

Financial Statements and Report of  
Independent Certified Public  
Accountants

**Cambridge College**

August 31, 2021 and 2020

**Contents**

Page

|  |   |
|--|---|
| Report of Independent Certified Public Accountants | 3 |
| Financial Statements                               |   |
| Statements of financial position                   | 5 |
| Statements of activities                           | 6 |
| Statements of cash flows                           | 8 |
| Notes to financial statements                      | 9 |

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Cambridge College

### Report on the financial statements

We have audited the accompanying financial statements of Cambridge College (the “College”), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management’s responsibility for the financial statements

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

### Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College’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 College’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 Cambridge College as of August 31, 2021 and 2020, 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

*Grant Thornton LLP*

Boston, Massachusetts  
January 31, 2022

Cambridge College

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

|   | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                     |                      |                      |
| CURRENT ASSETS                                    |                      |                      |
| Cash and cash equivalents                         | \$ 1,573,034         | \$ 1,614,346         |
| Accounts receivable, net                          | 2,627,005            | 3,374,360            |
| Contributions receivable - current portion        | 189,851              | 74,763               |
| Prepaid expenses and other current assets         | <u>959,827</u>       | <u>806,292</u>       |
| Total current assets                              | 5,349,717            | 5,869,761            |
| NON-CURRENT ASSETS                                |                      |                      |
| Investments                                       | 62,053,600           | 62,716,673           |
| Restricted cash                                   | 6,277,850            | 6,249,041            |
| Other   | 318,658              | 327,726              |
| Property and equipment, net                       | 7,912,075            | 9,099,159            |
| Contributions receivable, net of current portion  | 77,300               | -                    |
| Goodwill, net                                     | 472,667              | 528,276              |
| Intangible assets, net                            | <u>954,076</u>       | <u>1,066,076</u>     |
| Total assets                                      | <u>\$ 83,415,943</u> | <u>\$ 85,856,712</u> |
| <b>LIABILITIES AND NET ASSETS</b>                 |                      |                      |
| CURRENT LIABILITIES                               |                      |                      |
| Accounts payable                                  | \$ 515,036           | \$ 777,159           |
| Accrued expenses                                  | 1,387,478            | 1,498,828            |
| Tuition deposits and deferred tuition revenue     | 745,912              | 1,036,711            |
| Deferred rent                                     | 281,855              | 289,062              |
| Line of credit                                    | 11,000,000           | 10,300,000           |
| Paycheck protection program loan                  | -                    | 3,337,800            |
| Notes payable, current portion                    | 574,552              | 554,248              |
| Capital lease obligations, current portion        | <u>577,190</u>       | <u>618,373</u>       |
| Total current liabilities                         | 15,082,023           | 18,412,181           |
| NON-CURRENT LIABILITIES                           |                      |                      |
| Capital lease obligations, net of current portion | 482,458              | 1,059,649            |
| Notes payable, net of current portion             | 5,815,418            | 6,390,002            |
| Non-current accrued expenses                      | 153,194              | 162,070              |
| Non-current deferred rent                         | 2,676,590            | 2,385,004            |
| Perkins loan refundable advances                  | <u>-</u>             | <u>55,460</u>        |
| Total liabilities                                 | <u>24,209,683</u>    | <u>28,464,366</u>    |
| COMMITMENTS AND CONTINGENCIES                     |                      |                      |
| NET ASSETS  |                      |                      |
| Without donor restrictions                        | 44,577,594           | 44,362,177           |
| With donor restrictions                           | <u>14,628,666</u>    | <u>13,030,169</u>    |
| Total net assets                                  | <u>59,206,260</u>    | <u>57,392,346</u>    |
| Total liabilities and net assets                  | <u>\$ 83,415,943</u> | <u>\$ 85,856,712</u> |

The accompanying notes are an integral part of these financial statements.

Cambridge College

STATEMENT OF ACTIVITIES

For the year ended August 31, 2021

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--|---------------------------------------|------------------------------------|----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>   |                                       |                                    |                      |
| Tuition and fees, net  | \$ 23,063,061                         | \$ -                               | \$ 23,063,061        |
| Government grants  | 4,122,323                             | 90,000                             | 4,212,323            |
| Contributions  | 166,282                               | 583,685                            | 749,967              |
| Rental income  | 185,551                               | -                                  | 185,551              |
| Investment return  | 6,146,292                             | 1,697,620                          | 7,843,912            |
| Other income   | 436,999                               | -                                  | 436,999              |
| Gain on sale of property and equipment   | 134,698                               | -                                  | 134,698              |
| Forgiveness of debt  | 3,337,800                             | -                                  | 3,337,800            |
| Net assets released from restrictions  | 750,313                               | (750,313)                          | -                    |
| Appropriation of Board-designated endowment funds for operations                         | 1,491,503                             | -                                  | 1,491,503            |
|  | <u>39,834,822</u>                     | <u>1,620,992</u>                   | <u>41,455,814</u>    |
| <b>EXPENSES</b>  |                                       |                                    |                      |
| Educational  |                                       |                                    |                      |
| Instruction  | 11,394,088                            | -                                  | 11,394,088           |
| Academic support   | 6,528,132                             | -                                  | 6,528,132            |
| Student services   | 11,610,095                            | -                                  | 11,610,095           |
| Management and general   | 7,932,467                             | -                                  | 7,932,467            |
| Fundraising  | 663,120                               | -                                  | 663,120              |
|  | <u>38,127,902</u>                     | <u>-</u>                           | <u>38,127,902</u>    |
|  | <u>1,706,920</u>                      | <u>1,620,992</u>                   | <u>3,327,912</u>     |
| <b>NON-OPERATING ACTIVITIES</b>  |                                       |                                    |                      |
| Contributed net assets (Acquisition of New England College of Business and Finance, LLC) | -                                     | -                                  | -                    |
| Change in value of split-interest agreements   | -                                     | (22,495)                           | (22,495)             |
| Appropriation of Board-designated endowment funds for operations                         | (1,491,503)                           | -                                  | (1,491,503)          |
|  | <u>(1,491,503)</u>                    | <u>(22,495)</u>                    | <u>(1,513,998)</u>   |
| Changes in net assets  | 215,417                               | 1,598,497                          | 1,813,914            |
| Net assets, beginning of year  | <u>44,362,177</u>                     | <u>13,030,169</u>                  | <u>57,392,346</u>    |
| Net assets, end of year  | <u>\$ 44,577,594</u>                  | <u>\$ 14,628,666</u>               | <u>\$ 59,206,260</u> |

The accompanying notes are an integral part of this financial statement.

Cambridge College

STATEMENT OF ACTIVITIES

For the year ended August 31, 2020

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|--|---------------------------------------|------------------------------------|----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>   |                                       |                                    |                      |
| Tuition and fees, net  | \$ 23,965,795                         | \$ -                               | \$ 23,965,795        |
| Government grants  | 935,167                               | -                                  | 935,167              |
| Contributions  | 259,206                               | 367,740                            | 626,946              |
| Rental income  | 117,999                               | -                                  | 117,999              |
| Investment return  | 4,581,890                             | 727,842                            | 5,309,732            |
| Other income   | 199,963                               | -                                  | 199,963              |
| Gain on sale of property and equipment   | 114,396                               | -                                  | 114,396              |
| Net assets released from restrictions  | 822,249                               | (822,249)                          | -                    |
| Appropriation of Board-designated endowment funds for operations                         | 4,986,040                             | -                                  | 4,986,040            |
|  | <u>35,982,705</u>                     | <u>273,333</u>                     | <u>36,256,038</u>    |
| <b>EXPENSES</b>  |                                       |                                    |                      |
| Educational  |                                       |                                    |                      |
| Instruction  | 10,596,973                            | -                                  | 10,596,973           |
| Academic support   | 7,054,859                             | -                                  | 7,054,859            |
| Student services   | 10,206,679                            | -                                  | 10,206,679           |
| Management and general   | 7,520,190                             | -                                  | 7,520,190            |
| Fundraising  | 604,004                               | -                                  | 604,004              |
|  | <u>35,982,705</u>                     | <u>-</u>                           | <u>35,982,705</u>    |
| Total expenses   | <u>35,982,705</u>                     | <u>-</u>                           | <u>35,982,705</u>    |
| Change in net assets from operations   | <u>-</u>                              | <u>273,333</u>                     | <u>273,333</u>       |
| <b>NON-OPERATING ACTIVITIES</b>  |                                       |                                    |                      |
| Contributed net assets (Acquisition of New England College of Business and Finance, LLC) | 1,355,651                             | -                                  | 1,355,651            |
| Change in value of split-interest agreements   | -                                     | (22,339)                           | (22,339)             |
| Appropriation of Board-designated endowment funds for operations                         | (4,986,040)                           | -                                  | (4,986,040)          |
|  | <u>(3,630,389)</u>                    | <u>(22,339)</u>                    | <u>(3,652,728)</u>   |
| Total non-operating activities   | <u>(3,630,389)</u>                    | <u>(22,339)</u>                    | <u>(3,652,728)</u>   |
| Changes in net assets  | (3,630,389)                           | 250,994                            | (3,379,395)          |
| Net assets, beginning of year  | <u>47,992,566</u>                     | <u>12,779,175</u>                  | <u>60,771,741</u>    |
| Net assets, end of year  | <u>\$ 44,362,177</u>                  | <u>\$ 13,030,169</u>               | <u>\$ 57,392,346</u> |

The accompanying notes are an integral part of this financial statement.

Cambridge College

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2021 and 2020

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Change in net assets   | \$ 1,813,914        | \$ (3,379,395)      |
| Adjustments to reconcile change in net assets to net cash used in operating activities |                     |                     |
| Depreciation and amortization  | 1,358,556           | 1,322,312           |
| Provision for doubtful accounts  | 332,017             | 505,878             |
| Contributed net assets   | -                   | (1,355,651)         |
| Gain on forgiveness of debt  | (3,337,800)         | -                   |
| Net realized and unrealized gains on investments                                       | (6,959,419)         | (4,257,699)         |
| Gain on sale of property and equipment   | (134,698)           | (114,396)           |
| Change in operating assets and liabilities   |                     |                     |
| Accounts receivable  | 415,338             | (926,281)           |
| Contributions receivable   | (192,388)           | 149,196             |
| Prepaid expenses and other current assets  | (153,535)           | 246,340             |
| Other assets   | 9,068               | (10,857)            |
| Accounts payable   | (287,738)           | 107,112             |
| Accrued expenses   | (120,226)           | (470,232)           |
| Deferred rent  | 284,379             | 288,526             |
| Tuition deposits and deferred tuition revenue  | (290,799)           | 56,180              |
| Perkins loan refundable advances   | (55,460)            | -                   |
| Net cash used in operating activities  | <u>(7,318,791)</u>  | <u>(7,838,967)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Purchases of property and equipment  | -                   | (54,630)            |
| Net proceeds from sale of property and equipment                                       | 156,450             | 136,427             |
| Acquisition of New England College of Business and Finance, LLC                        | -                   | (1,339,901)         |
| Purchases of investments   | (41,812,361)        | (39,758,392)        |
| Sales and maturities of investments  | 49,434,853          | 45,210,517          |
| Net cash provided by investing activities  | <u>7,778,942</u>    | <u>4,194,021</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Net advances on line of credit   | 700,000             | 1,000,000           |
| Proceeds from Paycheck Protection Program loan   | -                   | 3,337,800           |
| Payments on note payable   | (554,280)           | (533,962)           |
| Payments on capital lease obligations  | (618,374)           | (687,713)           |
| Net cash (used in) provided by financing activities                                    | <u>(472,654)</u>    | <u>3,116,125</u>    |
| Net decrease in cash and cash equivalents  | <u>(12,503)</u>     | <u>(528,821)</u>    |
| Cash, cash equivalents, and restricted cash, beginning of year                         | <u>7,863,387</u>    | <u>8,392,208</u>    |
| Cash, cash equivalents, and restricted cash, end of year                               | <u>\$ 7,850,884</u> | <u>\$ 7,863,387</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                               |                     |                     |
| Cash paid during the year for interest   | <u>\$ 746,277</u>   | <u>\$ 748,976</u>   |
| Computer and office equipment purchased through capital leases                         | <u>\$ 25,615</u>    | <u>\$ -</u>         |
| Contributed net assets   | <u>\$ -</u>         | <u>\$ 1,355,651</u> |
| Non-cash forgiveness of debt   | <u>\$ 3,337,800</u> | <u>\$ -</u>         |

The accompanying notes are an integral part of these financial statements.



**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 1 - ORGANIZATION**

Cambridge College (the "College") is a private, nondenominational institution offering graduate and undergraduate educational opportunities for working adults. The College is accredited by the New England Commission of Higher Education. The College's main campus is located in Boston, Massachusetts, with additional regional centers located in Springfield and Lawrence, Massachusetts; Rancho Cucamonga California and Guaynabo, Puerto Rico. Students enrolled in the College's traditional programs at the College's main campus are primarily from the Greater Boston area. Students enrolled at the College's regional centers are primarily from the cities, towns and states that are in close proximity to the center.

In March 2020, the College entered into an asset purchase agreement to acquire certain assets and assume certain liabilities of New England College of Business and Finance, LLC. The acquisition enabled the College to expand its online program offerings (see Note 3).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

***Classification and Reporting of Net Assets***

Net assets and revenues, expenses, gains and losses of the College are classified into two categories, 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 include amounts not subject to donor-imposed stipulations, including net investment in plant and funds designated by the Board of Trustees. Net assets designated by the Board of Trustees to function as endowment totaled \$45,043,708 and \$48,975,719 at August 31, 2021 and 2020, respectively.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be satisfied by actions of the College and/or the passage of time. In addition, net assets with donor restrictions also include net assets whereby the respective donors have stipulated that the corpus contributed be invested and/or maintained in perpetuity. Contributions receivable, funds held in support of split-interest agreements, and beneficial interest in split-interest agreements also classified as net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by express donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized 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 stipulations or law.

Expirations of donor-imposed-restrictions on net assets, that is, the donor-imposed stipulated purpose has been met and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

Dividends, interest, and net realized unrealized gains or losses, arising from investments, are reported:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund; and
- as increases in net assets with donor restrictions if the terms of the gift or state law impose restrictions on the current use of the income or net gains; and as increases in net assets without donor restrictions in all other cases.

***Cash and Cash Equivalents***

Cash and cash equivalents, including restricted cash, consist of bank accounts and money market funds with original maturities of 90 days or less.

***Accounts Receivable***

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts on accounts receivable is determined based upon management's judgment considering such factors as prior collection history and type of receivable. The College writes off receivables when they are deemed uncollectible, and payments subsequently received on such receivables are recorded when received. As of August 31, 2021 and 2020, the allowance related to accounts receivable was approximately \$3,276,000.

***Restricted Cash***

Restricted cash represents funds held in security of the College's notes payable and line of credit, as well as note payable proceeds not yet utilized for capital acquisitions (see Note 8).

***Investments***

The College's investments are comprised primarily of marketable equity, mutual funds and money market funds and are reported at fair value. Investment income is recorded as revenue when earned. The College records its purchases and sales of investments on a trade date basis.

***Charitable Gift Annuities***

The College has entered into several charitable gift annuity agreements whereby the donor contributes assets to the College in exchange for distributions over a specific period of time. At the end of such time, the remaining assets are available for the College's use. Charitable gift annuities are recognized in the period in which the contract is executed. Contribution revenue is recorded equal to the difference between the fair value of the assets received and the liability for future payment to the donor. Assets held under charitable gift annuities are included in investments and were approximately \$605,000 and \$561,000 at August 31, 2021 and 2020, respectively. Accrued expenses include approximately \$185,000 and \$194,000 as of August 31, 2021 and 2020, respectively, for the annuity payment liability. Any change in such value is recorded as a change in value of split-interest agreements on the accompanying statements of activities.

***Property and Equipment***

Property and equipment are recorded at cost. Additions, renewals and betterments, unless of a relatively minor amount, are capitalized if greater than \$1,000. Expenditures for repairs and maintenance are charged to expense as incurred. Fixed assets are depreciated or amortized using the straight-line method.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

**Goodwill**

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeds the fair value of the identifiable net assets on the date of purchase or valuation.

The College has elected to amortize goodwill on a straight-line basis over 10 years and to test goodwill for impairment, when necessary. Impairment testing is performed upon the occurrence of a triggering event indicating that the fair value of goodwill might be less than its carrying amount. When a triggering event occurs, the college has the option to perform a qualitative assessment to determine whether a quantitative test is needed. If the assessment demonstrates it is more likely than not that an impairment exists, then further testing is required that compares the fair value of the entity with its carrying amount. The amount by which the carrying amount exceeds fair value represents the impairment loss to be recognized, up to the carrying amount of goodwill.

No triggering events were identified during 2021 or 2020.

**Intangible Assets**

Intangible assets consist of developed courseware and student referral relationships with finite useful lives, which are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset exceeds its fair value. To date, no impairments have occurred.

The College's developed courseware and student referral relationship intangible assets have finite useful lives which are amortized using the straight-line method over their estimated useful lives over 10 years.

**Tuition Deposits**

Tuition deposits represent amounts that have not yet been earned as the underlying obligation has not been satisfied by the College and for which the student may request either a refund or to have the amounts applied to future tuition charges.

**Tuition and Fees**

During fiscal year 2021, the College adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which did not result in a material change to its revenue recognition practices, business processes, controls, or systems and, accordingly, other than certain changes in the presentation format of the accompanying financial statements, there was no material impact to the statements of financial position, activities, or cash flows.

Revenue is generated primarily through tuition and various fees associated with enrollment and recognized over time as the College provides the related goods and services. Generally, enrollment and instructional services are billed before a term begins and paid by the beginning of the term.

Tuition and fee revenues are reported net of scholarships. Scholarships are provided from unrestricted College resources, endowment earnings, or donor-restricted gifts and are awarded to students by the College. Tuition and fees on the statement of activities are shown net of discounts and scholarships of \$4,149,540 and \$2,590,527 for the years ended August 31, 2021 and 2020, respectively.

Tuition deposits and deferred tuition revenue includes \$745,912 and \$1,036,711 of August 31, 2021 and 2020, respectively, of payments received for tuition and fees for the following academic year's fall semester.

**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

These payments are recognized ratably as revenue over the applicable academic term as performance obligations are met.

**Grants and Contributions**

The College recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenues in the statements of financial position.

If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor and the agreement also contains a barrier to overcome, the College recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met would be reported as deferred revenue in the statements of financial position.

**Higher Education Emergency Relief Funds (HEERF)**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created a Higher Education Emergency Relief Fund (HEERF) specifically for emergency aid grants to students for expenses related to the disruption of instruction and direct aid to institutions to cover costs associated with significant changes to delivery of instruction due to COVID-19. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) created a HEERF II to be used for emergency financial aid grants to students and direct aid to institutions for lost revenue, reimbursement for expenses already incurred, technology costs associated with transition to distance learning, etc. The American Rescue Plan (ARP) also created a HEERF III for student emergency aid grants and direct aid to institutions for similar items as HEERF II.

The College recognized the following related to HEERF awards as of August 31, 2021 and 2020:

|  | 2021         | 2020       |
|--|--------------|------------|
| Student aid portion awarded as emergency grants  | \$ 462,931   | \$ 462,931 |
| Institutional portion used to cover loss revenue | 3,203,243    | 3,709      |
| Total HEERF                                      | \$ 3,666,174 | \$ 466,640 |

**Advertising**

The College expenses the cost of advertising the first time an advertisement occurs. Advertising expense was approximately \$1,145,000 and \$889,000 for the years ended August 31, 2021 and 2020, respectively, and is included in educational expenses on the accompanying statements of activities.

**Functional Allocation of Expenses**

Costs for operation and maintenance of plant, interest expense and other general costs have been allocated to functional classifications services based on percentage of level of effort, square footage and other criteria.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

**Operations**

Nonoperating revenues principally include permanently restricted gifts, gifts for property and equipment, changes in value of split-interest agreements, and net assets released from restrictions for capital acquisitions. To the extent amounts are used for operations, as approved by the College's Board of Trustees, they are reclassified as amounts appropriated for operations on the statements of activities. All other activity is classified as operating revenues.

**Concentration of Credit Risk**

Financial instruments of the College that expose it to concentration of credit risk consist primarily of cash and investments. These funds are held in various high quality financial instruments managed by College personnel or outside advisors. Cash could be in excess of Federal Deposit Insurance Corporation insurance limits. The College believes that concentration of credit risk is limited with respect to its cash and investments.

**Fair Value Measurements**

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. There is a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Income Taxes**

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College is required to assess uncertain tax positions and has determined that there were no such uncertain positions that are material to the financial statements.

**Use of Estimates**

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

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

**Recent Accounting Pronouncements**

Intangibles-Goodwill and Other

In March 2021, the FASB issued ASU 2021-03, *Intangibles-Goodwill and Other (Topic 350)*. ASU 2021-03 provides private companies and not-for-profit organizations with an accounting alternative to not monitor goodwill impairment triggering events during the reporting period and, instead, to evaluate the facts and circumstances as of the end of the reporting period to determine whether it is more likely than not that goodwill is impaired. The College adopted the standard during fiscal year 2021; there was no impact on the financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, or Accounting Standards Codification 842 ("ASC 842"). ASC 842 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. In June 2020, the FASB issued ASU 2020-05 which included a deferral by one year the effective date of ASC 842, to the year ending August 31, 2023 for the College. The College has not yet determined the effect of the adoption of this guidance will have on the financial statements.

**Subsequent Events**

The College has evaluated all subsequent events that occurred after August 31, 2021 through January 31, 2022, the date the financial statements were available for issuance. The College is not aware of any subsequent events which would require additional recognition or disclosure in the financial statements as of August 31, 2021.

**NOTE 3 - ACQUISITION OF NEW ENGLAND COLLEGE OF BUSINESS AND FINANCE**

On March 13, 2020, the College acquired specified assets, liabilities, and the operations of the New England College of Business and Finance, LLC ("NECB"), a Massachusetts limited liability company operating as an institution of higher education accredited by the New England Commission of Higher Education ("NECHE"). NECB was headquartered in Boston, Massachusetts and provided associate, baccalaureate and graduate degree programs as well as professional development courses to students within the business community. NECB's programs were delivered fully online, allowing for the provision of services to students outside of the New England financial services community.

The total purchase consideration was \$2,300,000, \$944,349 which was paid to the sellers at closing, and \$1,355,651 of inherent contribution received (excess of fair value of net assets acquired over consideration paid). The acquisition resulted in an inherent contribution to the College due to the seller's desire to exit the industry, maximize tax benefits in a sale, and to eliminate the need to provide additional capital to the business.

**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

The following table summarizes the fair value of the assets acquired and liabilities assumed at the acquisition date:

|                                       |    |                         |
|---------------------------------------|----|-------------------------|
| Accounts receivable, net              | \$ | 825,000                 |
| Deposits and other assets             |    | 106,767                 |
| Prepaid rent                          |    | <u>12,582</u>           |
| Total assets acquired in cash         |    | <u>944,349</u>          |
| Fixed assets                          |    | 75,112                  |
| Developed courseware                  |    | 800,000                 |
| Student referral relationships        |    | 320,000                 |
| Accounts payable                      |    | (42,925)                |
| Accrued paid time off                 |    | (42,404)                |
| Student deposits                      |    | (235,692)               |
| Deferred revenue                      |    | <u>(74,531)</u>         |
| Other identifiable net assets assumed |    | <u>799,560</u>          |
| Total identifiable net assets assumed |    | 1,743,909               |
| Goodwill                              |    | <u>556,091</u>          |
| Total                                 | \$ | <u><u>2,300,000</u></u> |

**NOTE 4 - INVESTMENTS**

Investments are comprised of and are classified within the fair value hierarchy as follows at August 31:

| 2021                         | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Total                |
|------------------------------|--|--|----------------------|
| Cash and cash equivalents    | \$ 1,560,755                                       | \$ -   | \$ 1,560,755         |
| U.S. government obligations  | -  | 3,029,961  | 3,029,961            |
| Marketable equity securities | 28,969,349   | -  | 28,969,349           |
| Marketable debt securities   | -  | 5,520,312  | 5,520,312            |
| Municipal obligations        | -  | 1,548,844  | 1,548,844            |
| Mutual funds                 | <u>21,424,379</u>                                  | <u>-</u>   | <u>21,424,379</u>    |
|                              | <u>\$ 51,954,483</u>                               | <u>\$ 10,099,117</u>                                   | <u>\$ 62,053,600</u> |

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

| <u>2020</u>                  | <u>Quoted Prices<br/>in Active<br/>Markets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs (Level 2)</u> | <u>Total</u>         |
|------------------------------|--|--|----------------------|
| Cash and cash equivalents    | \$ 1,566,703   | \$ -   | \$ 1,566,703         |
| U.S. government obligations  | -  | 9,825,300  | 9,825,300            |
| Marketable equity securities | 19,899,972   | -  | 19,899,972           |
| Marketable debt securities   | -  | 6,039,820  | 6,039,820            |
| Municipal obligations        | -  | 2,707,403  | 2,707,403            |
| Mutual funds                 | 22,677,475   | -  | 22,677,475           |
|                              | <u>\$ 44,144,150</u>   | <u>\$ 18,572,523</u>   | <u>\$ 62,716,673</u> |

Marketable securities and mutual funds are valued using active market prices (Level 1) U.S. government obligations and municipal obligations are valued using other observable inputs (Level 2).

Investment return is comprised of the following for the years ended August 31:

|                                   | <u>2021</u>         | <u>2020</u>         |
|-----------------------------------|---------------------|---------------------|
| Interest and dividends, net       | \$ 914,554          | \$ 1,064,636        |
| Net realized and unrealized gains | 6,929,358           | 4,245,096           |
| Total investment return           | <u>\$ 7,843,912</u> | <u>\$ 5,309,732</u> |

Investment management expenses of \$317,356 and \$305,356 are netted against interest and dividends for the years ended August 31, 2021 and 2020, respectively.

**NOTE 5 - ENDOWMENT**

The College's endowment consists of 32 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees which function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the College classifies as net assets with donor restrictions the original fair value of gifts donated to its permanent endowment. The remaining portion of the donor-restricted endowment fund is included within net assets until such amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.



Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported as a change to net assets with donor restrictions in the College's statements of financial position. There were no deficiencies at August 31, 2021 or 2020.

**Return Objectives and Risk Parameters**

The College has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under the College's investment policy and spending policy, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College outsources the management of the investment portfolio to an independent investment manager. The Investment Committee of the Board periodically makes recommendations to the Finance Committee regarding manager selection.

**Spending Policy**

Distributions from investment income earned on permanently restricted endowment funds are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains. The Board of Trustees has established a spending rate that calculates the average annual return on the portfolio, net of management fees, for the previous thirty-six months less the average annual consumer price index percentage growth for the same period. Net assets are then released from restriction by vote of the Board of Trustees up to this spending rate of a maximum of 5%. The College has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

The College's endowment is comprised of the following at August 31:

|                                 | 2021                          |                            |                      |
|---------------------------------|-------------------------------|----------------------------|----------------------|
|                                 | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Donor-restricted endowment fund | \$ -                          | \$ 13,264,596              | \$ 13,264,596        |
| Board-designated funds          | 45,043,708                    | -                          | 45,043,708           |
| Total endowment net assets      | <u>\$ 45,043,708</u>          | <u>\$ 13,264,596</u>       | <u>\$ 58,308,304</u> |

Included in Board-designated endowment funds at August 31, 2021 is \$5,659,234 of restricted cash, as reported on the statement of financial position.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

|                                 | 2020                          |                            | Total                |
|---------------------------------|-------------------------------|----------------------------|----------------------|
|                                 | Without Donor<br>Restrictions | With Donor<br>Restrictions |                      |
| Donor-restricted endowment fund | \$ -                          | \$ 12,047,764              | \$ 12,047,764        |
| Board-designated funds          | 48,975,719                    | -                          | 48,975,719           |
| Total endowment net assets      | <u>\$ 48,975,719</u>          | <u>\$ 12,047,764</u>       | <u>\$ 61,023,483</u> |

Included in Board-designated endowment funds at August 31, 2020 are \$6,138,580 of cash and equivalents and restricted cash, as reported on the statement of financial position.

The activity in the College's endowment for the year ended August 31, 2021 is as follows:

|                                   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|-----------------------------------|-------------------------------|----------------------------|----------------------|
| Net assets, beginning of year     | \$ 48,975,719                 | \$ 12,047,764              | \$ 61,023,483        |
| Investment return                 |                               |                            |                      |
| Investment income                 | 613,071                       | 149,872                    | 762,943              |
| Net appreciation                  | 4,479,664                     | 1,472,736                  | 5,952,400            |
| Total investment return           | 5,092,735                     | 1,622,608                  | 6,715,343            |
| Appropriation of endowment assets |                               |                            |                      |
| For operations                    | (1,491,503)                   | (405,776)                  | (1,897,279)          |
| For other than operations         | (7,533,243)                   | -                          | (7,533,243)          |
| Net assets, end of year           | <u>\$ 45,043,708</u>          | <u>\$ 13,264,596</u>       | <u>\$ 58,308,304</u> |

**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

The activity in the College's endowment for the year ended August 31, 2020 is as follows:

|                                   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|-----------------------------------|-------------------------------|----------------------------|---------------|
| Net assets, beginning of year     | \$ 52,054,058                 | \$ 11,803,962              | \$ 63,858,020 |
| Investment return                 |                               |                            |               |
| Investment income                 | 754,108                       | 181,385                    | 935,493       |
| Net appreciation                  | 3,409,873                     | 513,422                    | 3,923,295     |
| Total investment return           | 4,163,981                     | 694,807                    | 4,858,788     |
| Appropriation of endowment assets |                               |                            |               |
| For operations                    | (4,986,040)                   | (451,005)                  | (5,437,045)   |
| For other than operations         | (2,256,280)                   | -                          | (2,256,280)   |
| Net assets, end of year           | \$ 48,975,719                 | \$ 12,047,764              | \$ 61,023,483 |

**NOTE 6 - PROPERTY AND EQUIPMENT, NET**

Property and equipment is comprised of the following at August 31:

|   | 2021         | 2020         |
|---|--------------|--------------|
| Building and improvements                           | \$ 30,130    | \$ 75,325    |
| Leasehold improvements                              | 9,574,683    | 9,574,683    |
| Furniture and equipment                             | 2,720,627    | 2,720,627    |
| Telephone, computer equipment and integrated system | 1,873,819    | 1,848,204    |
| Subtotal  | 14,199,259   | 14,218,839   |
| Accumulated depreciation                            | (6,287,184)  | (5,119,680)  |
| Net property and equipment                          | \$ 7,912,075 | \$ 9,099,159 |

Depreciation expense was \$1,190,947 and \$1,240,570 for the years ended August 31, 2021 and 2020, respectively.

Total assets capitalized under lease arrangements amounted to \$4,154,942 and \$4,154,942 at August 31, 2021 and 2020, respectively. The related accumulated depreciation associated with the assets capitalized under lease arrangements was \$3,076,893 and \$2,403,429 at August 31, 2021 and 2020, respectively.

**NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS**

At August 31, 2021, the College's goodwill carrying value was \$472,667 net of accumulated amortization of \$83,224, and the College's intangible assets carrying value was \$954,076 net of accumulated amortization of \$165,924. For the year ended August 31, 2021, goodwill amortization expense was \$55,609. For the year ended August 31, 2021, amortization expense on other intangible assets was \$112,000.

**Cambridge College**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**August 31, 2021 and 2020**

Other Intangible assets consist of the following as of August 31:

|                                | <u>Life of Asset</u> | <u>2021</u>       | <u>2020</u>         |
|--------------------------------|----------------------|-------------------|---------------------|
| Developed courseware           | 10 years             | \$ 800,000        | \$ 800,000          |
| Student referral relationships | 10 years             | 120,000           | 120,000             |
|                                |                      | 1,120,000         | 1,120,000           |
| Less: accumulated amortization |                      | <u>(165,924)</u>  | <u>(53,924)</u>     |
|                                |                      | <u>\$ 954,076</u> | <u>\$ 1,066,076</u> |

Estimated amortization expense to be incurred in future periods is as follows:

| <u>Years Ending August 31,</u> | <u>Intangible Assets</u> | <u>Goodwill</u>   |
|--------------------------------|--------------------------|-------------------|
| 2022                           | \$ 112,000               | \$ 55,609         |
| 2023                           | 112,000                  | 55,609            |
| 2024                           | 112,000                  | 55,609            |
| 2025                           | 112,000                  | 55,609            |
| 2026                           | 112,000                  | 55,609            |
| Thereafter                     | <u>394,076</u>           | <u>194,622</u>    |
|                                | <u>\$ 954,076</u>        | <u>\$ 472,667</u> |

**NOTE 8 - LINE OF CREDIT AND NOTES PAYABLE**

***Line of Credit***

The College has a line of credit with a bank which allows for borrowings up to \$11,000,000 at the bank's prime rate. The rate was 3.25% at August 31, 2021 and 2020, respectively. The line of credit is cross collateralized by a cash account held at the bank and the unrestricted portion of the College's endowment. The College had an outstanding balance on the line of credit of \$11,000,000 and \$10,300,000 at August 31, 2021 and 2020, respectively. The line of credit is subject to annual renewal and was most recently renewed in November 2021. Upon renewal, the line of credit was increased to \$14,000,000.

**Cambridge College**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**August 31, 2021 and 2020**

**Notes Payable**

Notes payable consists of the following at August 31:

|  | 2021         | 2020         |
|--|--------------|--------------|
| Note payable to a bank, due in monthly interest and principal payments of approximately \$8,500 through March 2023. Interest is fixed at 5.07%. This note is cross-collateralized by unrestricted investments and cash held in an account with the lending bank.   | \$ 155,115   | \$ 247,125   |
| Note payable to a bank, due in monthly interest and principal payments of approximately \$37,400 through August 2032. Interest is fixed at 2.75%. This note is cross-collateralized by unrestricted investments and cash held in an account with the lending bank. | 4,248,228    | 4,573,567    |
| Note payable to a bank, due in monthly interest and principal payments of approximately \$19,100 through August 2032. Interest is fixed at 4.45%. This note is cross-collateralized by unrestricted investments and cash held in an account with the lending bank. | 1,986,627    | 2,123,558    |
|  | 6,389,970    | 6,944,250    |
| Less:  |              |              |
| Current portion  | 574,552      | 554,248      |
| Notes payable, net of current portion  | \$ 5,815,418 | \$ 6,390,002 |

Required principal payments for the next five fiscal years and thereafter are as follows:

|                          |  |              |
|--------------------------|--|--------------|
| 2022                     |  | \$ 574,578   |
| 2023                     |  | 552,148      |
| 2024                     |  | 509,970      |
| 2025                     |  | 527,620      |
| 2026                     |  | 545,442      |
| Thereafter               |  | 3,680,214    |
| Total principal payments |  | \$ 6,389,972 |

The line of credit and note payable agreements contain certain financial covenants with which the College must adhere. The College was in compliance with these agreements as of August 31, 2021 and 2020.

The line of credit and note payable are cross collateralized by a cash account held at the bank and the unrestricted portion of the College's endowment.

**Capital Leases**

The College leases certain computer equipment, copiers, office equipment and furniture under various capital lease arrangements, which expire at various dates through June 2026.

**Cambridge College**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**August 31, 2021 and 2020**

Future minimum lease payments under capital leases for the next five fiscal years and thereafter are as follows as of August 31, 2021:

|   |  |                   |
|---|--|-------------------|
| 2022                                    |  | \$ 612,713        |
| 2023                                    |  | 286,520           |
| 2024                                    |  | 99,229            |
| 2025                                    |  | 91,624            |
| 2026                                    |  | <u>36,109</u>     |
| Total minimum lease payments            |  | 1,126,195         |
| Less: amount representing interest      |  | <u>(66,547)</u>   |
| Present value of minimum lease payments |  | 1,059,648         |
| Current portion                         |  | <u>577,190</u>    |
| Noncurrent portion                      |  | <u>\$ 482,458</u> |

Interest expense on the line of credit, note payables and capital leases was \$646,900 and \$742,000 for the years ended August 31, 2021 and 2020, respectively.

***Paycheck Projection Program Loan***

In April 2020, the College was granted a loan in the aggregate amount of \$3,337,800, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The Loan, which was in the form of a Note dated April 17, 2020, matures on April 17, 2022 and bore interest at a rate of 1.00% per annum, payable monthly commencing on March 17, 2021. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In June 2021 the College was granted full forgiveness of the loan.

**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

**NOTE 9 - NET ASSETS**

Net assets with donor restrictions are available for the following purposes at August 31:

|   | 2021          | 2020          |
|---|---------------|---------------|
| With purpose restrictions                                     |               |               |
| Scholarships  | \$ 468,123    | \$ 456,830    |
| Program support   | 318,025       | 150,018       |
|   | 786,148       | 606,848       |
| With time restrictions  |               |               |
| Annual fund pledges   | 157,577       | 7,726         |
| Charitable gift annuities                                     | 420,345       | 367,827       |
| Accumulated unspent gains on donor restricted endowment funds | 5,494,328     | 4,277,500     |
| Restricted in perpetuity for endowment                        | 7,770,268     | 7,770,268     |
| Total   | \$ 14,628,666 | \$ 13,030,169 |

Net assets were released for the following purposes during the years ended August 31:

|                     | 2021       | 2020       |
|---------------------|------------|------------|
| Scholarships        | \$ 489,778 | \$ 584,026 |
| Program support     | 228,854    | 197,816    |
| Annual fund pledges | 6,540      | 15,125     |
| General purposes    | 25,141     | 25,282     |
| Total               | \$ 750,313 | \$ 822,249 |

**NOTE 10 - PENSION PLAN**

The College has a defined contribution pension plan covering all eligible faculty, administrative and staff employees. The College contributes between 8% and 10% of the current year's salary for eligible employees, depending on the employee's classification. Pension expense was approximately \$1,175,000 and \$954,000 for the years ended August 31, 2021 and 2020, respectively.

The College has two nonqualified deferred compensation plans (the "457 Plans"), which are subject to the provisions of the Code Section 457. Until paid or made available to the participant, all deferred amounts and investment earnings related to deferral amounts are solely the property and rights of the College and are subject to the claims of the College's creditors. A participant's rights under the 457 Plans are equal to those of a general creditor of the College. As of August 31, 2021 and 2020, the 457 Plan assets and corresponding liabilities totaled \$228,000 and \$153,000, respectively, and are included in investments and accrued expenses in the accompanying statements of financial position.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

***Operating Leases***

The College leases classroom and administrative space for the main campus and regional centers. These leases expire at various dates through May 2037. The College also leases certain copiers and postage machines. The leases for copiers and postage machines expire at various dates through January 2023. Minimum future lease payments for leases are as follows:

|            |    |            |
|------------|----|------------|
| 2022       | \$ | 4,385,577  |
| 2023       |    | 4,482,723  |
| 2024       |    | 4,455,975  |
| 2025       |    | 4,286,200  |
| 2026       |    | 4,030,405  |
| Thereafter |    | 43,728,206 |

The College recognizes the total rent obligation as rent expense on a straight-line basis over the term of the leases. The difference between rental payments and rent expense is reflected as deferred rent in the statements of financial position.

Rent expense was approximately \$5,020,000 and \$5,016,000 for the years ended August 31, 2021 and 2020, respectively.

***Legal***

The College is involved in various legal cases that arise in the normal course of the College's operations. Based on discussion with legal counsel, the College believes that currently outstanding cases will not have a material effect on the financial position of the College.

***Other***

The College's core faculty, hourly staff and non-managerial administrative staff are covered by separate collective bargaining agreements and are represented by the Massachusetts Federation of Teachers and the American Federation of Teachers. The union agreements with the hourly staff and non-managerial administrative staff expired on August 31, 2019. As of August 31, 2021, the agreements with the unions were being negotiated. The agreements were renewed in November 2021.

***Pandemic Implications***

COVID-19 continues to cause disruption in the higher education industry. On average, enrollment has experienced declines at many colleges across the country, including Cambridge College. The College is proactively addressing these shortfalls with constant budget monitoring and reallocation of resources.

Cambridge College will maintain remote instruction and remote/hybrid workforce through the end of fiscal year 2021. In order to mitigate the virus' impact, the College has incorporated enhanced social distancing, use of personal protection equipment, and a combination of remote and in-office work. However, due to the uncertainty of the continued spread of the virus, the College will continue to monitor the situation and adjust plans accordingly.



**Cambridge College**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2021 and 2020**

**NOTE 12 - LIQUIDITY AND AVAILABILITY**

The College's financial assets available within one year of the statement of financial position for general expenditure are as follows as of August 31:

|   | 2021          | 2020          |
|---|---------------|---------------|
| Cash and cash equivalents                           | \$ 1,573,034  | \$ 1,614,346  |
| Short-term investments available within one year    | 8,477,643     | 5,740,901     |
| Accounts receivable to be collected during the year | 2,816,857     | 3,449,123     |
| Other investments available within one year         | 7,441,315     | 4,186,037     |
| Total financial assets available within one year    | \$ 20,308,849 | \$ 14,990,407 |

As part of the College's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the College has available a line of credit in the amount of \$11,000,000 (\$0 available at August 31, 2021), which it could draw upon. In November 2021, the line was increased to \$14,000,000. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its spending policy, amounts from its board-designated endowment could be made available if necessary.

**NOTE 13 - FUNCTIONAL EXPENSES**

Expenses are reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, institutional support and auxiliary services are incurred in support of these program services. The costs associated with physical plant (maintenance, depreciation and amortization, and interest) are allocated to functional expense categories based on estimated percentage of effort, usage, and other criteria determined by management to be reasonable and appropriate.

The following table presents the College's expenses by functional and natural category for the year ended August 31, 2021.

|                                  | Instruction   | Academic<br>Support and<br>Student<br>Services | Institutional<br>Support | Fundraising | Total         |
|----------------------------------|---------------|--|--------------------------|-------------|---------------|
| Salaries and benefits            | \$ 7,401,807  | \$ 11,497,211                                  | \$ 3,850,192             | \$ 500,689  | \$ 23,249,899 |
| Supplies and services            | 3,500,659     | 5,944,617                                      | 3,259,796                | 161,584     | 12,866,656    |
| Travel and entertainment         | -             | 5,014  | 30                       | 847         | 5,891         |
| Depreciation and<br>amortization | 399,626       | 558,671  | 400,259                  | -           | 1,358,556     |
| Interest                         | 91,996        | 132,714  | 422,190                  | -           | 646,900       |
|                                  | \$ 11,394,088 | \$ 18,138,227                                  | \$ 7,932,467             | \$ 663,120  | \$ 38,127,902 |

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2021 and 2020

The following table presents the College's expenses by functional and natural category for the year ended August 31, 2020.

|                                  | <u>Instruction</u>  | <u>Academic<br/>Support and<br/>Student<br/>Services</u> | <u>Institutional<br/>Support</u> | <u>Fundraising</u> | <u>Total</u>        |
|----------------------------------|---------------------|--|----------------------------------|--------------------|---------------------|
| Salaries and benefits            | \$ 6,980,173        | \$10,401,926   | \$ 3,403,855                     | \$ 481,333         | \$21,267,287        |
| Supplies and services            | 3,097,570           | 6,064,973  | 3,322,808                        | 122,103            | 12,607,454          |
| Travel and entertainment         | 59                  | 40,045   | 2,972                            | 568                | 43,644              |
| Depreciation and<br>amortization | 414,909             | 592,683  | 314,719                          | -                  | 1,322,311           |
| Interest                         | 104,262             | 161,911  | 475,836                          | -                  | 742,009             |
|                                  | <u>\$10,596,973</u> | <u>\$17,261,538</u>                                      | <u>\$ 7,520,190</u>              | <u>\$ 604,004</u>  | <u>\$35,982,705</u> |