Consolidated Financial Statements

William James College, Inc. and Affiliates

May 31, 2020 and 2019

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Financial Statements

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Mayer Hoffman McCann P.C.
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Independent Auditors' Report

To the Board of Trustees
William James College, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of William James College, Inc. and Affiliates (the "College"), which comprise the consolidated statements of financial position as of May 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

MHM

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of William James College, Inc. and Affiliates as of May 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2 to the consolidated financial statements, in 2020, the College adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Not for Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

September 11, 2020
Boston, Massachusetts

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	May 31, 2020		May 31, 2019
Assets			
Cash and cash equivalents	$	13,021,721	$ 9,974,048
Accounts receivable, net of allowances for doubtful accounts of $150,000 and $50,000 at May 31, 2020 and 2019, respectively		2,732,296	1,174,216
Contributions receivable, net		21,643	65,467
Prepaid expenses		288,655	304,613
Total current assets		16,064,315	11,518,344
Contributions receivable, net		40,000	65,526
Investments		6,283,331	4,990,059
Property and equipment, net		20,857,531	20,799,778
Total assets	**$**	**43,245,177**	**$ 37,373,707**
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	2,672,203	$ 2,109,448
Deferred revenues		3,675,094	3,338,317
Paycheck Protection Program loan payable, net		2,320,523	-
Bond payable, net - current		728,861	708,517
Total current liabilities		9,396,681	6,156,282
Bond payable, net - noncurrent		14,514,785	15,243,646
Deferred compensation		457,507	312,770
Total liabilities		**24,368,973**	**21,712,698**
Net assets:			
Without donor restrictions		17,625,558	14,253,910
With donor restrictions		1,250,646	1,407,099
Total net assets		**18,876,204**	**15,661,009**
Total liabilities and net assets	**$**	**43,245,177**	**$ 37,373,707**

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended May 31, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	***With Donor Restrictions***	***Total***	***Total***
Revenues, gains and other support:				
Tuition and fees (net of discount of $1,527,290 and $1,942,010, respectively)	$ 26,168,743	$ -	$ 26,168,743	$ 25,144,583
Contributions and grants	1,893,714	511,697	2,405,411	823,074
Net investment return	405,036	58,247	463,283	136,918
Government contracts	2,210,098	-	2,210,098	2,150,157
Fees for service	2,918,142	-	2,918,142	3,088,871
Rental income	67,424	-	67,424	67,492
Net assets released from restrictions	726,397	(726,397)	-	-
Total revenues, gains and other support	**34,389,554**	**(156,453)**	**34,233,101**	**31,411,095**
Expenses:				
Instruction	13,677,705	-	13,677,705	12,990,183
Academic support	10,017,326	-	10,017,326	10,290,436
Student services	2,987,109	-	2,987,109	3,377,440
Institutional support	3,718,440	-	3,718,440	3,257,284
Development and fundraising	617,326	-	617,326	480,298
Total expenses	**31,017,906**	**-**	**31,017,906**	**30,395,641**
Total change in net assets	**3,371,648**	**(156,453)**	**3,215,195**	**1,015,454**
Net assets, beginning of year	14,253,910	1,407,099	15,661,009	14,645,555
Net assets, end of year	**$ 17,625,558**	**$ 1,250,646**	**$ 18,876,204**	**$ 15,661,009**

See accompanying notes to the consolidated financial statements.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended May 31, 2019

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Revenues, gains and other support:			
Tuition and fees (net of discount of $1,942,010)	$ 25,144,583	$ -	$ 25,144,583
Contributions and grants	120,203	702,871	823,074
Net investment return	141,255	(4,337)	136,918
Government contracts	2,150,157	-	2,150,157
Fees for service	3,088,871	-	3,088,871
Rental income	67,492	-	67,492
Net assets released from restrictions	632,291	(632,291)	-
Total revenues, gains and other support	**31,344,852**	**66,243**	**31,411,095**
Expenses:			
Instruction	12,990,183	-	12,990,183
Academic support	10,290,436	-	10,290,436
Student services	3,377,440	-	3,377,440
Institutional support	3,257,284	-	3,257,284
Development and fundraising	480,298	-	480,298
Total expenses	**30,395,641**	**-**	**30,395,641**
Total change in net assets	**949,211**	**66,243**	**1,015,454**
Net assets, beginning of year	13,304,699	1,340,856	14,645,555
Net assets, end of year	**$ 14,253,910**	**$ 1,407,099**	**$ 15,661,009**

See accompanying notes to the consolidated financial statements.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Years Ended May 31, 2020	2019
Cash flows from operating activities:		
Change in net assets	$ 3,215,195	$ 1,015,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,146,525	1,109,315
Net realized and unrealized (gains) losses on investments	(228,042)	125,273
Bad debt expense (recovery)	102,880	(496)
Gifts of marketable securities	(118,858)	(11,776)
Proceeds from contributions restricted for long-term investment	(12,500)	(12,500)
Changes in:		
Accounts receivable	(1,660,960)	416,237
Contributions receivable	69,350	20,776
Prepaid expenses	15,958	99,047
Accounts payable and accrued liabilities	191,642	(87,969)
Deferred compensation	144,737	104,143
Deferred revenues	336,777	321,396
Net cash provided by operating activities	**3,202,704**	**3,098,900**
Cash flows from investing activities:		
Proceeds from sales of investments	1,638,431	3,821,745
Purchases of investments	(2,584,803)	(1,369,857)
Purchases of property and equipment	(811,574)	(440,124)
Net cash provided by (used in) investing activities	**(1,757,946)**	**2,011,764**
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	12,500	12,500
Proceeds from payroll protection program loan payable	3,975,250	-
Forgiveness of payroll protection program loan payable	(1,654,727)	-
Payments on bonds payable	(730,108)	(712,502)
Net cash provided by (used in) financing activities	**1,602,915**	**(700,002)**
Net change in cash and cash equivalents	**3,047,673**	**4,410,662**
Cash and cash equivalents, beginning of year	9,974,048	5,563,386
Cash and cash equivalents, end of year	**$ 13,021,721**	**$ 9,974,048**

See accompanying notes to the consolidated financial statements.

Note 1 - Organization

Nature of Activities

The consolidated financial statements include the accounts of William James College, Inc. (“WJC”), M. Gorman Psychological Associates, Inc. (“M. Gorman”) and Teachers21, Inc. (T21). These corporations are under common management and control.

- WJC is a private, not-for-profit college founded in 1974 to provide a Doctor of Psychology. WJC strives to be a preeminent college of psychology that integrates rigorous academic instruction with extensive field education and close attention to professional development. WJC assumes an ongoing social responsibility to create programs to education specialists of many disciplines to meet the evolving mental health needs of society. WJC offers additional programs, including:
    - Doctor of Psychology in School Psychology
    - Doctor of Psychology in Leadership Psychology
    - Master of Arts in Clinical Mental Health Counseling
    - Master of Arts in Organizational Psychology
    - Master of Arts in Organizational Leadership
    - Master of Arts in Psychology
    - Master of Arts in Professional Psychology
    - Master of Arts in Applied Behavior Analysis
    - Bachelor of Science in Psychology and Human Services
    - Certificate of Advanced Graduate Studies in School Psychology
    - Certificate in Applied Behavior Analysis
    - Graduate Certificate in Executive Coaching
    - Graduate Certificate in School Climate and Social Emotional Learning
    - Preparatory and Non-Matriculating Courses
    - Continuing Education Courses

- M. Gorman is a not-for-profit corporation founded in 2005 to provide comprehensive psychological assessment to address problems of learning and adjustment for children, adolescents, and adults.

- T21 is a not-for-profit corporation founded in 1993 to improve the professional practice of Pre-K through grade 12 educators and to create supportive schools where students and adults are able to learn, grow and achieve. William James College is the sole member of T21.

Basis of Consolidation

The consolidated financial statements of William James College, Inc. and Affiliates (the “College”) have been prepared on the accrual basis. All significant intercompany account balances and transactions have been eliminated in the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The College reports two classes of net assets and the changes in those net assets in the consolidated statements of financial position and consolidated statements of activities, respectively. The two classes of net assets – net assets without donor restrictions and net assets with donor restrictions – are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The two classifications are defined as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Trustees. At May 31, 2020 and 2019, there were no net assets designated by the Board.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid instruments purchased with an initial maturity of three months or less, excluding balances whose use is restricted. The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts.

Accounts Receivable

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

Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically. Accounts are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely.

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional promises to give are recorded at fair value when initially pledged. The initially recorded fair value is considered a Level 2 approach. The fair value for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. While the risk adjusted rate is theoretically specific to each balance, management has determined that an overall discount rate of 5.00% for the years ended May 31, 2020 and 2019 reasonably accounts for this inherent risk. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Contributions receivable is presented net of the established provision for bad debts and the discount in the consolidated statement of activities.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies as described later in this section.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Endowment and similar funds are pooled for investment purposes. Investment income is allocated ratably.

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

Property and Equipment

Property and equipment, including artwork, are reported at cost at the date of acquisition or fair value at the date of donation in the case of a gift, when the useful life is over one year and when such amounts exceed a management established capitalization threshold. Maintenance and repair expenditures are charged to expense as incurred.

Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Building	30 years
Building improvements	15 years
Furniture and equipment	7 years
Computer equipment	5 years

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Revenues

Students' reservation deposits and tuition payments received for the fall semester programs are related to the forthcoming fiscal year, and therefore, have been deferred from recognition in the consolidated statement of activities. Similarly, a proportionate amount of tuition due or received for summer programs in session at the fiscal year end is deferred from recognition, as well as other programs whose revenue is recorded in the period in which it is earned. Such amounts are recognized as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Revenue Recognition and Operations

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

The College derives revenues primarily through tuition and fees, which are under arrangements that are aligned to an academic semester which is less than one year in length.

Under accounting standards, revenue recognition is driven via a principles based process that requires the entities 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

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

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to withdrawal rights is limited at year end.

Payments made by third parties such as the DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue to the College. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for the new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flows.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period made. Contributions receivable that are, in effect, “unconditional promises to give” are recorded at the present value of future cash flows using a risk adjusted discount rate depending on the time period involved. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values using a Level 2 approach. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable may be provided based upon management’s judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions of cash or other assets are recorded as revenues with donor restrictions, thereby increasing net assets with donor restrictions, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contribution revenue earned on grants for research is recognized as related costs are incurred as revenue without donor restrictions. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

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

Through its faculty, staff and students, WJC provides counseling and administrative support services to other organizations providing well-being and mental health services on a fee-for-service basis. In addition, continuing professional education courses are provided that are non-matriculating. Such fees are recognized when the related services are provided.

Rental income is recorded on the straight-line basis over the non-cancellable term of the lease, irrespective of the actual payment terms, any difference is recorded as deferred rent receivable and is included with other assets.

Expenses are reported as decreases in net assets without donor restrictions. Returns on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

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

Uncertain Tax Positions

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

Functional Expense Allocation

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. Note 15 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets, operation and maintenance of plant expenses and interest expense have been allocated to functional classifications based on percentage of effort and other criteria.

Use of Estimates

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measures include the College's investment accounts. Nonrecurring measures include contributions receivable. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Fair value standards also require the College to classify its financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique, as discussed below.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncements

In 2020, the College adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, the transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The College adopted this standard using the modified retrospective approach on June 1, 2019.

The adoption of this standard did not materially impact reported revenue in any period because: (1) performance obligations were determined to be similar as compared with deliverables previously identified; (2) the transaction price is consistent; and (3) revenue was recorded in the same manner as under prior standards. In evaluating the effects of the change, contracts in process as of the date of adoption were considered under the practical expedient allowed under the standard.

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

The College also adopted ASU No. 2018-08, *Not for Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, is often the case when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable.

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2020. The impact of adopting the new standard did not have a material impact on 2020 results. In evaluating the effects of the change, contributions in process as of the date of adoption were considered. As such, no disclosures have been provided on the effect of the May 31, 2020 financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncements (Continued)

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal years beginning after December 15, 2020, or fiscal year 2022 for the College. Early adoption is permitted. The College is evaluating the impact of the new guidance on the consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-01, *Leases (ASC 842): Codification Improvements,* which provided clarifying guidance to the original ASU No. 2016-02. The College is evaluating the impact of the clarified guidance on the consolidated financial statements.

Subsequent Events

The College has evaluated subsequent events through September 11, 2020, the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research and public services as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended May 31, 2020 and 2019.

Although not expected to be needed, the spendable yet restricted portion of the College's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. See Notes 5 and 11 for further information about the College's investment portfolio, net assets and endowment funds.

Note 3 - Liquidity and Availability (Continued)

The following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures at May 31:

	2020	2019
Cash and cash equivalents	$ 13,021,721	$ 9,974,048
Accounts receivable, net	2,732,296	1,174,215
Investments not encumbered by donor restrictions	4,898,383	3,776,183
Total	**$ 20,652,400**	**$ 14,924,446**

Note 4 - Contributions Receivable

Contributions receivable consisted of the following at May 31:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 21,643	$ 65,467
One to five years	50,000	85,526
	71,643	150,993
Less: unamortized discount	(5,924)	(11,325)
Less: allowance for uncollectible pledges	(4,076)	(8,675)
Contributions receivable, net	**$ 61,643**	**$ 130,993**

All contributions receivable are due from Board members and management of the College.

At May 31, 2020, the College had conditional promises to give in the amount of $280,095 that are not recognized as revenues in the consolidated statement of activities.

Note 5 - Fair Value Measurements

The following table presents financial assets at May 31, 2020 that the College measures fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Exchange traded funds:				
Domestic	$ 3,961,670	$ -	$ -	$ 3,961,670
Foreign	1,864,154	-	-	1,864,154
Mutual funds:				
Domestic	457,507	-	-	457,507
Total assets at fair value	**$ 6,283,331**	**$ -**	**$ -**	**$ 6,283,331**

The following table presents financial assets at May 31, 2019 that the College measures fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets:				
Exchange traded funds:				
Domestic	$ 3,277,772	$ -	$ -	$ 3,277,772
Foreign	1,399,517	-	-	1,399,517
Mutual funds:				
Domestic	312,770	-	-	312,770
Total assets at fair value	**$ 4,990,059**	**$ -**	**$ -**	**$ 4,990,059**

Note 6 - Property and Equipment

Property and equipment consist of the following at May 31:

	2020	*2019*
Land	$ 4,618,064	$ 4,618,064
Building	13,433,766	13,433,766
Building and leasehold improvements	4,721,773	4,721,773
Furniture and equipment	1,510,858	1,510,858
Computer equipment	1,436,019	1,651,229
Construction in progress	306,024	559,356
	26,026,504	26,495,046
Less: accumulated depreciation	(5,336,173)	(5,862,468)
Sub-total depreciable assets	20,690,331	20,632,578
Artwork	167,200	167,200
Total	**$ 20,857,531**	**$ 20,799,778**

Depreciation expense totaled approximately $1,125,000 and $1,088,000 for the years ended May 31, 2020 and 2019, respectively. At May 31, 2020 and 2019, approximately $371,000 and $88,000 of property and equipment additions were included in accounts payable and accrued liabilities.

Note 7 - Line of Credit and Paycheck Protection Program Loan Payable

The College maintains a $3,000,000 demand line of credit agreement. Borrowings bear interest at a rate equal to the prime rate minus 0.50% (2.75% and 5.00% at May 31, 2020 and 2019, respectively). The agreement is collateralized by substantially all of the assets of the College and expires on November 30, 2020. There was no outstanding balance on the line of credit at May 31, 2020 and 2019.

The College applied for a forgivable Paycheck Protection Loan of $3,975,250 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) and the loan was funded on April 15, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for payroll, rent and utilities costs for the 24 week period through September 30, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on April 15, 2022 and the loan carries an interest rate of 1.0%. Through May 31, 2020, the College has used $1,654,727 of the proceeds for payroll costs and such amount has been reported as contributions and grants revenue with a corresponding reduction of the loan payable that is reported on the consolidated statement of financial position. The College anticipates using all of the proceeds for eligible costs and expects the entire loan to be forgiven.

Note 8 - Bond Payable, Net

Bonds Payable

In January 2016, the College entered into a Loan and Security Agreement with the Massachusetts Development Finance Agency ("MDFA") for $16,000,000 MDFA Revenue Bonds, William James College Issue, Series 2016A to finance the exercising of the purchase option on the facility in Newton, Massachusetts. Principal is due in monthly installments commencing February 2016, including interest at a fixed rate of 2.63% through January 2026 at which point the interest rate changes to a 10-year fixed rate of 0.70% multiplied by the Federal Home Loan Bank 10/10 amortizing rate plus 1.75% through January 2036. The bond is collateralized by a first mortgage of the facility as well as an assignment of leases and rents and first position lien on all business assets. The agreement requires the College to comply with certain financial and nonfinancial covenants. The bonds are privately placed with a bank.

In January 2016, the College entered into a Loan and Security Agreement with the MDFA for $2,400,000 MDFA Revenue Bonds, William James College Issue, Series 2016B to finance the capital improvements and equipment in connection with the facility in Newton, Massachusetts. Principal is due in monthly installments commencing February 2016, including interest at a fixed rate of 2.49% through January 2023. The bond is collateralized by a first mortgage of the facility as well as an assignment of leases and rents and first position lien on all business assets. The agreement requires the College to comply with certain financial and nonfinancial covenants. Interest expense for the years ended May 31, 2020 and 2019 was approximately $418,000 and $436,000, respectively.

Deferred Financing Costs

Costs incurred in conjunction with the issuance of the Series 2016A and 2016B bonds totaling $215,913 were capitalized and are being amortized over ten years. Amortization expense totaled $21,591 for the years ended May 31, 2020 and 2019.

Maturities of bonds payable are as follows:

Year ending May 31:		
2021	$	750,452
2022		770,194
2023		665,262
2024		428,353
2025		440,859
Thereafter		12,309,077
		15,364,197
Unamortized deferred financing costs		(120,551)
Bonds payable, net	**$**	**15,243,646**

Note 9 - Lease Commitments

Office and Classroom Equipment

The College is also obligated under various operating leases for office and classroom equipment, whereby the payments are expensed as incurred. These agreements expire at various times through May 2023.

Future minimum payments under these operating leases are summarized as follows:

Year ending May 31:		
2021	$	83,000
2022		83,000
2023		82,000
	$	**248,000**

Office and classroom equipment lease expense was approximately $83,000 and $72,000 for the years ended May 31, 2020 and 2019, respectively.

Note 10 - Deferred Revenues

Deferred revenues consist of the following at May 31:

		2020		***2019***
Fall enrollment deposits and advanced tuition	$	102,833	$	94,878
Summer semester tuition prorated		2,977,489		2,828,539
Program service revenue		594,772		414,900
Total	**$**	**3,675,094**	**$**	**3,338,317**

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

Note 11 - Net Assets and Endowment Matters

Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

Net investment in property and equipment - The net value of property and equipment used in the College's operations. Net investment in plant at May 31, 2020 and 2019 totaled $5,613,885 and $4,847,615, respectively.

Operating - Discretionary funds available for carrying on the operating activities of the College. Operating funds net of related liabilities totaled $12,011,673 and $9,406,295 at May 31, 2020 and 2019, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

Unrealized and realized gains on restricted endowment funds - In accordance with accounting principles generally accepted in the United States of America and Massachusetts state law, these amounts represent unappropriated gains on restricted endowment investments that are to be held in perpetuity.

Purpose restricted - Amounts received with donor restrictions, which have not yet been expended for their designated purposes.

Time restricted - Amounts received with a time restriction as to the use of the funds.

Donor-restricted endowment funds - Amounts received restricted by donors against an expenditure of principal.

Note 11 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions consist of the following at May 31:

	2020	***2019***
Purpose and time restricted		
Instruction and student activities	$ 160,000	$ 355,000
Scholarships	101,562	20,000
Time restricted	61,643	130,993
Total purpose and time restricted	323,205	505,993
Donor-restricted endowment funds:		
Faculty chair	247,000	247,000
Scholarships	390,986	378,486
Total donor-restricted endowment funds	637,986	625,486
Accumulated realized and unrealized gains on restricted endowment funds:		
Faculty chair	132,867	127,285
Scholarships	156,588	148,335
Total accumulated realized and unrealized gains	289,455	275,620
Total donor-restricted endowment funds	**927,441**	**901,106**
Total net assets with donor restrictions	**$ 1,250,646**	**$ 1,407,099**

Net assets with donor restrictions were released for the following purposes for the years ended May 31:

	2020	***2019***
Instruction and student activities	$ 546,454	$ 284,621
Research	-	3,750
Plant	200	700
Scholarships	81,781	249,695
Faculty chair	18,612	17,749
Time	79,350	75,776
Total	**$ 726,397**	**$ 632,291**

Note 11 - Net Assets and Endowment Matters (Continued)

The following represents required disclosures relative to the composition of endowment assets and those functioning as endowment assets for the years ended May 31:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment assets, June 1, 2018	$ -	$ 934,683	$ 934,683
Contributions and additions	-	12,500	12,500
Net investment loss	-	(4,337)	(4,337)
Amounts appropriated for expenditure	-	(41,740)	(41,740)
Change in endowment assets	-	(33,577)	(33,577)
Endowment assets, May 31, 2019	-	901,106	901,106
Contributions and additions	-	12,500	12,500
Net investment gain	-	58,247	58,247
Amounts appropriated for expenditure	-	(44,412)	(44,412)
Change in endowment assets	-	26,335	26,335
Endowment assets, May 31, 2020	**$ -**	**$ 927,441**	**$ 927,441**

Endowment

The College's endowment consists of several individual funds established for scholarships and a faculty chair. Its endowment includes donor-restricted endowment funds and funds functioning as endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as enacted in Massachusetts, as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contract. As a result of this interpretation, the College retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the College in a manner consistent with standard of prudence prescribed by UPMIFA.

State law allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions. The College has a policy of appropriating for distribution each year up to five percent of its endowment fund's average fair value at the end of the previous three fiscal years in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets with donor restrictions. There were no such deficiencies as of May 31, 2020 and 2019.

Return Objectives and Risk Parameters

The College's investment portfolio is managed to provide for the long-term support of the College. The goal of the aggregate long-term investments is to generate an average total annual return that exceeds the spending/payout rate plus inflation on a risk adjusted basis.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the College employs a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) on a risk adjusted basis.

Note 12 - Other Commitments and Contingencies

Federal Financial Aid Program

The Federally funded financial aid program is routinely subject to a special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements, are required to be submitted to the U.S. Department of Education. The U.S. Department of Education has the authority to determine liabilities as well as to limit, suspend, or terminate the student aid program.

Unemployment Compensation Insurance

The "Unemployment Compensation Amendments of 1976" (Public Law 94-566) extend unemployment compensation coverage to the employees of the College. The College was given the option of financing the benefits by either paying the contributory payroll tax or by reimbursing the state for unemployment compensation paid. The latter option was exercised and the College has elected to reimburse the state for unemployment compensation paid. The College paid out approximately $9,000 and $39,000 of unemployment compensation during the years ended May 31, 2020 and 2019, respectively.

The College is not presently aware of any claims materially in excess of provisions now in place, and based on historical experience, would not anticipate that potential future claims would have a material impact on its financial position.

Deferred Compensation

The College has two deferred compensation plans for its President. The two plans require an annual contribution by the College. Plan funds remain property of the College until they are distributed. The employer contribution totaled $109,000 and $103,500 for the years ended May 31, 2020 and 2019, respectively. Deferred compensation obligation totaled $457,507 and $312,770 as of May 31, 2020 and 2019, respectively, and is included as a noncurrent asset in investments and a noncurrent liability on the consolidated statements of financial position.

Employment Agreement

The College has an employment agreement with its President through May 31, 2021. The agreement calls for an annual base salary and contains performance based additional compensation.

Legal Matters

From time to time, the College is involved in claims and grievances arising in the normal course of business. In management's opinion, the ultimate resolution of such claims would not have a material effect on the financial position of the College.

Note 13 - Retirement Plans

All full-time and part-time faculty and staff of the College are eligible immediately upon hire to participate in a qualified defined contribution retirement plan under Internal Revenue Service Section 403(b). There are no employer contributions made to this plan. In addition to the 403(b) plan, the College also has The WJC Supplemental Retirement Plan (the “Plan”) available to eligible employees, as defined by the Plan. This is a non-contributory plan where only the College may contribute to the Plan. Under the Plan, the College has the discretion annually to make an employer-funded supplemental retirement contribution on behalf of eligible participants. Contributions to the Plan, including those accrued for at May 31, 2020 and 2019, totaled approximately $480,000 and $448,000 for the years ended May 31, 2020 and 2019, respectively.

T21 maintains a 401(k) retirement savings plan covering all eligible employees. The plan allows eligible employees to defer a percentage of their earnings from current taxation and also allows for after tax contributions. The Board may vote to make discretionary contributions to employees from time to time. Contributions to the Plan, including those accrued for at May 31, 2020 and 2019, totaled approximately $16,000 for the years ended May 31, 2020 and 2019.

Note 14 - Lessor Arrangements

Beginning in 2016, certain College owned property is rented to outside parties through various leasing arrangements that expire through September 2028. Rental income totaled approximately $67,000 for the years ended May 31, 2020 and 2019.

At May 31, 2020, future minimum lease commitments under these leases total:

2021	$ 32,000
2022	32,000
2023	23,000
2024	48,000
2025	76,000
Thereafter	149,000

Note 15 - Natural Classification of Operating Expenses

Operating expenses presented by natural classification and function are as follows for the years ended May 31, 2020 and 2019:

	2020					
	Instruction	*Academic Support*	*Student Services*	*Institutional Support*	*Development & Fundraising*	*Total*
Salaries and wages	$ 9,983,800	$ 6,231,239	$ 1,302,548	$ 1,511,959	$ 343,512	$ 19,373,058
Employee benefits	1,280,134	646,619	171,493	292,456	39,241	2,429,943
Payroll taxes	708,231	378,757	94,878	81,726	21,710	1,285,302
Fees for services	51,762	1,015,941	77,534	425,363	46,739	1,617,339
Advertising and promotion	-	-	807,416	-	-	807,416
Office expenses	192,933	137,496	139,304	483,749	75,012	1,028,494
Information technology	21,855	445,878	64,970	330,732	36,907	900,342
Occupancy	511,200	249,472	67,827	78,951	17,702	925,152
Travel	17,976	17,961	138,477	6,547	248	181,209
Conferences, conventions and meetings	45,198	42,838	7,944	63,755	6,316	166,051
Interest	231,094	112,776	30,662	35,691	8,002	418,225
Depreciation and amortization	633,522	309,167	84,056	97,843	21,937	1,146,525
Insurance	-	-	-	309,668	-	309,668
Library	-	429,182	-	-	-	429,182
Total operating expenses	**$ 13,677,705**	**$ 10,017,326**	**$ 2,987,109**	**$ 3,718,440**	**$ 617,326**	**$ 31,017,906**

	2019					
	Instruction	*Academic Support*	*Student Services*	*Institutional Support*	*Development & Fundraising*	*Total*
Salaries and wages	$ 9,363,369	$ 6,300,684	$ 1,491,003	$ 1,356,406	$ 302,193	$ 18,813,655
Employee benefits	1,220,882	655,556	201,186	233,693	34,174	2,345,491
Payroll taxes	653,528	381,753	107,694	69,347	18,293	1,230,615
Fees for services	27,829	1,003,260	82,374	340,384	25,550	1,479,397
Advertising and promotion	-	-	733,690	-	-	733,690
Office expenses	227,820	166,566	242,476	390,539	12,214	1,039,615
Information technology	23,294	480,720	101,705	304,699	33,744	944,162
Occupancy	504,671	262,947	82,204	74,915	26,148	950,885
Travel	38,934	25,201	167,891	2,688	-	234,714
Conferences, conventions and meetings	101,696	88,350	32,320	60,820	281	283,467
Interest	233,610	121,717	38,052	34,678	7,814	435,871
Depreciation and amortization	594,550	309,776	96,845	88,257	19,887	1,109,315
Insurance	-	-	-	300,858	-	300,858
Library	-	493,906	-	-	-	493,906
Total operating expenses	**$ 12,990,183**	**$ 10,290,436**	**$ 3,377,440**	**$ 3,257,284**	**$ 480,298**	**$ 30,395,641**

Note 16 - Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United States has resulted in moving the delivery of classes to a distance learning model and most of the College's workforce is working remotely. Enrollment subsequent to year end has remained consistent for the Fall semester of fiscal year 2021. Further, the College has availed itself to a forgivable Paycheck Protection Loan of $3,975,250 as provided under the CARES Act to assist with maintaining its payroll. The College is also eligible to draw approximately $233,000 in funds from the Higher Education Emergency Relief Fund ("HEERF") as provided by the CARES Act. Half of these HEERF funds are required to be used as direct aid to students and the other half can be used by the College for expenses related to COVID-19. Subsequent to year end, the College also received approximately $267,000 in funds from Funds for the Improvement of Postsecondary Education. The College expects to draw and use these amounts in fiscal year 2021. Management is currently unable to accurately forecast the future impact on enrollment patterns resulting from the COVID-19 pandemic which could impact the number of students, the course loads taken by students, the mode of delivery, and tuition pricing trends on a forward basis. The effect of these matters could impact the future results of operations. Based on information available through the date of this report, management has noted a minimal impact.