

Financial Statements and Report of
Independent Certified Public
Accountants

Curry College

May 31, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Curry College

Report on the financial statements

We have audited the accompanying financial statements of Curry College (a nonprofit organization) (the "College"), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

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

Grant Thornton LLP

Boston, Massachusetts
September 24, 2020

Curry College

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 11,773,243	\$ 17,950,215
Accounts receivable, net of allowance for doubtful accounts of \$2,612,242 and \$2,582,931, respectively	1,005,911	1,380,234
Student loans receivable, net of allowance for doubtful accounts of \$55,500 in 2020 and 2019	120,231	145,097
Contributions receivable	954,815	1,168,775
Other receivables	2,802,572	654,097
Prepaid expenses and other assets	791,390	615,695
Investments	95,077,997	98,597,738
Land, buildings, and equipment, net	109,195,329	110,280,554
Total assets	\$ 221,721,488	\$ 230,792,405
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,181,476	\$ 8,741,907
Student deposits and deferred revenue	3,592,136	3,670,347
Government advances - student loans	142,895	162,881
Bonds payable, net	76,067,727	79,239,695
Total current liabilities	87,984,234	91,814,830
NET ASSETS		
Without donor restrictions	127,101,369	134,548,089
With donor restrictions	6,635,885	4,429,486
Total net assets	133,737,254	138,977,575
Total liabilities and net assets	\$ 221,721,488	\$ 230,792,405

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

Curry College

STATEMENT OF ACTIVITIES

Year ended May 31, 2020
(with comparative prior year totals)

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
REVENUE, GAINS, AND OTHER SUPPORT:				
Student tuition and fees	\$ 86,945,385	\$ -	\$ 86,945,385	\$ 85,460,203
Less: institutional scholarships	(40,809,550)	-	(40,809,550)	(39,162,778)
Net student tuition and fees	46,135,835	-	46,135,835	46,297,425
Auxiliary enterprises	18,451,269	-	18,451,269	24,028,946
Government grants and contracts	-	1,934,414	1,934,414	3,965
Private gifts and grants	411,669	532,434	944,103	593,010
Income appropriated under spending policy	4,782,000	-	4,782,000	4,714,000
Interest income	258,802	-	258,802	385,493
Net assets released from restrictions	320,496	(320,496)	-	-
Total revenues, gains, and other support	70,360,071	2,146,352	72,506,423	76,022,839
EXPENSES:				
Program				
Instruction	31,896,450	-	31,896,450	31,568,832
Student services	19,698,287	-	19,698,287	20,518,531
Auxiliary enterprises	10,596,819	-	10,596,819	12,090,710
Academic support	6,468,601	-	6,468,601	6,846,790
Management and general	7,650,670	-	7,650,670	7,589,193
Institutional advancement	1,035,031	-	1,035,031	1,130,238
Total expenses	77,345,858	-	77,345,858	79,744,294
Change in net assets from operations	(6,985,787)	2,146,352	(4,839,435)	(3,721,455)
NON-OPERATING ACTIVITIES				
Gifts and bequests for long-term investment	-	18,250	18,250	143,912
Net assets released from restriction	95,607	(95,607)	-	-
Investment return	4,225,460	137,404	4,362,864	(1,438,322)
Income appropriated under spending policy	(4,782,000)	-	(4,782,000)	(4,714,000)
Total non-operating (expense) revenue	(460,933)	60,047	(400,886)	(6,008,410)
Change in net assets	(7,446,720)	2,206,399	(5,240,321)	(9,729,865)
Net assets at beginning of year	134,548,089	4,429,486	138,977,575	148,707,440
Net assets at end of year	<u>\$ 127,101,369</u>	<u>\$ 6,635,885</u>	<u>\$ 133,737,254</u>	<u>\$ 138,977,575</u>

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

Curry College

STATEMENT OF ACTIVITIES

Year ended May 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Student tuition and fees	\$ 85,460,203	\$ -	\$ 85,460,203
Less: institutional scholarships	<u>(39,162,778)</u>	<u>-</u>	<u>(39,162,778)</u>
Net student tuition and fees	46,297,425	-	46,297,425
Auxiliary enterprises	24,028,946	-	24,028,946
Government grants and contracts	3,965	-	3,965
Private gifts and grants	387,017	205,993	593,010
Income appropriated under spending policy	4,714,000	-	4,714,000
Interest income	385,493	-	385,493
Net assets released from restrictions	<u>317,830</u>	<u>(317,830)</u>	<u>-</u>
Total revenues, gains, and other support	76,134,676	(111,837)	76,022,839
EXPENSES:			
Program			
Instruction	31,568,832	-	31,568,832
Student services	20,518,531	-	20,518,531
Auxiliary enterprises	12,090,710	-	12,090,710
Academic support	6,846,790	-	6,846,790
Management and general	7,589,193	-	7,589,193
Institutional advancement	<u>1,130,238</u>	<u>-</u>	<u>1,130,238</u>
Total expenses	79,744,294	-	79,744,294
Change in net assets from operations	(3,609,618)	(111,837)	(3,721,455)
NON-OPERATING ACTIVITIES			
Gifts and bequests for long-term investment	-	143,912	143,912
Net assets released from restriction	171,077	(171,077)	-
Investment return	(1,431,704)	(6,618)	(1,438,322)
Income appropriated under spending policy	<u>(4,714,000)</u>	<u>-</u>	<u>(4,714,000)</u>
Total non-operating revenue (expense)	(5,974,627)	(33,783)	(6,008,410)
Change in net assets	(9,584,245)	(145,620)	(9,729,865)
Net assets at beginning of year	<u>144,132,334</u>	<u>4,575,106</u>	<u>148,707,440</u>
Net assets at end of year	<u>\$ 134,548,089</u>	<u>\$ 4,429,486</u>	<u>\$ 138,977,575</u>

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

Curry College

STATEMENTS OF CASH FLOWS

Years ended May 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (5,240,321)	\$ (9,729,865)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,120,801	6,645,862
Amortization of debt issuance costs	28,985	28,985
Net realized and unrealized (gain) loss on investments	(3,090,226)	2,769,518
Change in allowance for doubtful accounts	29,311	149,000
Contributions restricted for long-term investment	(18,250)	(143,912)
Change in operating assets and liabilities:		
Accounts receivable, gross	345,012	(354,468)
Other receivables	(2,148,475)	204,429
Contributions receivable	213,960	393,355
Prepaid expenses and other assets	(175,695)	(25,196)
Accounts payable and accrued expenses	(560,431)	(44,546)
Student deposits and deferred revenue	(78,211)	668,077
	<u>(3,573,540)</u>	<u>561,239</u>
Net cash (used in) provided by operating activities	(3,573,540)	561,239
Cash flows from investing activities:		
Purchases of investments	(21,958,809)	(14,967,635)
Proceeds from sale of investments	28,568,776	13,290,045
Purchases of land, buildings, and equipment	(6,035,576)	(16,188,547)
Change in capital project funds	-	6,654,208
Student loans repaid	24,866	27,665
	<u>599,257</u>	<u>(11,184,264)</u>
Net cash provided by (used in) investing activities	599,257	(11,184,264)
Cash flows from financing activities:		
Repayments of bonds payable	(3,200,953)	(3,112,696)
Proceeds from contributions restricted for long-term investment	18,250	143,912
Other financing activities	(19,986)	7,885
	<u>(3,202,689)</u>	<u>(2,960,899)</u>
Net cash used in financing activities	(3,202,689)	(2,960,899)
Net decrease in cash	(6,176,972)	(13,583,924)
Cash, beginning of year	17,950,215	31,534,139
Cash, end of year	\$ 11,773,243	\$ 17,950,215
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2,290,008	\$ 2,422,400

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

Curry College

NOTES TO FINANCIAL STATEMENTS

May 31, 2020 and 2019

NOTE 1 - ORGANIZATION

Curry College (the "College") was established in 1879 and serves as an independent institution offering undergraduate and graduate degrees to approximately 3,100 full and part-time students who are primarily from New England and the Mid-Atlantic states. The College's main campus is located on approximately 130 acres in Milton, Massachusetts and a branch campus is located in Plymouth, Massachusetts. The College is accredited by The New England Commission of Higher Education and offers students a rich blend of liberal arts and career-directed programs, including business management, nursing, communication, education, and criminal justice. The College is a nationally recognized leader in educating students with learning differences. The College also offers Master in Education, Master in Criminal Justice, Master in Business Administration, Master in Nursing, and Master in Accounting degrees.

The College participates in student financial assistance programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts, which facilitate the payment of tuition and other expenses for certain students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Also included in this category are net assets designated by the Board of Trustees, including "funds functioning as endowment".

With donor restrictions - Net assets subject to donor-imposed restrictions that permit the College to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the College. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but may permit the College to use or expend part or all of the economic benefits derived from the donated assets.

Interest, dividends, and net gains or losses on investments are reported as follows:

- as increases or decreases in net assets with donor restrictions if the terms of the gift require they be applied to the principal of a permanently endowed fund;
- as increases or decreases in net assets with donor restrictions if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and
- as increases or decreases in net assets without donor restrictions in all other cases.

Non-operating revenue/expenses include endowment gifts, gifts for property and equipment, investment income and loss on long-term investments, realized and unrealized gains and losses on long-term investments, loss on sale of assets, and net assets released from restrictions for capital acquisitions. To the extent investment income and gains/losses are used for operations as defined by the College's Board approved spending rate policy (see Note 9), they are reclassified as income appropriated under spending policy on the statement of activities. All other activity is classified as operating revenue/expenses.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

The College reports gifts of equipment or other assets as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash accounts and short-term investments with maturities from date of purchase of three months or less. The carrying value of these cash equivalents is a reasonable estimate of fair value due to their short-term nature. Fair value is determined based on quoted market value prices with the exception of cash sweep accounts and certificates of deposit, which are carried at their principal amount.

Allowance for Doubtful Accounts

The College establishes an allowance for doubtful accounts for accounts receivable amounts that may not be collectible. The College evaluates the allowance for doubtful accounts periodically based on the age of its accounts receivable balances, the number of active and inactive students and an analysis of its collection history. The College writes off accounts receivable when they are determined to be uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Student Loans Receivable

Student loans receivable are recorded at their estimated net realizable value and include both institutional funds and student Perkins loans. Student Perkins loans are funded through federal government loan programs or institutional resources. For all loans, management estimates the allowance for credit losses based on historical collection experience and current economic conditions.

On September 30, 2017, the federal government terminated the Perkins loan program. No additional loans under this program are authorized to be awarded after this date. In the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the federal government. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the government advances for students.

Other Receivables

Other receivables include funds owed to the College by third parties, including the Department of Education, for services or agreements. All other receivables are expected to be collected in fiscal year 2021.

Bond Issuance Costs

Costs relating to the issuance of long-term debt are netted against the liability for bonds payable to which they pertain and subsequently amortized into the statement of activities over the term of the debt repayment period using the straight-line method. Debt issuance costs of \$641,530 and \$670,515, net of amortization expense, at May 31, 2020 and 2019, respectively, have been presented as a deduction from the related bonds payable.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Investments

Investments are stated at fair value. The value of publicly traded securities is based upon quoted market prices and net asset values ("NAV"). Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third-party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics prior to investment and on a regular basis going forward. Management believes that these valuations are a reasonable estimate of fair value as of May 31, 2020 and May 31, 2019, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Fair Value Measurement

The College follows the accounting and disclosure standards pertaining to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The College uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the College. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant adjustment or estimation.

An asset's or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The College follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, investments measured using the NAV practical expedient are exempt from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the required information for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, or if received as a gift, at fair value at the date of receipt. Maintenance and repairs are charged to operations as incurred, while betterments and additions are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	20 - 37 years
Building improvements	10 - 30 years
Land improvements	10 - 30 years
Furniture, equipment, and vehicles	3 - 10 years
Library books	10 years

Conditional Asset Retirement Obligations

Existing laws, regulations, or contracts may require the College to perform an asset retirement activity even if that activity can be deferred indefinitely. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, the College recognizes a liability for the fair value of conditional asset retirement obligations based on estimated retirement requirements. As of May 31, 2020 and 2019, the College's estimated liability was approximately \$276,000, which is included in the accounts payable and accrued expenses in the accompanying statements of financial position.

Government Advances - Student Loans

These amounts include funds advanced to the College under the Federal Perkins Loan Program. On September 30, 2017, the Federal government terminated the Perkins Loan Program. No additional loans under this program are authorized to be awarded after this date. In the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the Federal government.

Revenue Recognition

A substantial portion of the College's revenue is derived from student tuition and fees, including federal and state student assistance, private contributions, and auxiliary enterprises related to the College. Auxiliary enterprises include activities related to food and housing services provided by the College. Auxiliary enterprises also include revenue from the bookstore, rental income related to the College's management of a state-owned skating rink, revenue from the early childhood education center, and rental revenue from third parties who use the College's campus facilities during the summer months. Tuition, fees, and auxiliary revenue are recognized as revenue in the period to which they relate. Student deposits and deferred revenue represent tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided.

Contribution revenue is recorded at fair value at the time of the transfer. Transactions reported as contributions represent transfers to the College of cash, or other assets, or the cancellation of its liabilities in a nonreciprocal and voluntary transfer.

Federal and State Student Assistance

Financial aid for students is provided by grants and loans through programs of the federal government and the Commonwealth of Massachusetts. Federal aid totaled approximately \$26,049,000 and \$23,702,000 for the years ended May 31, 2020 and 2019, respectively. Massachusetts state aid totaled approximately \$779,000 and \$744,000 for the years ended May 31, 2020 and 2019, respectively. This aid is paid for the benefit of the students and is not included in the statements of activities.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Institutional Scholarships

Although reported in the statement of activities as an adjustment to revenue, the College's grants for scholarships are managed as a core program expense. The financial aid program assists students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of grants and loans designed to help cover some of the costs of attendance when combined with student and family contributions based on their ability to pay. Additionally, the College maintains a merit aid program. Student assistance is funded, in part, by income from endowed scholarship funds, gifts for specific scholarships, and other gifts available for use in current operations. Institutional scholarships totaled \$40,809,550 and \$39,162,778 for the years ended May 31, 2020 and 2019, respectively.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the years ended May 31, 2020 and 2019 were approximately \$832,000 and \$800,000, respectively, and are included in management and general, and institutional advancement expenses on the statements of activities.

Income Taxes

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Such estimates include allowances for doubtful accounts, the liability for conditional asset retirement obligations, and estimated useful lives of land, buildings, and equipment. Actual results could differ from those estimates.

Related Party Transactions

The College has conflict of interest policies to protect its interests in connection with related party transactions. For the years ended May 31, 2020 and May 31, 2019, the College was a party to separate transactions involving one member of its Board of Trustees who provided function hosting services to the College. Related party transactions totaled approximately \$17,000 for the years ended May 31, 2020 and 2019. Prior to entering into these transactions, the College obtained competitive cost and other information from unrelated vendors and management believes the terms and conditions from these related parties were more favorable to the College. These transactions were settled in accordance with the College's customary trade payables practices.

Concentrations of Credit Risk

The College's main concentrations of potential credit risk involve cash and cash equivalents, investments, and student accounts receivable. The College limits this risk by investing otherwise available cash balances in a fully-insured demand deposit marketplace sweep account ("marketplace sweep account") with a bank, utilizing mutual funds with appropriate investment objectives for its longer term fixed income investments and maintaining responsive payment and collection policies, including financial counseling, for its students.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

The marketplace sweep account allows the College to maintain Federal Deposit Insurance Corporation (“FDIC”) insurance on cash balances by distributing funds that exceed the amounts necessary for College obligations to accounts at multiple banks, each of which maintains an FDIC insurance level of \$250,000. All funds in the marketplace sweep account are available to the College for use daily.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). The objective of the new guidance is to establish the principles to report useful information to users of financial statements about the nature, timing and uncertainty of revenue from contracts with customers. In June 2020, the FASB issued ASU 2020-05 which included a deferral by one year the effective date of ASU 2014-09, to the year ending May 31, 2021 for the College. The College does not believe the adoption of this guidance will have a material impact on its financial statements.

Leases (Topic 842)

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

NOTE 3 - LIQUIDITY AND AVAILABILITY

The College’s financial assets available within one year of the statements of financial position for general expenditure are as follows as of May 31, 2020:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 11,773,243	\$ 17,950,215
Accounts receivable to be collected during the year	1,005,911	1,380,234
Contributions receivable to be collected during the year	458,815	530,442
Other receivables to be collected during the year	2,396,301	246,478
Fiscal year spending policy	4,863,000	4,782,000
Total financial assets available within one year	20,497,270	24,889,369
Liquidity resources:		
Bank line of credit	3,000,000	3,000,000
Total financial assets and liquidity resources available within one year	\$ 23,497,270	\$ 27,889,369

As part of the College’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the College has available a line of credit in the amount of \$3,000,000 which it could draw upon. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized at May 31:

	2020	2019
Unconditional promises are expected to be collected in:		
Less than one year	\$ 458,815	\$ 530,442
One to five years	496,000	638,333
	\$ 954,815	\$ 1,168,775

The College discounts contributions receivable using a risk-free rate based upon U.S. Treasury notes. For the years ended May 31, 2020 and 2019, the College has determined that discounts on contributions receivable are not material to the financial statements.

NOTE 5 - INVESTMENTS

The fair value of investments at May 31, 2020 and 2019 are summarized as follows:

	2020	2019
Equity strategies:		
U.S. equities	\$ 23,448,041	\$ 22,583,579
Emerging market equities	2,787,230	2,847,149
Marketable alternatives	12,398,885	6,894,650
International equities	32,325,801	42,024,753
Fixed-Income Strategies:		
Cash and cash equivalents	13,119,466	13,423,548
Fixed income securities	10,998,574	10,824,059
	\$ 95,077,997	\$ 98,597,738
Total		

Equity Strategies

Equity investments include direct and indirect investments in equity securities of U.S. companies of all sizes. The purpose of the equity allocation is to provide a total return that will provide for both growth in principal and, to a lesser extent, current income.

International and emerging market equity investments include direct and indirect investments in equity securities of companies located in developed, emerging, and frontier market countries outside the U.S. In addition to sharing the purpose of the domestic equity allocation, international equity investments allow exposure to countries that may be growing faster than the United States.

Fixed-Income Strategies

Fixed income investments, both core and global, include cash, cash equivalents, and direct and indirect investments in bonds and other income securities. The purposes of these fixed-income allocations are to provide a deflation hedge and to reduce the overall volatility of the portfolio through additional diversification. Investments in cash and cash equivalents are also intended to preserve liquid capital for future investment or other cash needs of the College.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Income (loss) on investments for the years ended May 31 consisted of the following:

	2020	2019
Investment returns:		
Interest and dividends	\$ 1,661,957	\$ 1,695,030
Realized and unrealized gains (losses)	3,090,226	(2,767,984)
Investment fees	(389,319)	(365,368)
Total investment return	\$ 4,362,864	\$ (1,438,322)

Fair Value Measurements

The following table presents the College's investments by level within the valuation framework at May 31:

	May 31, 2020		
	Level 1	Measured at net asset value*	Total
Investments			
Cash and cash equivalents	\$ 13,119,466	\$ -	\$ 13,119,466
U.S. equities	23,448,041	-	23,448,041
International equities	14,524,669	-	14,524,669
Marketable alternatives	6,516,832	-	6,516,832
Fixed-income securities	10,998,574	-	10,998,574
Alternative investments**:			
U.S. equities	-	5,882,053	5,882,053
International equities	-	17,801,132	17,801,132
Emerging market equities	-	2,787,230	2,787,230
Total	\$ 68,607,582	\$ 26,470,415	\$ 95,077,997
	May 31, 2019		
	Level 1	Measured at net asset value*	Total
Investments			
Cash and cash equivalents	\$ 13,423,548	\$ -	\$ 13,423,548
U.S. equities	22,583,579	-	22,583,579
International equities	22,364,252	-	22,364,252
Marketable alternatives	6,894,650	-	6,894,650
Fixed-income securities	10,824,059	-	10,824,059
Alternative investments**:			
International equities	-	19,660,501	19,660,501
Emerging market equities	-	2,847,149	2,847,149
Total	\$ 76,090,088	\$ 22,507,650	\$ 98,597,738

* Certain investments that are measured at fair value using the NAV per share (or its equivalents) practical expedient have not been categorized in the fair value hierarchy above. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

** Investments are redeemable in 30 days or less. There are no future purchase commitments for these investments.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at May 31:

	2020	2019
Land and land improvements	\$ 13,647,783	\$ 13,378,080
Building and building improvements	159,527,384	136,107,450
Furniture, equipment, and vehicles	32,874,568	30,992,569
Library books	1,921,632	1,921,632
Subtotal	207,971,367	182,399,731
Accumulated depreciation and amortization	(99,318,629)	(92,267,282)
Subtotal	108,652,738	90,132,449
Construction-in-process	542,591	20,148,105
Land, buildings, and equipment, net	\$ 109,195,329	\$ 110,280,554

Depreciation expense was \$7,120,801 and \$6,645,862 for the years ended May 31, 2020 and 2019, respectively.

NOTE 7 - LINE OF CREDIT

The College has a \$3,000,000 line of credit with a bank, renewable annually in November. The terms of the arrangement require payment of interest only on a monthly basis, at the Wall Street Journal prime rate minus 0.25% (3.25% and 5.50% at May 31, 2020 and 2019, respectively). Provisions of the agreement require the College to have no outstanding balance under the line of credit for two 60-day periods during the year. Borrowings are collateralized by accounts receivable. There were no borrowings outstanding under the line of credit as of May 31, 2020 or 2019, nor were there any borrowings against the line of credit during either fiscal year.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 8 - BONDS PAYABLE

Bonds payable consisted of the following at May 31:

	2020	2019
Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2013, dated December 20, 2013. The bonds carry an initial 10-year fixed rate of 2.90% which reset on the 10th and 20th anniversaries based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2043. The bonds are secured on a parity basis by substantially all real and personal property of the College.	\$ 30,790,000	\$ 32,505,000
Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2015, dated January 30, 2015. The bonds carry an initial 10-year fixed rate of 2.85% which reset on the 10th anniversary based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2035. The bonds are secured on a parity basis by substantially all real and personal property of the College.	11,842,091	12,464,683
Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2016A, dated March 21, 2016. The bonds carry an initial 10-year fixed rate of 2.90% which resets on the 10th anniversary based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2046. The bonds are secured on a parity basis by substantially all real and personal property of the College.	25,204,283	25,842,845
Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2016B, dated June 21, 2016. The bonds carry an initial 10-year fixed rate of 2.90% which resets on the 10th and 20th anniversaries based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2046. The bonds are secured on a parity basis by substantially all real and personal property of the College.	8,872,883	9,097,682
Total bonds payable	76,709,257	79,910,210
Less: Unamortized debt issue costs	641,530	670,515
Bond payable, net	\$ 76,067,727	\$ 79,239,695

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Future principal payments are as follows:

2021	\$ 3,296,804
2022	3,394,070
2023	3,496,363
2024	3,600,384
2025	3,705,947
Thereafter	<u>59,215,689</u>
Total	<u>\$ 76,709,257</u>

The Mortgage and Trust Agreement dated April 1, 1999, as supplemented and amended by agreements with regard to the 2013, 2015, 2016A and 2016B bond issues, contains certain financial covenants which provide for, among other things, minimum debt service coverage and cash and investment reserve ratios. As of May 31, 2020 and 2019, the College was in compliance with these financial covenants.

Interest expense was approximately \$2,246,000 and \$2,155,000 for the years ended May 31, 2020 and 2019, respectively. The College recorded capitalized interest of approximately \$67,000 and \$245,000 and for the years ended May 31, 2020 and 2019, respectively.

NOTE 9 - ENDOWMENT

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments. Quasi-endowment funds are internally restricted until such time as the Board of Trustees votes to release such funds for specific purposes or for the general use of the College. The aggregate of such board-designated funds is \$85,652,812 and \$89,444,538 as of May 31, 2020 and 2019, respectively, and is included in net assets without donor restrictions in the accompanying statements of financial position.

Interpretation of Relevant Law

The College has continued to follow its policy, under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), of requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowment, (b) the original value of subsequent gifts to permanent endowment, if any, and (c) accumulations to permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until they are appropriated for expenditure in a manner consistent with the donor's intentions, the College's spending policy and in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are then reported in net assets with donor restrictions. In the event that a donor-restricted endowment fund is in a deficiency, the spending rate for that fiscal year is taken only to the extent of current year net interest and dividend income for that fund. As of May 31, 2020 and 2019, the College had no funds with deficiencies.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Strategies Employed for Achieving Objectives

The primary objective is to utilize a total return approach with a cross section of fixed income and equity securities through mutual funds that combine income and dividend growth for inflation protection, and earnings growth and credit enhancement for appreciation.

Endowment Investment Policy

The College has adopted an investment philosophy that attempts to provide current income, long-term returns and growth at a rate in excess of inflation, and a diversity of endowment assets in order to reduce the risk of incurring large losses or wide swings in market value from year to year, and to achieve investment results, over the long term, that compare favorably with appropriate market indexes. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Spending Policy

Under the College's quasi-endowment spending policy in effect for the years ended May 31, 2020 and 2019, up to 5% of the rolling 12-quarter average market value of the quasi endowment as of December 31 preceding the applicable fiscal year was appropriated for current operations. This appropriation amounted to \$4,782,000 and \$4,714,000 for the years ended May 31, 2020 and 2019, respectively. The College appropriates interest, dividends, and realized and unrealized gains and losses to donor-restricted endowed funds as spending distributions.

Endowment Fund Net Assets

	May 31, 2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 4,701,471	\$ 4,701,471
Board-designated funds	85,652,812	-	85,652,812
Total endowment net assets	\$ 85,652,812	\$ 4,701,471	\$ 90,354,283
	May 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 4,429,486	\$ 4,429,486
Board-designated funds	89,444,538	-	89,444,538
Total endowment net assets	\$ 89,444,538	\$ 4,429,486	\$ 93,874,024

The table above includes donor-restricted funds, which are purpose or time restricted in addition to accumulated earnings on donor-restricted endowment funds. Accumulated earnings on donor-restricted endowment funds was \$974,721 and \$910,615 at May 31, 2020 and 2019, respectively.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

Endowment Fund Activity

	For the year ended May 31, 2020		
	Without donor restrictions	With donor restrictions	Total
Net assets, beginning of year	\$ 89,444,538	\$ 4,429,486	\$ 93,874,024
Investment return:			
Investment income	1,232,569	40,069	1,272,638
Realized and unrealized gains, net	2,992,891	97,335	3,090,226
Total investment return	4,225,460	137,404	4,362,864
Net gifts, grants, and pledge payments	-	550,684	550,684
Quasi-endowment spending draw	(4,782,000)	-	(4,782,000)
Supplemental endowment draw	(3,235,186)	-	(3,235,186)
Appropriation of endowment assets for expenditure and other releases	-	(416,103)	(416,103)
Net assets, end of year	<u>\$ 85,652,812</u>	<u>\$ 4,701,471</u>	<u>\$ 90,354,283</u>

	For the year ended May 31, 2019		
	Without donor restrictions	With donor restrictions	Total
Net assets, beginning of year	\$ 95,590,242	\$ 4,575,106	\$ 100,165,348
Investment return (loss):			
Investment income	1,637,780	57,250	1,695,030
Realized and unrealized losses, net	(3,069,484)	(63,868)	(3,133,352)
Total investment return (loss)	(1,431,704)	(6,618)	(1,438,322)
Net gifts, grants, and pledge payments	-	349,905	349,905
Quasi-endowment spending draw	(4,714,000)	-	(4,714,000)
Appropriation of endowment assets for expenditure and other releases	-	(488,907)	(488,907)
Net assets, end of year	<u>\$ 89,444,538</u>	<u>\$ 4,429,486</u>	<u>\$ 93,874,024</u>

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as to use are for the following purposes at May 31:

	2020	2019
Scholarships	\$ 1,374,115	\$ 1,317,269
Instruction	574,981	405,063
Student services	2,287,161	366,557
Plant improvements	245,800	245,801
Institutional support	189,852	169,691
Auxiliary enterprises	127,681	117,778
Academic support	157,513	146,795
Total	\$ 4,957,103	\$ 2,768,954

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended May 31:

	2020	2019
Instructions	\$ 89,556	\$ 147,931
Scholarships	81,290	117,388
Academic support	2,032	100,581
Student services	239,624	98,762
Auxiliary enterprises	3,600	24,245
Total	\$ 416,102	\$ 488,907

Net assets restricted by donors for permanent endowment consisted of the following at May 31:

	2020	2019
Appreciation restricted for:		
Scholarships	\$ 1,448,103	\$ 1,430,853
Lectures	105,006	105,006
General endowment	69,987	69,987
Instruction	55,686	54,686
Total	\$ 1,678,782	\$ 1,660,532

NOTE 11 - RETIREMENT PLANS

The College maintains a defined contribution retirement plan under the Code Section 403(b). For eligible employees, the College makes matching contributions into the plan. An eligible employee is defined as an employee who has completed one year of eligible service and works 1,000 hours annually. The College also allows employees to make supplemental contributions that are not matched by the College. Both the employee and the College's contributions vest immediately. Total expenses under this plan amounted to approximately \$2,335,000 and \$2,383,000 for the years ended May 31, 2020 and 2019, respectively.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The College leases certain property, equipment, and vehicles under operating leases expiring through 2022. Rental expense for the leases amounted to approximately \$473,000 and \$394,000 for the years ended May 31, 2020 and 2019, respectively. The future minimum lease payments, at May 31, 2020, for each of the next two years and in the aggregate are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 228,321
2022	<u>128,528</u>
Total	<u>\$ 356,849</u>

Substantially all of the College's faculty are covered by a collective bargaining agreement and are represented by the Curry College Chapter of the American Association of University Professors (the "AAUP"). The College's agreement with its faculty does not provide for tenure. The College has a system of rolling contracts whereby faculty members who have achieved a status similar to tenure are perpetually in the first year of a three-year contract and can only be terminated for cause. The agreement also provides for certain potential post-employment and post-retirement benefits. The College had recorded estimated liabilities for the probable cost of providing these benefits in the amount of approximately \$56,400 and \$89,900 at May 31, 2020 and 2019, respectively. The estimates were based on the expected timing of when each individual faculty member will become eligible for these benefits (based on age and years of service), the experience of faculty utilizing these benefits and the terms of the recent bargaining agreement, which was executed on June 1, 2020 with an extended term through May 31, 2022.

In conducting its activities, the College from time to time is the subject of various legal claims. Management believes that the ultimate resolution of any such claims would not have a material adverse effect on the financial position of the College.

NOTE 13 - FUNCTIONAL EXPENSES

The College's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student services, and academic support are incurred in support of this program activity. Natural expenses attributable to more than one functional expense category are allocated based on percentage of effort, usage, square footage, and other criteria.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

The College's expenses on a functional basis for the year ended May 31, 2020 were as follows:

	Program Services	Management and General	Institutional Advancement	Total	FY19
Salaries	\$ 33,915,346	\$ 3,366,682	\$ 459,592	\$ 37,741,620	\$ 38,716,049
Benefits	9,545,751	1,049,963	132,382	10,728,096	10,694,198
Contracted Services	3,496,010	912,706	134,563	4,543,279	4,384,518
Rental and Maintenance	2,312,617	180,638	12,224	2,505,479	2,727,827
Utilities	2,072,175	155,289	28,082	2,255,546	2,855,106
Interest	2,098,348	93,785	54,094	2,246,227	2,154,704
Depreciation	6,654,787	374,536	91,478	7,120,801	6,645,862
Dining	3,187,523	-	-	3,187,523	4,323,615
Other Expenses	5,377,600	1,517,071	122,616	7,017,287	7,242,415
Total expenses	\$ 68,660,157	\$ 7,650,670	\$ 1,035,031	\$ 77,345,858	\$ 79,744,294

The College's expenses on a functional basis for the years ended May 31, 2019 were as follows:

	Program Services	Management and General	Institutional Advancement	Total
Salaries	\$ 34,883,202	\$ 3,460,194	\$ 372,653	\$ 38,716,049
Benefits	9,538,241	1,051,423	104,534	10,694,198
Contracted Services	3,324,763	959,079	100,676	4,384,518
Rental and Maintenance	2,571,297	140,154	16,376	2,727,827
Utilities	2,625,233	194,669	35,204	2,855,106
Interest	1,999,607	98,422	56,675	2,154,704
Depreciation	6,221,099	333,345	91,418	6,645,862
Dining	4,323,615	-	-	4,323,615
Other Expenses	5,537,806	1,351,907	352,702	7,242,415
Total expenses	\$ 71,024,863	\$ 7,589,193	\$ 1,130,238	\$ 79,744,294

NOTE 14 - COVID-19

The outbreak of COVID-19 has caused domestic and global disruption in operations of higher education institutions. Consequently, the College closed its campus beginning in mid-March 2020 and taught the remainder of the spring 2020 semester on-line. As a result, the College refunded approximately \$5,500,000 of room and board to students during fiscal year 2020.

During fiscal year 2020, the College received funding from the Department of Education ("DoED") under the CARES Act. The funds were administered to higher education institutions based on a formula devised by the DoED. The funds were administered as the Higher Education Emergency Relief Fund ("HEERF") and split into two equal portions; one portion for the institution to help defray costs associated with moving to a remote learning platform, the other portion to be disbursed to students who incurred expenses as a result of moving to remote learning. Curry College was awarded \$1,934,414, half of which was paid out directly to students, and half that was immediately utilized to offset lost room and board revenue. The HEERF funds were drawn down from the DoED after year end and are included in other receivables in the accompanying statement of financial position.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

The full impact of COVID-19 and the scope of any adverse impact on the College's finances and operations cannot be fully determined at this time.

NOTE 15 - SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, the College evaluated subsequent events occurring through September 24, 2020, the date that the financial statements were issued.