



Consolidated Financial Statements
William James College, Inc. and Affiliate
May 31, 2023 and 2022



WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Financial Statements

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of William James College, Inc. and Affiliate (the "College"), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, 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 Affiliate as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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.

Maya Heyman McCann P.C.

Boston, Massachusetts
September 14, 2023

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	<i>May 31,</i>	
	2023	2022
Assets		
Cash and cash equivalents	\$ 5,837,562	\$ 7,165,359
Accounts receivable, net of allowances for doubtful accounts of \$200,000 at May 31, 2023 and 2022	2,499,208	2,643,989
Contributions receivable, net	2,982	22,982
Prepaid expenses	635,073	316,379
Investments	16,828,479	14,053,180
Property and equipment, net	<u>24,591,180</u>	<u>21,708,886</u>
Total assets	<u>\$ 50,394,484</u>	<u>\$ 45,910,775</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,215,548	\$ 3,303,042
Deferred revenues	4,076,815	3,892,479
Bond payable, net	18,670,022	14,643,150
Deferred compensation	<u>183,812</u>	<u>157,622</u>
Total liabilities	<u>26,146,197</u>	<u>21,996,293</u>
Net assets:		
Without donor restrictions	22,837,867	22,223,596
With donor restrictions	<u>1,410,420</u>	<u>1,690,886</u>
Total net assets	<u>24,248,287</u>	<u>23,914,482</u>
Total liabilities and net assets	<u>\$ 50,394,484</u>	<u>\$ 45,910,775</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended May 31, 2023
(with comparative totals for 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Tuition and fees (net of discounts and aid of \$3,769,777 and \$3,347,545, respectively)	\$ 26,864,457	\$ -	\$ 26,864,457	\$ 25,896,700
Contributions and grants	219,824	1,652,784	1,872,608	1,114,239
Net investment return	(94,967)	(14,004)	(108,971)	(956,936)
Government grants and contracts	6,836,564	-	6,836,564	4,906,911
Fees for service	4,865,595	-	4,865,595	4,096,258
Rental income	125,047	-	125,047	112,106
Net assets released from restrictions	1,919,246	(1,919,246)	-	-
Total revenues, gains and other support	40,735,766	(280,466)	40,455,300	35,169,278
Expenses:				
Instruction	15,741,172	-	15,741,172	14,561,122
Academic support	15,423,425	-	15,423,425	12,503,959
Student services	4,396,315	-	4,396,315	3,899,420
Institutional support	4,030,994	-	4,030,994	3,678,784
Development and fundraising	529,589	-	529,589	500,672
Total expenses	40,121,495	-	40,121,495	35,143,957
Total change in net assets	614,271	(280,466)	333,805	25,321
Net assets, beginning of year	22,223,596	1,690,886	23,914,482	23,889,161
Net assets, end of year	\$ 22,837,867	\$ 1,410,420	\$ 24,248,287	\$ 23,914,482

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended May 31, 2022

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenues, gains and other support:			
Tuition and fees (net of discounts and aid of \$3,347,545)	\$ 25,896,700	\$ -	\$ 25,896,700
Contributions and grants	244,866	869,373	1,114,239
Net investment return	(829,363)	(127,573)	(956,936)
Government grants and contracts	4,906,911	-	4,906,911
Fees for service	4,096,258	-	4,096,258
Rental income	112,106	-	112,106
Net assets released from restrictions	688,447	(688,447)	-
	<u>35,115,925</u>	<u>53,353</u>	<u>35,169,278</u>
Total revenues, gains and other support			
Expenses:			
Instruction	14,561,122	-	14,561,122
Academic support	12,503,959	-	12,503,959
Student services	3,899,420	-	3,899,420
Institutional support	3,678,784	-	3,678,784
Development and fundraising	500,672	-	500,672
	<u>35,143,957</u>	<u>-</u>	<u>35,143,957</u>
Total expenses			
Total change in net assets	(28,032)	53,353	25,321
Net assets, beginning of year	<u>22,251,628</u>	<u>1,637,533</u>	<u>23,889,161</u>
Net assets, end of year	\$ <u>22,223,596</u>	\$ <u>1,690,886</u>	\$ <u>23,914,482</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

	Years Ended May 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 333,805	\$ 25,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,441,201	1,245,522
Net realized and unrealized losses on investments	404,190	1,097,195
Bad debt expense	(16,755)	5,021
Gifts of marketable securities	(963)	(26,072)
Proceeds from contributions restricted for long-term investment	(2,500)	(2,500)
Changes in:		
Accounts receivable	161,536	(399,288)
Contributions receivable	20,000	32,488
Prepaid expenses	(318,694)	(30,357)
Accounts payable and accrued liabilities	315,922	(195,724)
Deferred compensation	26,190	(610,701)
Deferred revenues	184,336	501,490
	<u>2,548,268</u>	<u>1,642,395</u>
Net cash provided by operating activities	2,548,268	1,642,395
Cash flows from investing activities:		
Proceeds from sales of investments	3,893,640	7,106,976
Purchases of investments	(7,072,166)	(10,599,182)
Purchases of property and equipment	(4,700,039)	(1,973,354)
	<u>(7,878,565)</u>	<u>(5,465,560)</u>
Net cash used in investing activities	(7,878,565)	(5,465,560)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	2,500	2,500
Proceeds from bonds payable	4,000,000	-
	<u>4,002,500</u>	<u>2,500</u>
Net cash provided by financing activities	4,002,500	2,500
Net change in cash and cash equivalents	(1,327,797)	(3,820,665)
Cash and cash equivalents, beginning of year	7,165,359	10,986,024
Cash and cash equivalents, end of year	\$ <u>5,837,562</u>	\$ <u>7,165,359</u>

See accompanying notes to the consolidated financial statements.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 1 - Organization

Nature of Activities

The consolidated financial statements include the accounts of William James College, Inc. (“WJC”), and M. Gorman Psychological Associates, Inc. (“M. Gorman”). 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.

Basis of Consolidation

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

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to 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, 2023 and 2022, 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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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, 2023 and 2022 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.

At May 31, 2023 and 2022, the College had conditional promises to give of approximately \$703,000 and \$652,000, respectively, that are not recognized as revenues in the consolidated statements 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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

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.

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

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.

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 13 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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Leases and Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02 (“ASU 2016-02”), *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for virtually all leases. The liability is based on the present value of lease payments and the asset is based on the liability. For income statement purposes, a dual model was retained requiring leases to be either classified as operating or finance. Operating leases result in straight-line expense while finance leases result in a front-loaded expense pattern. Additional quantitative and qualitative disclosures are required. ASU 2016-02 is required for private entities for fiscal years beginning after December 15, 2021. The College adopted ASU-2016-02 on June 1, 2022. At the date of adoption, no leases met the criteria for recognition. During 2023, a new lease was executed leading to a right-of-use asset and liability of approximately \$278,000. At May 31, 2023, the right-of-use asset of approximately \$248,000 is reported in prepaid expenses, and the lease liability of approximately \$248,000 is reported in accounts payable and accrued liabilities. Operating lease and short-term lease expense totaled approximately \$75,000 for the year ended May 31, 2023. Given the de minimis nature of the balances, further disclosure is omitted.

Pending Accounting Pronouncements

Several new accounting pronouncements are pending in future years including accounting for the measurement of credit losses on financial instruments. Management is currently evaluating the impact of this standard. Other pending accounting standards are expected to have limited impact.

Subsequent Events

The College has evaluated subsequent events through September 14, 2023, 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 identify the sources and uses of the College’s cash and show positive cash generated by operations for the years ended May 31, 2023 and 2022.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 3 - Liquidity and Availability (Continued)

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 4 and 9 for further information about the College's investment portfolio, net assets and endowment funds.

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

	2023	2022
Cash and cash equivalents	\$ 5,837,562	\$ 7,165,359
Accounts receivable, net	2,499,208	2,643,989
Investments not encumbered by donor restrictions	<u>15,717,256</u>	<u>12,905,260</u>
Total	<u>\$ 24,054,026</u>	<u>\$ 22,714,608</u>

Note 4 - Fair Value Measurements

The following table presents financial assets at May 31, 2023 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	\$ 6,249,985	\$ -	\$ -	\$ 6,249,985
Foreign	3,610,515	-	-	3,610,515
Fixed income	1,287,592	5,496,575	-	6,784,167
Mutual funds:				
Domestic	<u>183,812</u>	<u>-</u>	<u>-</u>	<u>183,812</u>
Total assets at fair value	<u>\$ 11,331,904</u>	<u>\$ 5,496,575</u>	<u>\$ -</u>	<u>\$ 16,828,479</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 4 - Fair Value Measurements (Continued)

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

Note 5 - Property and Equipment

Property and equipment consist of the following at May 31:

	2023	2022
Land	\$ 4,618,064	\$ 4,618,064
Building	13,433,766	13,433,766
Building and improvements	10,199,004	5,199,004
Furniture and equipment	1,510,858	1,510,858
Computer equipment	2,284,192	2,016,535
Construction in progress	1,491,939	2,462,973
	33,537,823	29,241,200
Less: accumulated depreciation	(9,113,843)	(7,699,514)
Sub-total depreciable assets	24,423,980	21,541,686
Artwork	167,200	167,200
Total	\$ 24,591,180	\$ 21,708,886

Depreciation expense totaled approximately \$1,414,000 and \$1,219,000 for the years ended May 31, 2023 and 2022, respectively. At May 31, 2023 and 2022, approximately \$299,000 and \$703,000 of property and equipment additions were included in accounts payable and accrued liabilities, respectively.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 6 - 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% (7.75% at May 31, 2023 and 3.50% at May 31, 2022). 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, 2023 and 2022.

Note 7 - Bond Payable, Net

Bonds Payable

The College maintains 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. The funds were used to fully repay the approximately \$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. \$18,885,000 and \$14,885,000 is outstanding at May 31, 2023 and 2022, respectively. The College drew down \$4,000,000 during 2023, and can drawdown an additional \$4,000,000 over a period of twelve 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 \$440,000 and \$368,000 for the years ended May 31, 2023 and 2022, respectively.

Deferred Financing Costs

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 for the years ended May 31, 2023 and 2022.

Maturities of bonds payable are as follows:

Year ending May 31:		
2024	\$	-
2025		603,676
2026		618,781
2027		634,264
2028		648,735
Thereafter		<u>16,379,544</u>
		18,885,000
Unamortized deferred financing costs		<u>(214,978)</u>
Bonds payable, net	\$	<u>18,670,022</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 8 - Deferred Revenues

Deferred revenues consist of the following at May 31:

	2023	2022
Fall enrollment deposits and advanced tuition	\$ 116,108	\$ 99,746
Summer semester tuition prorated	3,029,568	2,826,121
Program service revenue	<u>931,139</u>	<u>966,612</u>
Total	<u>\$ 4,076,815</u>	<u>\$ 3,892,479</u>

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 9 - 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, 2023 and 2022 totaled \$5,921,156 and \$7,065,737, respectively.

Operating - Discretionary funds available for carrying on the operating activities of the College. Operating funds net of related liabilities totaled \$16,916,711 and \$15,157,859 at May 31, 2023 and 2022, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

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

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

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

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

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

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

	2023	2022
Purpose and time restricted:		
Instruction and student activities	\$ 263,142	\$ 405,461
Scholarships	216,886	261,046
Research	-	11,100
Time restricted	<u>2,982</u>	<u>22,982</u>
Total purpose and time restricted	<u>483,010</u>	<u>700,589</u>
 Donor-restricted endowment funds:		
Faculty chair	247,000	247,000
Scholarships	<u>395,986</u>	<u>393,486</u>
Total donor-restricted endowment funds	<u>642,986</u>	<u>640,486</u>
 Accumulated realized and unrealized gains on restricted endowment funds:		
Faculty chair	130,528	157,266
Scholarships	<u>153,896</u>	<u>192,545</u>
Total accumulated realized and unrealized gains	<u>284,424</u>	<u>349,811</u>
 Total donor-restricted endowment funds	<u>927,410</u>	<u>990,297</u>
 Total net assets with donor restrictions	<u>\$ 1,410,420</u>	<u>\$ 1,690,886</u>

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

	2023	2022
Instruction and student activities	\$ 1,089,740	\$ 236,112
Scholarships	788,487	418,327
Faculty chair	21,019	20,519
Time	<u>20,000</u>	<u>13,489</u>
 Total	<u>\$ 1,919,246</u>	<u>\$ 688,447</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Net Assets With Donor Restrictions (Continued)

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment assets, June 1, 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)
	<hr/>	<hr/>	<hr/>
Change in endowment assets	-	(174,970)	(174,970)
Endowment assets, May 31, 2022	-	990,297	990,297
Contributions and additions	-	2,500	2,500
Net investment loss	-	(14,004)	(14,004)
Amounts appropriated for expenditure	-	(51,383)	(51,383)
	<hr/>	<hr/>	<hr/>
Change in endowment assets	-	(62,887)	(62,887)
Endowment assets, May 31, 2023	\$ -	\$ 927,410	\$ 927,410

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.

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 9 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

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, 2023 and 2022.

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 10 - 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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 10 - Other Commitments and Contingencies (Continued)

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 \$41,000 and \$19,000 of unemployment compensation during the years ended May 31, 2023 and 2022, 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 \$20,500 and \$111,000 for the years ended May 31, 2023 and 2022, respectively. Deferred compensation obligation totaled \$183,812 and \$157,622 as of May 31, 2023 and 2022, 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 11 - 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, 2023 and 2022, totaled approximately \$608,000 and \$528,000 for the years ended May 31, 2023 and 2022, respectively.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 12 - Lessor Arrangements

Certain College owned property is rented to outside parties through various leasing arrangements that expire through September 2028. Rental income totaled approximately \$125,000 and \$112,000 for the years ended May 31, 2023 and 2022, respectively.

At May 31, 2023, future minimum lease commitments under these leases total:

2024		\$	136,000
2025			126,000
2026			93,000
2027			93,000
2028			61,000
Thereafter			15,000

Note 13 - Natural Classification of Operating Expenses

Operating expenses presented by natural classification and function are as follows for the year ended May 31, 2023:

	2023					Total
	Instruction	Academic Support	Student Services	Institutional Support	Development & Fundraising	
Salaries and wages	\$ 11,773,491	\$ 9,859,271	\$ 1,635,978	\$ 2,005,112	\$ 308,562	\$ 25,582,414
Employee benefits	1,475,322	952,710	212,176	216,756	41,683	2,898,647
Payroll taxes	831,811	537,155	119,628	107,444	23,502	1,619,540
Fees for services	52,509	1,890,223	300,881	471,790	69,208	2,784,611
Advertising and promotion	-	-	1,262,909	-	-	1,262,909
Office expenses	111,044	133,088	242,007	506,991	23,401	1,016,531
Information technology	26,823	602,265	265,660	130,699	24,998	1,050,445
Occupancy	462,750	310,469	65,827	81,289	12,497	932,832
Travel	7,591	12,962	143,877	3,756	378	168,564
Conferences, conventions and meetings	66,718	38,938	14,635	36,781	160	157,232
Interest	218,177	146,380	31,036	38,326	5,892	439,811
Depreciation and amortization	714,936	479,666	101,701	125,589	19,308	1,441,200
Insurance	-	-	-	306,461	-	306,461
Library	-	460,298	-	-	-	460,298
Total operating expenses	\$ 15,741,172	\$ 15,423,425	\$ 4,396,315	\$ 4,030,994	\$ 529,589	\$ 40,121,495

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 13 - Natural Classification of Operating Expenses (Continued)

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

	2022					Total
	<i>Instruction</i>	<i>Academic Support</i>	<i>Student Services</i>	<i>Institutional Support</i>	<i>Development & Fundraising</i>	
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

Note 14 - 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 \$240,000 and \$870,881 for the years ended May 31, 2023 and 2022, respectively.

The College has made an application under the so-called employee retention tax credit program in the amount of approximately \$2,900,000, which has not been recognized as revenue due to the conditional nature of the program.