

Financial Statements and Report of
Independent Certified Public
Accountants

Cambridge College

August 31, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Cambridge College

Opinion

We have audited the financial statements of Cambridge College (the “College”), which comprise the statements of financial position as of August 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the College as of August 31, 2023 and 2022, 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.

Basis for opinion

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

Substantial doubt about the College’s ability to continue as a going concern

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. As discussed in Note 1 to the financial statements, the College does not expect to have sufficient liquidity to continue to meet its working capital obligations as a result of declining tuition revenue and has stated that substantial doubt exists about the College’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of matter

As discussed in Note 2 to the financial statements, the College adopted ASC 842, *Leases*, effective September 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United

States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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.

In performing an audit in accordance with US 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.

Grant Thornton LLP

Cambridge College

STATEMENTS OF FINANCIAL POSITION

August 31,

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,411,991 | \$ 2,862,746 |
| Restricted cash | 6,787,866 | 6,166,765 |
| Accounts receivable, net | 2,063,777 | 2,089,122 |
| Grants and contributions receivable, net | 253,365 | 268,850 |
| Prepaid expenses and other current assets | 960,144 | 1,152,757 |
| Investments | 49,057,935 | 45,128,082 |
| Other assets | 249,909 | 284,473 |
| Property and equipment, net | 6,527,079 | 6,902,000 |
| Right-of-use asset - operating leases | 42,465,206 | - |
| Goodwill, net | 361,449 | 417,058 |
| Intangible assets, net | 730,076 | 842,076 |
| | <u>\$ 110,868,797</u> | <u>\$ 66,113,929</u> |
| LIABILITIES AND NET ASSETS | | |
| Line of credit | \$ 19,859,503 | \$ 19,861,281 |
| Accounts payable | 2,085,554 | 1,355,956 |
| Accrued expenses | 1,274,128 | 1,363,488 |
| Tuition deposits and deferred tuition revenue | 1,011,592 | 1,177,975 |
| Deferred revenue | 2,437,136 | - |
| Finance lease liability | 211,237 | 482,458 |
| Operating lease liability | 45,720,318 | - |
| Deferred rent | - | 3,228,975 |
| | <u>72,599,468</u> | <u>27,470,133</u> |
| Net assets | | |
| Without donor restrictions | 19,797,969 | 26,076,492 |
| With donor restrictions | 18,471,360 | 12,567,304 |
| | <u>38,269,329</u> | <u>38,643,796</u> |
| | <u>\$ 110,868,797</u> | <u>\$ 66,113,929</u> |

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

Cambridge College

STATEMENT OF ACTIVITIES

For the year ended August 31, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues, gains and other support | | | |
| Tuition and fees, net | \$ 16,074,473 | \$ - | \$ 16,074,473 |
| Government grants | 427,055 | - | 427,055 |
| Contributions | 379,000 | 15,233,305 | 15,612,305 |
| Investment return | 2,474,343 | 752,339 | 3,226,682 |
| Other income | 504,166 | - | 504,166 |
| Net assets released from restrictions | 10,129,913 | (10,129,913) | - |
| Appropriation of Board-designated endowment funds for operations | 842,667 | - | 842,667 |
| | <u>30,831,617</u> | <u>5,855,731</u> | <u>36,687,348</u> |
| Total revenues, gains and other support | | | |
| Expenses | | | |
| Educational | | | |
| Instruction | 8,926,542 | - | 8,926,542 |
| Academic support | 7,284,256 | - | 7,284,256 |
| Student services | 10,517,743 | - | 10,517,743 |
| Management and general | 9,021,112 | - | 9,021,112 |
| Fundraising | 517,820 | - | 517,820 |
| | <u>36,267,473</u> | <u>-</u> | <u>36,267,473</u> |
| Total expenses | | | |
| Change in net assets from operations | <u>(5,435,856)</u> | <u>5,855,731</u> | <u>419,875</u> |
| Non-operating activities | | | |
| Change in value of split-interest agreements | - | 48,325 | 48,325 |
| Appropriation of Board-designated endowment funds for operations | (842,667) | - | (842,667) |
| | <u>(842,667)</u> | <u>48,325</u> | <u>(794,342)</u> |
| Total non-operating activities | | | |
| CHANGES IN NET ASSETS | <u>(6,278,523)</u> | <u>5,904,056</u> | <u>(374,467)</u> |
| Net assets, beginning of year | <u>26,076,492</u> | <u>12,567,304</u> | <u>38,643,796</u> |
| Net assets, end of year | <u>\$ 19,797,969</u> | <u>\$ 18,471,360</u> | <u>\$ 38,269,329</u> |

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

Cambridge College

STATEMENT OF ACTIVITIES

For the year ended August 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenues, gains and other support | | | |
| Tuition and fees, net | \$ 19,127,956 | \$ - | \$ 19,127,956 |
| Government grants | 1,912,669 | - | 1,912,669 |
| Contributions | 120,952 | 977,308 | 1,098,260 |
| Investment loss | (4,571,042) | (1,442,425) | (6,013,467) |
| Other income | 764,496 | - | 764,496 |
| Net assets released from restrictions | 1,498,655 | (1,498,655) | - |
| Appropriation of Board-designated endowment funds for operations | <u>10,800,000</u> | <u>-</u> | <u>10,800,000</u> |
| Total revenues, gains and other support | <u>29,653,686</u> | <u>(1,963,772)</u> | <u>27,689,914</u> |
| Expenses | | | |
| Educational | | | |
| Instruction | 10,526,168 | - | 10,526,168 |
| Academic support | 6,158,091 | - | 6,158,091 |
| Student services | 11,569,453 | - | 11,569,453 |
| Management and general | 8,555,954 | - | 8,555,954 |
| Fundraising | <u>545,122</u> | <u>-</u> | <u>545,122</u> |
| Total expenses | <u>37,354,788</u> | <u>-</u> | <u>37,354,788</u> |
| Change in net assets from operations | <u>(7,701,102)</u> | <u>(1,963,772)</u> | <u>(9,664,874)</u> |
| Non-operating activities | | | |
| Change in value of split-interest agreements | - | (97,590) | (97,590) |
| Appropriation of Board-designated endowment funds for operations | <u>(10,800,000)</u> | <u>-</u> | <u>(10,800,000)</u> |
| Total non-operating activities | <u>(10,800,000)</u> | <u>(97,590)</u> | <u>(10,897,590)</u> |
| CHANGES IN NET ASSETS | <u>(18,501,102)</u> | <u>(2,061,362)</u> | <u>(20,562,464)</u> |
| Net assets, beginning of year | <u>44,577,594</u> | <u>14,628,666</u> | <u>59,206,260</u> |
| Net assets, end of year | <u>\$ 26,076,492</u> | <u>\$ 12,567,304</u> | <u>\$ 38,643,796</u> |

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

Cambridge College

STATEMENTS OF CASH FLOWS

For the years ended August 31,

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (374,467) | \$ (20,562,464) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,006,545 | 1,261,209 |
| Amortization of right-of-use asset | 3,006,282 | - |
| (Provision for) recoveries of doubtful accounts | (143,085) | 25,352 |
| Net realized and unrealized (gains) losses on investments | (2,518,454) | 7,125,716 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 168,430 | 512,531 |
| Grants and contributions receivable | 15,485 | (1,699) |
| Prepaid expenses and other current assets | 192,613 | (192,930) |
| Other assets | 34,564 | 34,185 |
| Accounts payable | 729,598 | 840,920 |
| Accrued expenses | (89,360) | (177,184) |
| Lease liability | (2,980,145) | - |
| Deferred rent | - | 270,530 |
| Deferred revenue | 2,437,136 | - |
| Tuition deposits and deferred tuition revenue | (166,383) | 432,063 |
| | <u>1,318,759</u> | <u>(10,431,771)</u> |
| Net cash provided by (used in) operating activities | | |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (464,015) | (83,525) |
| Purchases of investments | (78,790,764) | (50,136,556) |
| Sales and maturities of investments | 77,379,365 | 59,936,358 |
| | <u>(1,875,414)</u> | <u>9,716,277</u> |
| Net cash (used in) provided by investing activities | | |
| Cash flows from financing activities | | |
| Net (repayment) advances on line of credit | (1,778) | 8,861,281 |
| Payments on note payable | - | (6,389,970) |
| Payments on finance lease obligations | (271,221) | (577,190) |
| | <u>(272,999)</u> | <u>1,894,121</u> |
| Net cash (used in) provided by financing activities | | |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | <u>(829,654)</u> | <u>1,178,627</u> |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>9,029,511</u> | <u>7,850,884</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 8,199,857</u> | <u>\$ 9,029,511</u> |
| Cash and cash equivalents | \$ 1,411,991 | \$ 2,862,746 |
| Restricted cash | 6,787,866 | 6,166,765 |
| | <u>\$ 8,199,857</u> | <u>\$ 9,029,511</u> |
| Total cash, cash equivalents, and restricted cash | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 1,363,292</u> | <u>\$ 325,148</u> |

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

Cambridge College

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

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.

During 2023, the College received a \$15,000,000 restricted contribution from one donor, which represents approximately 41% of the College’s total operating revenue for the year ended August 31, 2023. The gift was restricted for various strategic purposes.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Due to declining tuition and other factors the College’s cash projections for the 12-month period after the financial statements are available for issuance indicate that the Company will not have sufficient liquidity to continue meeting its working capital obligations without additional funding or debt facilities.

These factors, among others, raise substantial doubt about the College’s ability to continue as a going concern for one year from issuance of these financial statements.

Management’s plans to mitigate these conditions include merging with or being acquired by a strategic partner. In February 2024, the College entered into an agreement to be acquired by Bay Path University. The agreement requires the College to contribute certain of its assets related to its educational business to Bay Path University and utilize its remaining assets to settle its obligations. The acquisition is subject to various regulatory approvals. If the College is unable to obtain regulatory approvals, substantial doubt presently exists about the College’s ability to continue as a going concern.

The accompanying financial statements do not include any adjustments relating to the possible future effects on the recoverability and classification of recorded assets and classification of liabilities that might result should the College be unable to continue as a going concern.

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

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

of Trustees to function as endowment totaled \$31,878,154 and \$30,629,287 at August 31, 2023 and 2022, 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 are 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.

Dividends, interest, and net realized and 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 from the date of purchase.

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, if any, are recorded when received. As of August 31, 2023 and 2022, the allowance related to accounts receivable was approximately \$2,968,000 and \$3,111,000, respectively.

Restricted Cash

Restricted cash represents funds held in security of the College's revolving line of credit note, and notes payable, as well as note payable proceeds not yet utilized for capital acquisitions (see Note 7).

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.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

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, if any, 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 or other stipulated beneficiaries. Assets held under charitable gift annuities are included in investments and totaled approximately \$544,000 and \$538,000 at August 31, 2023 and 2022, respectively. Accrued expenses include approximately \$176,000 and \$186,000 as of August 31, 2023 and 2022, respectively, for the annuity payment liability. Any change in such value is recorded as a change in value of split-interest agreements on the statement of activities.

Property and Equipment

Property and equipment are recorded at cost. Additions, renewals and betterments, are capitalized if greater than \$5,000. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using straight-line methods based on the following estimated useful lives:

| | |
|-----------------------------------|--|
| Furniture and fixtures | 3-7 years |
| Computer, software, and equipment | 3-7 years |
| Buildings improvements | 5-20- years |
| Leasehold improvements | Lesser of useful life or term of lease |

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.

The College did not record any impairments during 2023 or 2022.

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 of 10 years.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

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.

Deferred Revenue

During the year ended August 31, 2023, the College received Employee Retention Tax Credits (“ERTC”) payments of \$2,437,136. The ERTC program was established under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act of 2020. To be eligible, the College must meet certain conditions as described in applicable laws and regulations. Final eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. Accordingly, the College has accounted for the ERTCs as conditional grants, with a donor-imposed condition. Revenue from these credits will be recognized as revenue after satisfactory audit by the Internal Revenue Service, or when the statute of limitations for such an audit expires. As such, the College has reflected the ERTC payments received in as deferred revenue in the accompanying statement of financial position as of August 31, 2023.

Tuition and Fees

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 accompanying statements of activities are shown net of discounts and scholarships of \$3,044,638 and \$3,103,331 for the years ended August 31, 2023 and 2022, respectively.

Tuition deposits and deferred tuition revenue includes \$1,011,592 and \$1,177,975 at August 31, 2023 and 2022, respectively, of payments received for tuition and fees for the following academic year’s fall semester. 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 is classified as deferred revenue in the statement 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 are reported as deferred revenue in the statement of financial position.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

Higher Education Emergency Relief Funds (HEERF)

The 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 during the year ended August 31, 2022:

| | |
|--|---------------------|
| Student aid portion awarded as emergency grants | \$ 1,359,958 |
| Institutional portion used to cover lost revenue | <u>183,253</u> |
| Total HEERF | <u>\$ 1,543,211</u> |

During 2023, no HEERF funds were received by the College.

Advertising

The College expenses the cost of advertising the first time an advertisement occurs. Advertising expense was approximately \$1,703,000 and \$1,097,000 for the years ended August 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

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

Operations

Nonoperating revenues principally include changes in value of split-interest agreements. To the extent investment amounts are used for operations, as approved by the College's Board of Trustees, they are reclassified as amounts appropriated for operations on the statement 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

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

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 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.

Reclassifications

Certain amounts from the 2022 financial statements have been reclassified to conform to the 2023 presentation. However, there was no impact on total assets, liabilities, net assets, revenues or expenses as a result of these reclassifications.

Recently Adopted Accounting Pronouncement

Lease (Topic 842)

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update requires a lessee to recognize, on the statement of financial position, a liability to make lease payments and a right-of-use (ROU) asset representing a right to use the underlying asset for the lease term. Additionally, this guidance expanded related disclosure requirements. On September 1, 2022, the College adopted the new standard and elected the modified retrospective method, as allowed by ASU 2018-11, *Lease (Topic 842): Targeted Improvements*, to apply the new standard as of the effective date. Therefore, the College has not applied the new standard to its fiscal year 2022 financial statements.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

The College elected to apply the following practical expedients and policy elections at adoption:

| | |
|--|--|
| Practical expedient package | The College has elected for any expired or existing lease to skip reassessment of the following: <ul style="list-style-type: none">• Whether a contract is, or contains a lease;• the lease classification; and• the original treatment of the initial direct costs. |
| Hindsight practical expedient | The College has not elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of operating lease assets. |
| Separation of lease and non-lease components | The College has elected to establish an accounting policy to account for lease and non-lease components as a single component. |
| Short-term policy | The College has elected to establish a short-term lease exception policy, permitting the College to not apply the recognition requirements of the new standard to short-term leases (i.e., lease with terms of 12 months or less). |

Adoption of this ASU 2016-02, in the fiscal year 2023, resulted in the recognition of right-of-use assets and lease liabilities for operating leases of approximately \$45.4 million \$48.5 million, respectively, with differences in amounts being primarily comprised of deferred rent and prepaid rent.

Recent Accounting Pronouncement

Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, to update its guidance on recognition and measurement of financial assets and liabilities and replace the incurred loss methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information for credit loss estimates. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022. Early adoption is permitted. The College is currently evaluating the impact of adopting ASU 2016-13 on its statement of financial position, statement of activities, and statement of cash flows.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

NOTE 3 - INVESTMENTS

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

| 2023 | | | |
|---|--|--|----------------------|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Total |
| Cash and cash equivalents | \$ 4,755,240 | \$ - | \$ 4,755,240 |
| U.S. government and municipal obligations | - | 10,532,560 | 10,532,560 |
| Common stocks | 14,350,721 | - | 14,350,721 |
| Marketable debt securities | - | 1,401,796 | 1,401,796 |
| Exchange traded funds | 14,664,654 | - | 14,664,654 |
| Mutual funds | 3,234,808 | - | 3,234,808 |
| Real estate investment trusts | - | 117,156 | 117,156 |
| | <u>\$ 37,006,423</u> | <u>\$ 12,051,512</u> | <u>\$ 49,057,935</u> |
| 2022 | | | |
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Total |
| Cash and cash equivalents | \$ 3,084,590 | \$ - | \$ 3,084,590 |
| U.S. government obligations | - | 3,174,325 | 3,174,325 |
| Common stocks | 19,586,923 | - | 19,586,923 |
| Marketable debt securities | - | 2,494,591 | 2,494,591 |
| Municipal obligations | 13,297,724 | - | 13,297,724 |
| Mutual funds | 3,489,929 | - | 3,489,929 |
| | <u>\$ 39,459,166</u> | <u>\$ 5,668,916</u> | <u>\$ 45,128,082</u> |

Common stocks, exchange traded funds, and mutual funds are valued using active market prices (Level 1), and U.S. government obligations, debt securities, municipal obligations, and real estate investment trusts are valued using other observable inputs (Level 2).

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

| | 2023 | 2022 |
|--|---------------------|-----------------------|
| Interest and dividends, net | \$ 708,228 | \$ 984,667 |
| Net realized and unrealized gains (losses) | 2,518,454 | (7,063,076) |
| Total investment return | <u>\$ 3,226,682</u> | <u>\$ (6,078,409)</u> |

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

Investment management expenses of \$201,000 and \$323,000 are netted against interest and dividends for the years ended August 31, 2023 and 2022, respectively.

NOTE 4 - 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 with donor restrictions until such amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 statement of financial position. There were no deficiencies at August 31, 2023 or 2022.

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 College 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 its 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 perpetually 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 36 months less the

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

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.

In addition, the Board has adopted a policy of appropriating from Board-designated endowment funds an amount necessary to cover any operating deficits. However, unless such funds are needed for operating cash flows the College does not liquidate the underlying investment funds.

Endowment fund net assets and activity were as follows for the year ended August 31, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|---------------|
| Net assets, beginning of year | \$ 30,629,287 | \$ 10,863,002 | \$ 41,492,289 |
| Investment return | | | |
| Investment income | 468,684 | 181,425 | 650,109 |
| Net appreciation | 1,622,850 | 570,914 | 2,193,764 |
| Total investment return | 2,091,534 | 752,339 | 2,843,873 |
| Appropriation of endowment assets | (842,667) | (555,104) | (1,397,771) |
| Net assets, end of year | \$ 31,878,154 | \$ 11,060,237 | \$ 42,938,391 |

Included in Board-designated endowment funds at August 31, 2023 is \$6,787,866 of cash restricted as security for the line of credit, as reported on the statement of financial position.

The activity in the College's endowment for the year ended August 31, 2022 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|---------------|
| Net assets, beginning of year | \$ 45,043,708 | \$ 13,024,957 | \$ 58,078,665 |
| Investment return | | | |
| Investment income | 703,971 | 157,253 | 861,224 |
| Net depreciation | (4,318,392) | (1,602,708) | (5,921,100) |
| Total investment return | (3,614,421) | (1,445,455) | (5,059,876) |
| Appropriation of endowment assets | (10,800,000) | (716,500) | (11,516,500) |
| Net assets, end of year | \$ 30,629,287 | \$ 10,863,002 | \$ 41,492,289 |

Included in Board-designated endowment funds at August 31, 2022 is \$6,166,765 of restricted cash, as reported on the statement of financial position.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

| | 2023 | 2022 |
|----------------------------|--------------|--------------|
| Building and improvements | \$ 30,130 | \$ 30,130 |
| Leasehold improvements | 9,574,683 | 9,574,683 |
| Furniture and equipment | 4,260,618 | 4,594,443 |
| Construction in process | 450,726 | 83,528 |
| Subtotal | 14,316,157 | 14,282,784 |
| Accumulated depreciation | (7,789,078) | (7,380,784) |
| Net property and equipment | \$ 6,527,079 | \$ 6,902,000 |

Depreciation expense was \$839,936 and \$1,093,600 for the years ended August 31, 2023 and 2022, respectively.

Total cost of assets capitalized under lease arrangements amounted to \$3,305,191 as of August 31, 2023 and 2022. The related accumulated depreciation associated with the assets capitalized under lease arrangements was \$3,161,475 and \$2,854,207 at August 31, 2023 and 2022, respectively.

NOTE 6 - GOODWILL AND OTHER INTANGIBLE ASSETS

At August 31, 2023, the College's goodwill carrying value was \$361,449 net of accumulated amortization of \$194,642 and the College's intangible assets carrying value was \$730,076 net of accumulated amortization of \$389,924. At August 31, 2022, the College's goodwill carrying value was \$417,058 net of accumulated amortization of \$139,033, and the College's intangible assets carrying value was \$842,076 net of accumulated amortization of \$277,924.

For each of the years ended August 31, 2023 and 2022, goodwill amortization expense was \$55,609. For each of the years ended August 31, 2023 and 2022, amortization expense on other intangible assets was \$112,000.

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

| | Life of Asset | 2023 | 2022 |
|--------------------------------|---------------|------------|------------|
| Developed courseware | 10 years | \$ 800,000 | \$ 800,000 |
| Student referral relationships | 10 years | 320,000 | 320,000 |
| | | 1,120,000 | 1,120,000 |
| Accumulated amortization | | (389,924) | (277,924) |
| | | \$ 730,076 | \$ 842,076 |

Cambridge College
NOTES TO FINANCIAL STATEMENTS - CONTINUED
August 31, 2023 and 2022

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> |
|--------------------------------|------------------------------|-------------------|
| 2024 | \$ 112,000 | \$ 55,609 |
| 2025 | 112,000 | 55,609 |
| 2026 | 112,000 | 55,609 |
| 2027 | 112,000 | 55,609 |
| 2028 | 112,000 | 55,609 |
| Thereafter | 170,076 | 83,404 |
| | <u>\$ 730,076</u> | <u>\$ 361,449</u> |

NOTE 7 - LINE OF CREDIT

Line of Credit

On August 3, 2022, the College refinanced and consolidated its line of credit and notes payable into a new revolving line of credit note, with a new bank, which allowed for borrowings up to \$25,000,000 at the Wall Street Journal prime rate, minus 50 basis points. The rate was 8.00% and 5.00% at August 31, 2023 and August 31, 2022, respectively. The line of credit is cross collateralized by a cash account held at the bank and the unrestricted portion of the College's investments. The College had an outstanding balance on the line of credit of \$19,859,503 at August 31, 2023. The revolving line of credit note matures on August 3, 2027. In November 2023, the line of credit was repaid in full (see Note 14).

Prior to August 3, 2022, the College had a line of credit with a bank which allowed for borrowings up to \$14,000,000 at the bank's prime rate. The line of credit was cross collateralized by a cash account held at the bank and the unrestricted portion of the College's investments. The College had an outstanding balance on the line of credit of \$11,000,000 at August 31, 2021.

The revolving line of credit note agreement contains certain financial covenants with which the College must adhere. The College was in compliance with these agreements as of August 31, 2023 and 2022.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

NOTE 8 - NET ASSETS

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

| | 2023 | 2022 |
|---|---------------|---------------|
| With purpose restrictions: | | |
| Scholarships | \$ 1,361,072 | \$ 594,886 |
| Program support | 5,681,462 | 767,651 |
| | 7,042,534 | 1,362,537 |
| With time restrictions: | | |
| Annual fund pledges | - | 21,501 |
| Charitable gift annuities | 368,589 | 320,264 |
| Accumulated unspent gains on donor-restricted endowment funds | 3,289,969 | 3,092,734 |
| Restricted in perpetuity for endowment | 7,770,268 | 7,770,268 |
| Total | \$ 18,471,360 | \$ 12,567,304 |

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

| | 2023 | 2022 |
|---------------------|---------------|--------------|
| Scholarships | \$ 464,838 | \$ 706,510 |
| Program support | 9,643,574 | 734,853 |
| Annual fund pledges | 21,501 | 47,292 |
| General purposes | - | 10,000 |
| Total | \$ 10,129,913 | \$ 1,498,655 |

NOTE 9 - PENSION PLAN

The College has a defined contribution pension plan covering all eligible faculty, administrative and staff employees. The College contributes 8% of the current year's salary for eligible employees, depending on the employee's classification. Pension expense was \$868,668 and \$987,285 for the years ended August 31, 2023 and 2022, 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, 2023 and 2022, the 457 Plan assets and corresponding liabilities totaled \$268,000 and \$222,000, 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, 2023 and 2022

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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 expire on August 31, 2024.

NOTE 11 - LEASES

The College determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The College determines such assets are leased because the College has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the College determines it does not have the right to control and direct the use of the identified asset. The College's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The College determines lease classification as operating or finance at the lease commencement date. ROU assets for finance leases are included in property and equipment on the statement of financial position.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The College uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Colleges uses the risk-free discount rate.

The lease term may include options to extend or to terminate the lease that the College is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The College has elected not to record leases with an initial term of twelve months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

The following summarizes the line items in the statement of financial position which include amounts for operating and finance leases as of August 31, 2023:

| | |
|--|----------------------|
| Operating leases: | |
| Operating lease right-of-use assets | <u>\$ 42,465,206</u> |
| Operating lease liabilities: | |
| Operating lease liabilities, current portion | \$ 3,098,915 |
| Operating lease liabilities | <u>42,621,403</u> |
| Total operating lease liabilities | <u>\$ 45,720,318</u> |
| Finance leases: | |
| Property and equipment | \$ 3,305,091 |
| Less - accumulated depreciation | <u>(3,161,475)</u> |
| Total finance lease assets | <u>\$ 143,616</u> |
| Finance lease liabilities: | |
| Current portion | \$ 211,237 |
| Long-term portion | <u>-</u> |
| Total finance lease liabilities | <u>\$ 211,237</u> |

The components of lease cost for the year ended August 31, 2023 is as follows:

| | |
|-------------------------------|---------------------|
| Operating lease cost | \$ 4,540,403 |
| Finance lease cost | |
| Amortization of ROU assets | 19,010 |
| Interest on lease liabilities | <u>21,475</u> |
| Total lease cost | <u>\$ 4,580,888</u> |

Supplemental statement of financial position information related to operating leases at August 31, 2023:

| | |
|--------------------------|----------------------|
| ROU assets | \$ 45,471,489 |
| Accumulated amortization | <u>(3,006,283)</u> |
| | <u>\$ 42,465,206</u> |

Supplemental cash flow information related to leases for the year ended August 31, 2023 is as follows:

| | |
|--|----------------|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | \$ 2,980,145 |
| Operating cash flows from finance leases | 1,534,121 |
| Financing cash flows from finance leases | <u>271,221</u> |

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

The following summarizes the weighted-average remaining lease term and discount rate as of August 31, 2023:

| | |
|--|-------------|
| Weighted-average remaining lease term: | |
| Operating leases | 13.33 years |
| Finance leases | 2.27 years |
| Weighted-average discount rate: | |
| Operating leases | 3.27% |
| Finance leases | 5.60% |

The maturities of lease liabilities as of August 31, 2023, are as follows:

| Fiscal Year Ending August 31: | Operating | Finance |
|--------------------------------------|---------------|------------|
| 2024 | \$ 4,533,303 | \$ 181,131 |
| 2025 | 4,294,800 | 85,429 |
| 2026 | 4,030,405 | 32,583 |
| 2027 | 4,034,526 | - |
| 2028 | 3,849,081 | - |
| Thereafter | 35,844,600 | - |
| Total lease obligation, gross | 56,586,715 | 299,144 |
| Less – amounts representing interest | (10,866,397) | (87,907) |
| Present value of lease liabilities | \$ 45,720,318 | \$ 211,237 |

In fiscal year 2022, prior to the adoption of ASC 842, the College recognized 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 was reflected as deferred rent in the statements of financial position.

Rent expense was approximately \$5,224,000 for the year ended August 31, 2022.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

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:

| | 2023 | 2022 |
|--|---------------|---------------|
| Cash and cash equivalents | \$ 1,411,191 | \$ 2,862,746 |
| Accounts receivable to be collected during the year | 2,063,777 | 2,086,372 |
| Total financial assets available within one year without Board of Trustees or donor restrictions | 3,474,968 | 4,949,118 |
| Board-designated investment funds | 31,878,154 | 30,629,287 |
| Less-restricted investments (see Note 7) | (6,787,866) | (6,166,765) |
| Total financial assets available within one year | \$ 28,565,256 | \$ 29,412,118 |

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.

Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated as part of its spending policy, amounts from its board-designated endowment could be made available if necessary. Subsequent to year end, the Board of Trustees voted to liquidate a portion of Board-designated investments to repay the line of credit. See Note 15.

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, 2023:

| | Instruction | Academic Support | Student Services | Management and General | Fundraising | Total |
|-------------------------------|--------------|------------------|------------------|------------------------|-------------|---------------|
| Salaries and benefits | \$ 5,285,744 | \$ 4,301,411 | \$ 5,367,219 | \$ 2,682,850 | \$ 308,308 | \$ 17,945,532 |
| Supplies and services | 3,406,562 | 2,483,454 | 5,135,662 | 4,597,504 | 197,618 | 15,820,800 |
| Travel and entertainment | 528 | 27,156 | 14,862 | 19,072 | 11,894 | 73,512 |
| Depreciation and amortization | 227,399 | 459,686 | - | 319,460 | - | 1,006,545 |
| Interest | 6,309 | 12,549 | - | 1,402,226 | - | 1,421,084 |
| | \$ 8,926,542 | \$ 7,284,256 | \$ 10,517,743 | \$ 9,021,012 | \$ 517,820 | \$ 36,267,473 |

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2023 and 2022

The following table presents the College's expenses by functional and natural category for the year ended August 31, 2022:

| | <u>Instruction</u> | <u>Academic Support</u> | <u>Student Services</u> | <u>Institutional Support</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------|----------------------|-------------------------|-------------------------|------------------------------|--------------------|----------------------|
| Salaries and benefits | \$ 6,422,430 | \$ 4,211,410 | \$ 5,776,225 | \$ 3,820,297 | \$ 390,816 | \$ 20,621,179 |
| Supplies and services | 3,689,026 | 1,287,444 | 5,761,266 | 3,759,703 | 153,739 | 14,651,177 |
| Travel and entertainment | 316 | 33,202 | 31,962 | 664 | 567 | 66,711 |
| Depreciation and amortization | 343,358 | 514,569 | - | 403,282 | - | 1,261,209 |
| Interest | 71,038 | 111,466 | - | 572,008 | - | 754,512 |
| | <u>\$ 10,526,168</u> | <u>\$ 6,158,091</u> | <u>\$ 11,569,453</u> | <u>\$ 8,555,954</u> | <u>\$ 545,122</u> | <u>\$ 37,354,788</u> |

NOTE 14 - RELATED PARTY TRANSACTIONS

Members of the College's Board of Trustees and senior administration may, from time to time, be associated either directly or indirectly, with entities doing business with the College. Accordingly, the College has conflict of interest policies that may require any such association, including those of immediate family members, to be disclosed on an annual basis and updated as appropriate during the year. If any such associations exist, measures are taken to mitigate any actual or perceived conflict. For the years ended August 31, 2023 and 2022, there were no related party transactions that were not effectively mitigated.

NOTE 15 - SUBSEQUENT EVENTS

The College has evaluated all subsequent events that occurred after August 31, 2023 through April 11, 2024, the date the financial statements were available for issuance.

In November 2023, the Board of Trustees voted to liquidate certain investments contained within the Board-designated endowment to repay the line of credit. The total amount paid down was \$19,859,503. Upon repayment, the line of credit was reduced down to \$792,664.

The Company entered into a sublease agreement for one of its facilities that commences in October 2023. The agreement is for approximately six years and requires sublease payments to the College of approximately \$1,305,000 over its term.

In February 2024, the College entered into an agreement to be acquired by Bay Path University. The agreement requires the College to contribute certain of its assets related to its educational business to Bay Path University and utilize its remaining assets to settle its obligations.

The College is not aware of additional subsequent events which would require additional recognition or disclosure in the financial statements as of August 31, 2023.