,000	1,845,370
Endowment payout for use over the next twelve months	1,445,143	1,357,140
	$ 5,282,810	$ 8,895,924

The College's practice is to structure its financial assets to be available as its general expenditures, liabilities and obligations come due.

The College's cash and cash equivalents on hand as of June 30, 2022 and 2021 generally reflect a cumulative amount in excess of operational needs. The College has experienced a consistent history of annual tuition, auxiliary enterprises, gift and grants revenues exceeding its operating expenses.

NOTE 9 – EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The College's primary service is academic instruction. Natural expenses attributable to more that one functional expense category are allocated based on a variety of cost allocation techniques such as time and effort related to the program and supporting services benefited.

Expenses by natural and functional classification consist of the following for the years ended June 30, 2022 and 2021:

2022	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Salary, wages and fringe benefits	$ 15,082,396	$ 3,669,626	$ 656,814	$ 19,408,836
Grants and other assistance	3,062,258	-	-	3,062,258
Occupancy	3,875,636	460,485	32,773	4,368,894
Professional and other services	3,356,555	541,810	464,479	4,362,844
Office supplies and minor equipment	449,561	126,859	259,227	835,647
Interest	194,481	21,609	-	216,090
Depreciation	3,020,971	332,800	-	3,353,771
Other	1,552,140	310,299	379,661	2,242,100
	$ 30,593,998	$ 5,463,488	$ 1,792,954	$ 37,850,440

2021	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Salary, wages and fringe benefits	$ 12,866,597	$ 2,830,620	$ 677,297	$ 16,374,514
Grants and other assistance	3,185,649	-	-	3,185,649
Occupancy	2,793,742	331,640	20,730	3,146,112
Professional and other services	2,987,735	541,705	102,887	3,632,327
Office supplies and minor equipment	357,794	122,608	158,996	639,398
Interest	365,751	40,639	-	406,390
Depreciation	2,943,953	324,765	-	3,268,718
Other	1,186,582	246,918	350,770	1,784,270
	$ 26,687,803	$ 4,438,895	$ 1,310,680	$ 32,437,378

NOTE 10 – REGULATORY MATTERS

The College is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act (the Act) and the regulations promulgated thereunder by the U.S. Department of Education (ED) subject the College to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Act. These standards include, among others, financial responsibility and student default rates. Ineligibility to participate in the Title IV programs would have a material adverse effect on the College's enrollments, revenue and results of operations.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring. Institutions receiving a composite score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2022 and 2021, and for the years then ended, the College's composite score was 2.5 and 3.0, respectively.

For each federal fiscal year, ED calculates a rate of student defaults for each educational institution known as a "cohort default rate." Under certain defined circumstances, an institution may lose its eligibility to participate in some or all Title IV programs. As of June 30, 2022 and 2021, management believes that the College was in compliance with ED's requirements concerning its cohort default rate.

As a result of operating in a highly regulated industry, the College may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or other third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on the College's business, results of operations or financial condition, management believes that the College has complied with all regulatory requirements.

On November 1, 2016, ED published regulations on the topic of borrower defense to repayment which went into effect in October 2018. On September 23, 2019, ED published regulations on this topic which will largely become effective July 1, 2020. The regulations allow a borrower to assert a defense to repayment based upon defined criteria and establish certain triggers which would require an institution to provide ED with additional reporting and/or financial guarantees. Management believes that the College is in compliance with the applicable regulations in all material respects.

NOTE 11 – CONCENTRATION OF CREDIT RISK

As of June 30, 2022 and 2021, the College had cash deposits with financial institutions in excess of the federally insured amount, as well as investment securities. Management does not believe the College is exposed to any significant credit risks on its cash or investments.