Consolidated Financial Statements

William James College, Inc. and Affiliates

May 31, 2022 and 2021

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Financial Statements

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Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of William James College, Inc. and Affiliates (the "College"), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of William James College, Inc. and Affiliates as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Mayer Hoffman McCann P.C.

Boston, Massachusetts
August 24, 2022

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	May 31,	
	2022	***2021***
Assets		
Cash and cash equivalents	$ 7,165,359	$ 10,986,024
Accounts receivable, net of allowances for doubtful accounts of $200,000 at May 31, 2022 and 2021	2,643,989	2,249,722
Contributions receivable, net	22,982	55,470
Prepaid expenses	316,379	286,022
Investments	14,053,180	11,632,096
Property and equipment, net	21,708,886	20,270,335
Total assets	**$ 45,910,775**	**$ 45,479,669**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 3,303,042	$ 2,814,918
Deferred revenues	3,892,479	3,390,989
Bond payable, net	14,643,150	14,616,278
Deferred compensation	157,622	768,323
Total liabilities	**21,996,293**	**21,590,508**
Net assets:		
Without donor restrictions	22,223,596	22,251,628
With donor restrictions	1,690,886	1,637,533
Total net assets	**23,914,482**	**23,889,161**
Total liabilities and net assets	**$ 45,910,775**	**$ 45,479,669**

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended May 31, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Tuition and fees (net of discounts and aid of $3,347,545 and $2,967,571, respectively)	$ 25,896,700	$ -	$ 25,896,700	$ 25,687,140
Contributions and grants	244,866	869,373	1,114,239	918,903
Net investment return	(829,363)	(127,573)	(956,936)	1,934,411
Government grants and contracts	4,906,911	-	4,906,911	6,933,203
Fees for service	4,096,258	-	4,096,258	2,570,773
Rental income	112,106	-	112,106	53,100
Net assets released from restrictions	688,447	(688,447)	-	-
Total revenues, gains and other support	**35,115,925**	**53,353**	**35,169,278**	**38,097,530**
Expenses:				
Instruction	14,561,122	-	14,561,122	14,150,319
Academic support	12,503,959	-	12,503,959	11,361,110
Student services	3,899,420	-	3,899,420	3,560,691
Institutional support	3,678,784	-	3,678,784	3,686,096
Development and fundraising	500,672	-	500,672	326,357
Total expenses	**35,143,957**	**-**	**35,143,957**	**33,084,573**
Total change in net assets	**(28,032)**	**53,353**	**25,321**	**5,012,957**
Net assets, beginning of year	22,251,628	1,637,533	23,889,161	18,876,204
Net assets, end of year	**$ 22,223,596**	**$ 1,690,886**	**$ 23,914,482**	**$ 23,889,161**

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended May 31, 2021

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Revenues, gains and other support:			
Tuition and fees (net of discounts and aid) of $2,967,571)	$ 25,687,140	$ -	$ 25,687,140
Contributions and grants	195,043	723,860	918,903
Net investment return	1,650,531	283,880	1,934,411
Government grants and contracts	6,933,203	-	6,933,203
Fees for service	2,570,773	-	2,570,773
Rental income	53,100	-	53,100
Net assets released from restrictions	620,853	(620,853)	-
Total revenues, gains and other support	**37,710,643**	**386,887**	**38,097,530**
Expenses:			
Instruction	14,150,319	-	14,150,319
Academic support	11,361,110	-	11,361,110
Student services	3,560,691	-	3,560,691
Institutional support	3,686,096	-	3,686,096
Development and fundraising	326,357	-	326,357
Total expenses	**33,084,573**	**-**	**33,084,573**
Total change in net assets	**4,626,070**	**386,887**	**5,012,957**
Net assets, beginning of year	17,625,558	1,250,646	18,876,204
Net assets, end of year	**$ 22,251,628**	**$ 1,637,533**	**$ 23,889,161**

See accompanying notes to the consolidated financial statements.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Years Ended May 31, 2022	2021
Cash flows from operating activities:		
Change in net assets	$ 25,321	$ 5,012,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,245,522	1,265,242
Net realized and unrealized (gains) losses on investments	1,097,195	(1,801,887)
Bad debt expense	5,021	48,398
Gifts of marketable securities	(26,072)	(8,690)
Proceeds from contributions restricted for long-term investment	(2,500)	-
Changes in:		
Accounts receivable	(399,288)	434,176
Contributions receivable	32,488	6,173
Prepaid expenses	(30,357)	2,633
Accounts payable and accrued liabilities	(195,724)	494,828
Deferred compensation	(610,701)	310,816
Deferred revenues	501,490	(284,105)
Net cash provided by operating activities	**1,642,395**	**5,480,541**
Cash flows from investing activities:		
Proceeds from sales of investments	7,106,976	3,038,930
Purchases of investments	(10,599,182)	(6,577,118)
Purchases of property and equipment	(1,973,354)	(932,583)
Net cash used in investing activities	**(5,465,560)**	**(4,470,771)**
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	2,500	-
Forgiveness of payroll protection program loan payable	-	(2,320,523)
Payments on bonds payable	-	(724,944)
Net cash provided by (used in) financing activities	**2,500**	**(3,045,467)**
Net change in cash and cash equivalents	**(3,820,665)**	**(2,035,697)**
Cash and cash equivalents, beginning of year	10,986,024	13,021,721
Cash and cash equivalents, end of year	**$ 7,165,359**	**$ 10,986,024**

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 through May 31, 2021 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 is accredited by the New England Commission of Higher Education, Inc., American Psychological Association and the National Association of School Psychologists. 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 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 Leadership
    - 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. T21 was formally dissolved and transferred to WJC on May 31, 2021.

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, 2022 and 2021, 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, 2022 and 2021 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. 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 consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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, 2021, or fiscal year 2023 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Subsequent Events

The College has evaluated subsequent events through August 24, 2022, 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, 2022 and 2021.

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:

	2022	***2021***
Cash and cash equivalents	$ 7,165,359	$ 10,986,024
Accounts receivable, net	2,643,989	2,249,722
Investments not encumbered by donor restrictions	12,905,260	9,698,506
Total	**$ 22,714,608**	**$ 22,934,252**

Note 4 - Contributions Receivable

Contributions receivable consisted of the following at May 31:

	2022	***2021***
Unconditional promises expected to be collected in:		
Less than one year	$ 13,912	$ 42,137
One to five years	10,000	23,333
	23,912	65,470
Less: unamortized discount	(930)	(2,750)
Less: allowance for uncollectible pledges	-	(7,250)
Contributions receivable, net	**$ 22,982**	**$ 55,470**

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

At May 31, 2022 and 2021, the College had conditional promises to give of approximately $652,000 and $301,000, respectively, that are not recognized as revenues in the consolidated statements of activities.

Note 5 - Fair Value Measurements

The following table presents financial assets at May 31, 2022 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	$ 7,643,796	$ -	$ -	$ 7,643,796
Foreign	3,944,321	-	-	3,944,321
Fixed income	2,307,441	-	-	2,307,441
Mutual funds:				
Domestic	157,622	-	-	157,622
Total assets at fair value	**$ 14,053,180**	**$ -**	**$ -**	**$ 14,053,180**

The following table presents financial assets at May 31, 2021 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	$ 8,372,709	$ -	$ -	$ 8,372,709
Foreign	2,491,064	-	-	2,491,064
Mutual funds:				
Domestic	768,323	-	-	768,323
Total assets at fair value	**$ 11,632,096**	**$ -**	**$ -**	**$ 11,632,096**

Note 6 - Property and Equipment

Property and equipment consist of the following at May 31:

	2022	*2021*
Land	$ 4,618,064	$ 4,618,064
Building	13,433,766	13,433,766
Building and improvements	5,199,004	5,047,023
Furniture and equipment	1,510,858	1,510,858
Computer equipment	2,016,535	1,608,739
Construction in progress	2,462,973	365,549
	29,241,200	26,583,999
Less: accumulated depreciation	(7,699,514)	(6,480,864)
Sub-total depreciable assets	21,541,686	20,103,135
Artwork	167,200	167,200
Total	**$ 21,708,886**	**$ 20,270,335**

Depreciation expense totaled approximately $1,219,000 and $1,145,000 for the years ended May 31, 2022 and 2021, respectively. At May 31, 2022 and 2021, approximately $703,000 and $19,000 of property and equipment additions were included in accounts payable and accrued liabilities, respectively.

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% (3.50% at May 31, 2022 and 2.75% at May 31, 2021). The agreement is collateralized by substantially all of the assets of the College. There was no outstanding balance on the line of credit at May 31, 2022 and 2021.

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 was forgivable to the extent the proceeds were used for payroll, rent and utilities costs for the 24 week period through September 30, 2020 and that certain employment levels were maintained. The College used $2,320,523 of the proceeds for payroll costs during the year ended May 31, 2021 and such amount is reported as government grants and contract revenue on the consolidated statement of activities. The College used $1,654,727 of the proceeds for payroll costs during 2020. The loan was fully forgiven on June 8, 2021.

Note 8 - Bond Payable, Net

Bonds Payable

In May 2021, the College entered into a Loan and Security Agreement with the Massachusetts Development Finance Agency ("MDFA") for $22,885,000 MDFA Revenue Bonds, William James College Issue, Series 2021 to fully repay the approx. $14,614,000 that was outstanding on previously issued MDFA Series 2016A and Series 2016B bonds and to finance capital improvements for a windows replacement project in connection with the facility in Newton, Massachusetts. The loan is privately placed with a bank. $14,885,000 is outstanding at May 31, 2022 and 2021 and the College can drawdown an additional $8,000,000 over a period of thirty-six months. Interest only payments are due for the first thirty-six months followed by principal and interest commencing June 2024, including interest at a fixed rate of 2.44% through May 2031 at which point the interest rate changes to a 10-year fixed rate of 0.79% multiplied by the Federal Home Loan Bank 10/10 amortizing rate plus 1.00% through May 2051. 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 was approximately $368,000 and $390,000 for the years ended May 31, 2022 and 2021, respectively.

Deferred Financing Costs

Costs incurred in conjunction with the issuance of the Series 2016A and 2016B bonds totaling $215,913 were capitalized and were being amortized over ten years. The balance of these costs were written off in 2021 in conjunction with the repayment discussed above. Amortization expense totaled $120,551 for the year ended May 31, 2021.

Costs incurred in conjunction with the issuance of the Series 2021 bond totaling $268,722 were capitalized and are being amortized over ten years. Amortization expense totaled $26,872 and $0 for the years ended May 31, 2022 and 2021, respectively.

Note 8 - Bond Payable, Net (Continued)

Maturities of bonds payable are as follows:

Year ending May 31:		
2023	$	-
2024		-
2025		603,676
2026		618,781
2027		634,264
Thereafter		13,028,279
		14,885,000
Unamortized deferred financing costs		(241,850)
Bonds payable, net	**$**	**14,643,150**

Note 9 - Lease Commitments

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 $75,000 for the year ending May 31, 2023.

Office and classroom equipment lease expense was approximately $77,000 and $72,000 for the years ended May 31, 2022 and 2021, respectively.

Note 10 - Deferred Revenues

Deferred revenues consist of the following at May 31:

	2022	2021
Fall enrollment deposits and advanced tuition	$ 99,746	$ 94,637
Summer semester tuition prorated	2,826,121	2,909,167
Program service revenue	966,612	387,185
Total	**$ 3,892,479**	**$ 3,390,989**

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 at May 31, 2022 and 2021 totaled $7,065,737 and $5,654,057, respectively.

Operating - Discretionary funds available for carrying on the operating activities of the College. Operating funds net of related liabilities totaled $15,157,859 and $16,597,571 at May 31, 2022 and 2021, 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.

Note 11 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

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

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

	2022	***2021***
Purpose and time restricted		
Instruction and student activities	$ 405,461	$ 225,000
Scholarships	261,046	191,796
Research	11,100	-
Time restricted	22,982	55,470
Total purpose and time restricted	700,589	472,266
Donor-restricted endowment funds:		
Faculty chair	247,000	247,000
Scholarships	393,486	390,986
Total donor-restricted endowment funds	640,486	637,986
Accumulated realized and unrealized gains on restricted endowment funds:		
Faculty chair	157,266	230,008
Scholarships	192,545	297,273
Total accumulated realized and unrealized gains	349,811	527,281
Total donor-restricted endowment funds	**990,297**	**1,165,267**
Total net assets with donor restrictions	**$ 1,690,886**	**$ 1,637,533**

Note 11 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

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

	2022	2021
Instruction and student activities	$ 236,112	$ 525,917
Plant	-	26
Scholarships	418,327	59,603
Faculty chair	20,519	19,134
Time	13,489	16,173
Total	**$ 688,447**	**$ 620,853**

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, 2020	$ -	$ 927,441	$ 927,441
Net investment gain	-	283,880	283,880
Amounts appropriated for expenditure	-	(46,054)	(46,054)
Change in endowment assets	-	237,826	237,826
Endowment assets, May 31, 2021	-	1,165,267	1,165,267
Contributions and additions	-	2,500	2,500
Net investment loss	-	(127,573)	(127,573)
Amounts appropriated for expenditure	-	(49,897)	(49,897)
Change in endowment assets	-	(174,970)	(174,970)
Endowment assets, May 31, 2022	**$ -**	**$ 990,297**	**$ 990,297**

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, 2022 and 2021.

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 incurred $19,000 and $68,000 of unemployment compensation during the years ended May 31, 2022 and 2021, 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 College made a distribution to the President from the deferred compensation obligation plan in fiscal year 2022. The employer contribution totaled $111,000 and $110,000 for the years ended May 31, 2022 and 2021, respectively. Deferred compensation obligation totaled $157,622 and $768,323 as of May 31, 2022 and 2021, respectively.

Employment Agreement

The College has an employment agreement with its President through May 31, 2024. 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, 2022 and 2021, totaled approximately $528,000 and $685,000 for the years ended May 31, 2022 and 2021, respectively.

T21 maintained a 401(k) retirement savings plan that covered all eligible employees. The plan allowed 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. The T21 401(k) retirement savings plan was dissolved in 2021. Contributions to the Plan, including those accrued for at May 31 2021, totaled approximately $10,000 for the year then ended May 31, 2021.

Note 14 - Lessor Arrangements

Certain College owned property is rented to outside parties through various leasing arrangements that expire through September 2028. Rental income totaled approximately $112,000 and $53,000 for the years ended May 31, 2022 and 2021, respectively.

At May 31, 2022, future minimum lease commitments under these leases total:

2023	$	80,000
2024		91,000
2025		81,000
2026		50,000
2027		50,000
Thereafter		58,000

Note 15 - Natural Classification of Operating Expenses

Operating expenses presented by natural classification and function are as follows for the years ended May 31, 2022 and 2021:

	2022					
	Instruction	*Academic Support*	*Student Services*	*Institutional Support*	*Development & Fundraising*	*Total*
Salaries and wages	$ 10,931,345	$ 7,942,335	$ 1,570,411	$ 1,905,185	$ 287,666	$ 22,636,942
Employee benefits	1,354,481	801,919	199,143	200,095	37,550	2,593,188
Payroll taxes	779,610	461,567	114,622	102,874	21,613	1,480,286
Fees for services	61,489	1,341,695	167,240	471,441	46,366	2,088,231
Advertising and promotion	-	-	1,165,528	-	-	1,165,528
Office expenses	70,649	93,427	135,027	326,828	20,401	646,332
Information technology	33,196	610,359	276,940	108,461	51,243	1,080,199
Occupancy	463,703	285,564	68,415	83,470	12,595	913,747
Travel	2,089	4,947	68,089	4,388	994	80,507
Conferences, conventions and meetings	45,620	21,066	13,177	40,271	-	120,134
Interest	186,871	115,082	27,571	33,638	5,076	368,238
Depreciation and amortization	632,069	389,251	93,257	113,777	17,168	1,245,522
Insurance	-	-	-	288,356	-	288,356
Library	-	436,747	-	-	-	436,747
Total operating expenses	**$ 14,561,122**	**$ 12,503,959**	**$ 3,899,420**	**$ 3,678,784**	**$ 500,672**	**$ 35,143,957**

	2021					
	Instruction	*Academic Support*	*Student Services*	*Institutional Support*	*Development & Fundraising*	*Total*
Salaries and wages	$ 10,504,824	$ 7,454,989	$ 1,405,400	$ 1,612,717	$ 139,544	$ 21,117,474
Employee benefits	1,403,917	759,639	195,027	479,435	19,494	2,857,512
Payroll taxes	738,236	420,928	102,553	88,666	10,251	1,360,634
Fees for services	42,107	762,181	80,837	439,284	92,150	1,416,559
Advertising and promotion	-	-	1,166,595	-	-	1,166,595
Office expenses	45,303	73,017	105,886	356,957	8,825	589,988
Information technology	31,356	621,706	243,887	148,753	38,247	1,083,949
Occupancy	479,136	260,591	64,984	75,012	6,221	885,944
Travel	1,146	1,361	72,678	33	-	75,218
Conferences, conventions and meetings	8,902	66,708	1,404	32,047	-	109,061
Interest	211,125	114,826	28,635	33,053	2,741	390,380
Depreciation and amortization	684,267	372,158	92,805	107,128	8,884	1,265,242
Insurance	-	-	-	313,011	-	313,011
Library	-	453,006	-	-	-	453,006
Total operating expenses	**$ 14,150,319**	**$ 11,361,110**	**$ 3,560,691**	**$ 3,686,096**	**$ 326,357**	**$ 33,084,573**

Note 16 - COVID-19 Related Matters

In connection with the recent Federal stimulus programs, WJC recognized revenue associated with the Higher Education Emergency Relief Funds (“HEERF”) program of $870,881 and $500,000 for the years ended May 31, 2022 and 2021, respectively.

The College has made an application under the so-called employee retention tax credit program in the amount of approximately $3,000,000, which has not been recognized as revenue due to the conditional nature of the grant.