

Financial Statements and Report of
Independent Certified Public
Accountants

Cambridge College

June 30, 2024

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of financial position	5
Statement of activities	6
Statement of cash flows	7
Notes to financial statements	8

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 statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the period from September 1, 2023 to June 30, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024, and the changes in its net assets and its cash flows for the period from September 1, 2023 to June 30, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit 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 audit. 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, effective July 1, 2024, the College entered into an agreement to transfer certain assets and liabilities to another university and has started the process of winding down its operations. This transaction and the ultimate dissolution of the College are subject to various regulatory approvals. As a result of these circumstances, 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.

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

Boston, Massachusetts
March 28, 2025

Cambridge College

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Cash and cash equivalents	\$ 6,364,135
Restricted cash	804,045
Accounts receivable, net	2,120,144
Grants and contributions receivable, net	91,200
Prepaid expenses	446,425
Investments	15,303,181
Other assets	343,066
Property and equipment, net	1,097,714
Right-of-use asset - operating leases	<u>39,166,643</u>
Total assets	<u><u>\$ 65,736,553</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 396,620
Accrued expenses	2,564,404
Tuition deposits	332,910
Deferred revenue - Employee Retention Tax Credits	2,437,136
Finance lease liability	125,453
Operating lease liability	<u>42,251,932</u>
Total liabilities	<u>48,108,455</u>

Net assets

Without donor restrictions	5,270,070
With donor restrictions	<u>12,358,028</u>
Total net assets	<u>17,628,098</u>

Total liabilities and net assets	<u><u>\$ 65,736,553</u></u>
----------------------------------	-----------------------------

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

Cambridge College

STATEMENT OF ACTIVITIES

For the period from September 1, 2023 to June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Tuition and fees, net	\$ 12,737,511	\$ -	\$ 12,737,511
Government grants	15,957	-	15,957
Contributions	242,642	158,349	400,991
Investment return	519,938	1,046,231	1,566,169
Other income	375,262	-	375,262
Net assets released from restrictions	<u>7,289,579</u>	<u>(7,289,579)</u>	<u>-</u>
Total revenues, gains and other support	<u>21,180,889</u>	<u>(6,084,999)</u>	<u>15,095,890</u>
Expenses			
Educational			
Instruction	7,518,941	-	7,518,941
Academic support	6,284,968	-	6,284,968
Student services	8,356,736	-	8,356,736
Management and general	6,812,725	-	6,812,725
Fundraising	<u>336,314</u>	<u>-</u>	<u>336,314</u>
Total expenses	<u>29,309,684</u>	<u>-</u>	<u>29,309,684</u>
Change in net assets from operations	<u>(8,128,795)</u>	<u>(6,084,999)</u>	<u>(14,213,794)</u>
Non-operating activities			
Change in value of split-interest agreements	-	(28,333)	(28,333)
Loss on impairment	<u>(6,399,104)</u>	<u>-</u>	<u>(6,399,104)</u>
Total non-operating activities	<u>(6,399,104)</u>	<u>(28,333)</u>	<u>(6,427,437)</u>
CHANGES IN NET ASSETS	<u>(14,527,899)</u>	<u>(6,113,332)</u>	<u>(20,641,231)</u>
Net assets, beginning of period	<u>19,797,969</u>	<u>18,471,360</u>	<u>38,269,329</u>
Net assets, end of period	<u>\$ 5,270,070</u>	<u>\$ 12,358,028</u>	<u>\$ 17,628,098</u>

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

Cambridge College

STATEMENT OF CASH FLOWS

For the period from September 1, 2023 to June 30, 2024

Cash flows from operating activities	
Change in net assets	\$ (20,641,231)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	673,078
Amortization of right-of-use asset	3,298,563
Provision for doubtful accounts	508,190
Net realized and unrealized gains on investments	(1,109,084)
Loss on impairment	6,399,104
Change in operating assets and liabilities:	
Accounts receivable	(564,557)
Grants and contributions receivable	162,165
Prepaid expenses	513,719
Other assets	(93,157)
Accounts payable	(1,688,934)
Accrued expenses	1,290,276
Lease liability	(3,468,386)
Tuition deposits and deferred tuition revenue	<u>(678,682)</u>
Net cash used in operating activities	<u>(15,398,936)</u>
Cash flows from investing activities	
Purchases of property and equipment	(551,292)
Purchases of investments	(5,197,112)
Sales and maturities of investments	<u>40,060,950</u>
Net cash provided by investing activities	<u>34,312,546</u>
Cash flows from financing activities	
Net repayment on line of credit	(19,859,503)
Payments on finance lease obligations	<u>(85,784)</u>
Net cash used in financing activities	<u>(19,945,287)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>(1,031,677)</u>
Cash, cash equivalents, and restricted cash, beginning of period	<u>8,199,857</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 7,168,180</u>
Cash and cash equivalents	\$ 6,364,135
Restricted cash	<u>804,045</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 7,168,180</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ 465,787</u>

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

Cambridge College

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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.

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.

On July 1, 2024, Cambridge College contributed substantially all of its assets to BPU Acquisition, LLC d/b/a Cambridge College at Bay Path University, a Massachusetts limited liability company and public charity that is wholly controlled by the Massachusetts nonprofit corporation that owns and operates Bay Path University. As a result of this transaction, Cambridge College ceased doing business and is in the process of dissolving the corporate legal entity and winding up its affairs. The transaction is subject to final regulatory approvals of the Department of Education and Massachusetts Attorney General, among others.

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 \$3,816,590 at June 30, 2024.

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.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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.

Restricted Cash

Restricted cash represents funds held in security for the College's Boston facility lease.

Student Accounts Receivable and Allowance for Credit Losses

Student accounts receivable are recorded at the invoiced amounts and do not bear interest. Accounts receivable are presented net of the College's allowance for credit losses as of June 30, 2024. The College accounts for credit losses using an expected credit loss impairment model for financial instruments. The College's expected credit allowance methodology for accounts receivable is developed using historical experience, present economic conditions, and other relevant factors management considers relevant to estimate expected credit losses. Management performs ongoing evaluations of the College's existing and potential student trends and future expectations. Individual uncollectible accounts are written-off against the allowance. Changes to the allowance for expected credit losses for period ended June 30, 2024, are recorded as expenses in the accompanying statement of functional expenses.

Changes in the allowance for credit losses are as follows for the period ended June 30, 2024:

Beginning balance	\$ 2,968,045
Change in estimate	<u>(508,190)</u>
Ending balance	<u>\$ 2,459,855</u>

Investments

The College's investments are comprised primarily of marketable equity, government and municipal obligations, 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, if any, are available for the College's use. Charitable gift annuities are recognized in

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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 \$29,000 at June 30, 2024. Accrued expenses include approximately \$12,000 as of June 30, 2024 for the annuity payment liability. Any change in such value is recorded as a change in value of split-interest agreements on the statements 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 had elected to amortize goodwill on a straight-line basis over 10 years and to test goodwill for impairment, when necessary. Impairment testing was 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 occurred the College had the option to perform a qualitative assessment to determine whether a quantitative test is needed. If the assessment demonstrates it was more likely than not that an impairment exists, then further testing was required that compared the fair value of the entity with its carrying amount. The amount by which the carrying amount exceeded fair value represented the impairment loss to be recognized, up to the carrying amount of goodwill.

During the period from September 1, 2023 to June 30, 2024 the College determined that goodwill had been fully impaired and as a result recorded a loss on impairment of \$315,108.

Intangible Assets

Intangible assets consisted of developed courseware and student referral relationships with finite useful lives, which were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used was measured by a comparison of the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized was the amount by which the carrying amount of the asset exceeded its fair value.

During the period from September 1, 2023 to June 30, 2024 the College determined that intangible assets had been fully impaired and as a result recorded a loss on impairment of \$636,743.

Tuition Deposits

Tuition deposits represents credits on student accounts that will be refunded to the respective students.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Deferred Revenue

Prior to the period ended June 30, 2024, 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 statements of financial position as of June 30, 2024.

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 \$3,879,428 for the period ended June 30, 2024.

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.

Advertising

The College expenses the cost of advertising the first time an advertisement occurs. Advertising expense was approximately \$1,023,698 for the period ended June 30, 2024.

Leases

Leases are recognized at the lease commencement date based on the present value of the fixed lease payments using the College’s risk-free discount rate, according to the College’s elected policy. Related operating right-of-use (“ROU”) assets are recognized based on the initial present value of the fixed lease payments, reduced by contributions from landlords, plus any prepaid rent and direct costs from executing the leases. ROU assets are tested for impairments in the same manner as long-lived assets. Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with the available renewal periods, terminations options, and purchase options. Lease

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

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

The College defines operating activities, as included in the accompanying statements of activities, as the revenue and expenses resulting from its educational programs and other core mission activities. All other activity is classified as non-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 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.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

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.

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial statements held by the College that are subject to the guidance in Accounting Standards Codification Topic 326 were student accounts receivable.

The College adopted the standard effective September 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

NOTE 3 - INVESTMENTS

Investments are comprised of and are classified within the fair value hierarchy as follows at June 30, 2024:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	\$ 632,933	\$ -	\$ 632,933
U.S. government and municipal obligations	-	6,243,978	6,243,978
Common stocks	6,138,838	-	6,138,838
Exchange traded funds	2,247,898	-	2,247,898
Real estate investment trusts	-	39,534	39,534
	<u>\$ 9,019,669</u>	<u>\$ 6,283,512</u>	<u>\$ 15,303,181</u>

Common stocks and exchange traded funds are valued using active market prices (Level 1), and U.S. government obligations are valued using other observable inputs (Level 2).

Investment return is comprised of the following for the period ended June 30, 2024:

Interest and dividends, net	\$ 457,085
Net realized and unrealized gains	<u>1,109,084</u>
Total investment return	<u>\$ 1,566,169</u>

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

Investment management expenses of \$130,580 are netted against interest and dividends for the period ended June 30, 2024.

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 such deficiencies at June 30, 2024.

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

June 30, 2024

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 Board had adopted a policy of appropriating from Board-designated endowment funds an amount necessary to cover any operating deficits. During the period ended June 30, 2024, the Board of Trustees authorized to release \$28,102,342 of Board-designated funds to cover the current period operating deficit and pay off the line of credit.

Endowment fund net assets and activity were as follows for the period ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 31,878,154	\$ 11,060,237	\$ 42,938,391
Investment return			
Investment income	514,529	882,375	1,396,904
Net (depreciation) appreciation	(473,751)	127,513	(346,237)
Total investment return	40,778	1,009,888	1,050,666
Release of board designated funds	(28,102,342)	-	(28,102,342)
Appropriation of endowment assets	-	(394,260)	(394,260)
Net assets, end of year	\$ 3,816,590	\$ 11,675,865	\$ 15,492,455

Included in Board-designated endowment funds at June 30, 2024 is \$804,045 of cash restricted as security for the College's Boston facility lease, as reported on the statement of financial position.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment is comprised of the following at June 30, 2024:

Furniture and equipment	\$ 5,061,465
Construction in process	231,300
Subtotal	5,292,765
Accumulated depreciation	(4,195,051)
Net property and equipment	\$ 1,097,714

Depreciation expense was \$533,404 for the period ended June 30, 2024. During the period from September 1, 2023 to June 30, 2024, the College recorded losses on disposal of property and equipment of \$5,447,253.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 6 - 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 line of credit was cross collateralized by a cash account held at the bank and the unrestricted portion of the College's investments. In November 2023, the line of credit was repaid in full and the College had no amounts outstanding under the line of credit as of June 30, 2024. Subsequent to June 30, 2024 the line of credit was closed.

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 June 30, 2024.

NOTE 7 - NET ASSETS

Net assets with donor restrictions are available for the following purposes at June 30:

With purpose restrictions:	
Scholarships	\$ 419,839
Program support	245,803
	<hr/>
	665,642
With time restrictions:	
Charitable gift annuities	16,522
Accumulated unspent gains on donor-restricted endowment funds	3,905,596
	<hr/>
Restricted in perpetuity for endowment	7,770,268
	<hr/>
Total	\$ 12,358,028

Net assets were released for the following purposes during the period ended June 30:

Scholarships	\$ 1,827,730
Program support	5,101,772
Charitable gift annuities	360,077
	<hr/>
Total	\$ 7,289,579

NOTE 8 - 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 \$732,976 for the period ended June 30, 2024.

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 June 30, 2024, the 457 Plan assets and corresponding liabilities totaled \$333,576 and are included in investments and accrued expenses in the accompanying statement of financial position.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 9 - 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 10 - 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

June 30, 2024

The following summarizes the line items in the statement of financial position which include amounts for operating and finance leases as of June 30, 2024:

Operating leases:	
Operating lease right-of-use assets	<u>\$ 39,166,643</u>
Operating lease liabilities	<u>\$ 42,251,932</u>
Finance leases:	
Property and equipment	\$ 3,305,191
Less - accumulated depreciation	<u>(3,226,316)</u>
Total finance lease assets	<u>\$ 78,875</u>
Finance lease liabilities:	
Current portion	\$ 125,453
Long-term portion	<u>-</u>
Total finance lease liabilities	<u>\$ 125,453</u>

The components of lease cost for the period ended June 30, 2024 is as follows:

Operating lease cost	\$ 366,825
Finance lease cost	
Amortization of ROU assets	17,655
Interest on lease liabilities	<u>6,484</u>
Total lease cost	<u>\$ 390,964</u>

Supplemental statement of financial position information related to operating leases at June 30, 2024:

ROU assets	\$ 43,448,091
Accumulated amortization	<u>(4,281,448)</u>
	<u>\$ 39,166,643</u>

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

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 345,094
Operating cash flows from finance leases	\$ 114,473
Financing cash flows from finance leases	\$ 85,784

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

The following summarizes the weighted-average remaining lease term and discount rate as of June 30, 2024:

Weighted-average remaining lease term:	
Operating leases	12.84 years
Finance leases	1.59 years
Weighted-average discount rate:	
Operating leases	3.26%
Finance leases	5.20%

The maturities of lease liabilities as of June 30, 2024, are as follows:

Periods Ending June 30:	Operating	Finance
2025	\$ 4,490,591	\$ 94,971
2026	3,849,081	36,109
2027	3,849,081	-
2028	3,849,081	-
2029	3,849,081	-
Thereafter	35,844,599	-
Total lease obligation, gross	51,882,437	131,080
Less: amounts representing interest	(9,630,505)	(5,537)
Present value of lease liabilities	\$ 42,251,932	\$ 125,453

Subsequent to year end the College entered into a termination agreement for its remaining leases (see Note 14).

NOTE 11 - 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 June 30:

Cash and cash equivalents	\$ 7,168,180
Accounts receivable to be collected during the year	2,120,144
Total financial assets available within one year without Board of Trustees or donor restrictions	9,288,324
Board-designated investment funds	3,816,590
Less-restricted cash (see Note 7)	(804,045)
Total financial assets available within one year	\$ 12,300,869

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.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

NOTE 12 - 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, 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 period ended June 30, 2024:

	Instruction	Academic Support	Student Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 4,518,394	\$ 3,987,890	\$ 4,786,473	\$ 2,231,918	\$ 264,306	\$ 15,788,981
Supplies and services	2,847,016	2,105,827	3,417,320	4,038,913	66,341	12,475,417
Travel and entertainment	-	21,289	3,428	18,401	111	43,229
Depreciation and amortization	152,939	169,435	149,190	195,959	5,556	673,079
Interest	592	527	325	327,534	-	328,978
	<u>\$ 7,518,941</u>	<u>\$ 6,284,968</u>	<u>\$ 8,356,736</u>	<u>\$ 6,812,725</u>	<u>\$ 336,314</u>	<u>\$ 29,309,684</u>

NOTE 13 - 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.

The following list of related party transactions is provided to comply with the *Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit* regulation promulgated by the U.S. Department of Education for the period ended June 30, 2024:

Related Party	Location	Description	Beginning of period balance	Payments	Balance June 30, 2024
Trustee 1	Boston, MA	Pledge balance	\$ 2,000	\$ (2,000)	\$ -
Trustee 2	Boston, MA	Pledge balance	13,500	(2,000)	11,500
Total			<u>\$ 15,500</u>	<u>(4,000)</u>	<u>\$ 11,500</u>

NOTE 14 - SUBSEQUENT EVENTS

The College has evaluated all subsequent events that occurred after June 30, 2024 through March 28, 2025, the date the financial statements were available for issuance.

As further described in Note 1, effective July 1, 2024, the College transferred essentially all of its assets and liabilities to BPU Acquisition, LLC d/b/a Cambridge College at Bay Path University, and has begun the process of dissolving the corporate legal entity and winding up its affairs.

Cambridge College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2024

In July 2024, the College entered into an agreement to effectively terminate its only remaining operating lease. As a result, the College paid a termination fee of \$2,000,000, and forfeited its \$792,664 security deposit.