



Consolidated Financial Statements
William James College, Inc. and Affiliate
May 31, 2024 and 2023

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

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, 2024 and 2023, 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, 2024 and 2023, 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 consolidated 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.

CBIZ CPAs P.C.¹

Boston, Massachusetts
September 16, 2024

¹ In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statements of Financial Position

	<i>May 31,</i>	
	2024	2023
Assets		
Cash and cash equivalents	\$ 7,604,703	\$ 5,837,562
Accounts receivable, net of allowances for expected credit losses of \$200,000 at May 31, 2024 and 2023	3,196,774	2,499,208
Contributions receivable, net	-	2,982
Prepaid expenses	722,424	635,073
Investments	19,138,379	16,828,479
Property and equipment, net	<u>27,542,244</u>	<u>24,591,180</u>
Total assets	<u>\$ 58,204,524</u>	<u>\$ 50,394,484</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,865,372	\$ 3,215,548
Deferred revenues	4,330,006	4,076,815
Bond payable, net	22,696,895	18,670,022
Deferred compensation	<u>261,647</u>	<u>183,812</u>
Total liabilities	<u>30,153,920</u>	<u>26,146,197</u>
Net assets:		
Without donor restrictions	26,696,193	22,837,867
With donor restrictions	<u>1,354,411</u>	<u>1,410,420</u>
Total net assets	<u>28,050,604</u>	<u>24,248,287</u>
Total liabilities and net assets	<u>\$ 58,204,524</u>	<u>\$ 50,394,484</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended May 31, 2024
(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Tuition and fees (net of discounts and aid of \$4,195,971 and \$3,769,777, respectively)	\$ 28,089,410	\$ -	\$ 28,089,410	\$ 26,864,457
Contributions and grants	300,291	1,501,977	1,802,268	1,872,608
Net investment return	2,309,758	145,257	2,455,015	(108,971)
Government grants and contracts	6,562,449	-	6,562,449	6,836,564
Fees for service	3,982,915	-	3,982,915	4,865,595
Employee retention credit revenue	2,915,488	-	2,915,488	-
Rental income	144,977	-	144,977	125,047
Net assets released from restrictions	1,703,243	(1,703,243)	-	-
Total revenues, gains and other support	46,008,531	(56,009)	45,952,522	40,455,300
Expenses:				
Instruction	17,042,761	-	17,042,761	15,741,172
Academic support	15,474,022	-	15,474,022	15,423,425
Student services	4,875,816	-	4,875,816	4,396,315
Institutional support	4,231,338	-	4,231,338	4,030,994
Development and fundraising	526,268	-	526,268	529,589
Total expenses	42,150,205	-	42,150,205	40,121,495
Total change in net assets	3,858,326	(56,009)	3,802,317	333,805
Net assets, beginning of year	22,837,867	1,410,420	24,248,287	23,914,482
Net assets, end of year	\$ 26,696,193	\$ 1,354,411	\$ 28,050,604	\$ 24,248,287

See accompanying notes to the consolidated financial statements.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statement of Activities

Year Ended May 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Tuition and fees (net of discounts and aid of \$3,769,777)	\$ 26,864,457	\$ -	\$ 26,864,457
Contributions and grants	219,824	1,652,784	1,872,608
Net investment return	(94,967)	(14,004)	(108,971)
Government grants and contracts	6,836,564	-	6,836,564
Fees for service	4,865,595	-	4,865,595
Rental income	125,047	-	125,047
Net assets released from restrictions	1,919,246	(1,919,246)	-
	40,735,766	(280,466)	40,455,300
Expenses:			
Instruction	15,741,172	-	15,741,172
Academic support	15,423,425	-	15,423,425
Student services	4,396,315	-	4,396,315
Institutional support	4,030,994	-	4,030,994
Development and fundraising	529,589	-	529,589
	40,121,495	-	40,121,495
Total change in net assets	614,271	(280,466)	333,805
Net assets, beginning of year	22,223,596	1,690,886	23,914,482
Net assets, end of year	\$ 22,837,867	\$ 1,410,420	\$ 24,248,287

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Consolidated Statements of Cash Flows

	Years Ended May 31,	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 3,802,317	\$ 333,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,773,978	1,441,201
Net realized and unrealized (gains) losses on investments	(1,850,840)	404,190
Recoveries of Bad Debts	(84,231)	(16,755)
Gifts of marketable securities	-	(963)
Proceeds from contributions restricted for long-term investment	(2,500)	(2,500)
Changes in:		
Accounts receivable	(613,335)	161,536
Contributions receivable	2,982	20,000
Prepaid expenses	(87,351)	(318,694)
Accounts payable and accrued liabilities	(302,832)	315,922
Deferred compensation	77,835	26,190
Deferred revenues	253,191	184,336
	<u>2,969,214</u>	<u>2,548,268</u>
Net cash provided by operating activities	2,969,214	2,548,268
Cash flows from investing activities:		
Proceeds from sales of investments	9,370,331	3,893,640
Purchases of investments	(9,829,391)	(7,072,166)
Purchases of property and equipment	(4,745,513)	(4,700,039)
	<u>(5,204,573)</u>	<u>(7,878,565)</u>
Net cash used in investing activities	(5,204,573)	(7,878,565)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	2,500	2,500
Proceeds from bonds payable	4,000,000	4,000,000
	<u>4,002,500</u>	<u>4,002,500</u>
Net cash provided by financing activities	4,002,500	4,002,500
Net change in cash and cash equivalents	1,767,141	(1,327,797)
Cash and cash equivalents, beginning of year	<u>5,837,562</u>	<u>7,165,359</u>
Cash and cash equivalents, end of year	\$ <u>7,604,703</u>	\$ <u>5,837,562</u>

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 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
 - Graduate Certificate in Crisis Response in Behavioral Health
 - Graduate Certificate in Leading Transformative Mental Health in Schools
 - 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, 2024 and 2023, 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.

Student accounts receivable are stated net of an allowance for expected credit losses. The allowance for expected credit losses is established based on relevant information about past events, current conditions, and reasonable and supportable forecasts. Changes in the allowance for expected credit losses are reported in bad debt expense. An account is considered uncollectible when all efforts to collect the account have been exhausted. Accounts receivable are financial instruments that potentially subject the College to concentrations of credit risk and are generally uncollateralized. Credit is extended on an unsecured basis in accordance with terms establish for students. The College estimates expected credit losses over the life of its financial assets and certain off-statement of financial position exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable (Continued)

As of May 31, 2024 and 2023, the allowance for expected credit losses was \$200,000.

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 consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Endowment and similar funds are pooled for investment purposes. Investment income is allocated ratably.

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

Property and Equipment

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

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

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

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

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

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

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

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

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

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

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

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

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

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

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

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

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

At May 31, 2024 and 2023, the College had conditional promises to give of approximately \$779,000 and \$703,000, respectively, that are not recognized as revenues in the consolidated statements of activities.

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

Leases

The College leases equipment under operating lease arrangements through October 2027 for which expense is recognized on a straight-line basis over the lease term. Right-of-use (“ROU”) assets represent the College’s right to use an underlying asset for the lease term and lease liabilities represent the College’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the College’s leases do not provide an implicit rate, the College uses a 5 year treasury rate based on the information available at commencement date in determining the present value of lease payments.

Obligations under financing leases are reported at the net present value of the remaining obligation. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for financing leases.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The College has evaluated subsequent events through September 16, 2024, the date the consolidated financial statements were available to be issued. Management determined that no items required adjustment or disclosure based on that evaluation.

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, 2024 and 2023.

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:

	2024	2023
Cash and cash equivalents	\$ 7,604,703	\$ 5,837,562
Accounts receivable, net	3,196,774	2,499,208
Investments not encumbered by donor restrictions	<u>17,852,948</u>	<u>15,717,256</u>
Total	\$ <u>28,654,425</u>	\$ <u>24,054,026</u>

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 4 - Fair Value Measurements

The following table presents financial assets at May 31, 2024 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	\$ 9,094,239	\$ -	\$ -	\$ 9,094,239
Foreign	5,456,304	-	-	5,456,304
Fixed income	1,742,154	2,584,035	-	4,326,189
Mutual funds:				
Domestic	261,647	-	-	261,647
Total assets at fair value	\$ 16,554,344	\$ 2,584,035	\$ -	\$ 19,138,379

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	183,812	-	-	183,812
Total assets at fair value	\$ 11,331,904	\$ 5,496,575	\$ -	\$ 16,828,479

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

Note 5 - Property and Equipment

Property and equipment consist of the following at May 31:

	2024	2023
Land	\$ 4,618,064	\$ 4,618,064
Building	13,433,766	13,433,766
Building and improvements	15,988,984	10,199,004
Furniture and equipment	1,510,858	1,510,858
Computer equipment	2,684,320	2,284,192
Construction in progress	<u>-</u>	<u>1,491,939</u>
	38,235,992	33,537,823
Less: accumulated depreciation	<u>(10,860,948)</u>	<u>(9,113,843)</u>
Sub-total depreciable assets	27,375,044	24,423,980
Artwork	<u>167,200</u>	<u>167,200</u>
Total	<u>\$ 27,542,244</u>	<u>\$ 24,591,180</u>

Depreciation expense totaled approximately \$1,747,000 and \$1,414,000 for the years ended May 31, 2024 and 2023, respectively. At May 31, 2024 and 2023, approximately \$252,000 and \$299,000 of property and equipment additions were included in accounts payable and accrued liabilities, respectively.

Note 6 - Line of Credit

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% (8.00% at May 31, 2024 and 7.75% at May 31, 2023). 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, 2024 and 2023.

WILLIAM JAMES COLLEGE, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

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. \$22,885,000 and \$18,885,000 is outstanding at May 31, 2024 and 2023, respectively. The College drew down \$4,000,000 during 2024 and 2023. 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 \$537,000 and \$440,000 for the years ended May 31, 2024 and 2023, 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, 2024 and 2023.

Maturities of bonds payable are as follows:

Year ending May 31:	
2025	\$ 603,676
2026	618,781
2027	634,264
2028	648,735
2029	666,366
Thereafter	<u>19,713,178</u>
	22,885,000
Unamortized deferred financing costs	<u>(188,105)</u>
Bonds payable, net	\$ <u>22,696,895</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:

	2024	2023
Fall enrollment deposits and advanced tuition	\$ 128,051	\$ 116,108
Summer semester tuition prorated	3,247,739	3,029,568
Program service revenue	<u>954,216</u>	<u>931,139</u>
Total	<u>\$ 4,330,006</u>	<u>\$ 4,076,815</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, 2024 and 2023 totaled \$4,845,349 and \$5,921,158, respectively.

Operating - Discretionary funds available for carrying on the operating activities of the College. Operating funds net of related liabilities totaled \$21,850,844 and \$16,916,709 at May 31, 2024 and 2023, 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:

	2024		2023
Purpose and time restricted:			
Instruction and student activities	\$ 263,855	\$	263,142
Scholarships	66,772		216,886
Time restricted	-		2,982
Total purpose and time restricted	<u>330,627</u>		<u>483,010</u>
 Donor-restricted permanent endowment funds:			
Faculty chair	247,000		247,000
Scholarships	398,486		395,986
Total donor-restricted permanent endowment funds	<u>645,486</u>		<u>642,986</u>
 Accumulated realized and unrealized gains on restricted endowment funds:			
Faculty chair	168,681		130,528
Scholarships	209,617		153,896
Total accumulated realized and unrealized gains	<u>378,298</u>		<u>284,424</u>
 Total donor-restricted endowment funds	<u>1,023,784</u>		<u>927,410</u>
 Total net assets with donor restrictions	\$ <u>1,354,411</u>	\$	<u>1,410,420</u>

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

	2024		2023
Instruction and student activities	\$ 1,137,287	\$	1,089,740
Scholarships	541,994		788,487
Faculty chair	20,980		21,019
Time	2,982		20,000
 Total	\$ <u>1,703,243</u>	\$	<u>1,919,246</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, 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)
Change in endowment assets	-	(62,887)	(62,887)
Endowment assets, May 31, 2023	-	927,410	927,410
Contributions and additions	-	2,500	2,500
Net investment return	-	145,257	145,257
Amounts appropriated for expenditure	-	(51,383)	(51,383)
Change in endowment assets	-	96,374	96,374
Endowment assets, May 31, 2024	\$ -	\$ 1,023,784	\$ 1,023,784

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 contrary. 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, 2024 and 2023.

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 \$24,000 and \$41,000 of unemployment compensation during the years ended May 31, 2024 and 2023, 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 2023. The employer contribution totaled \$22,500 and \$20,500 for the years ended May 31, 2024 and 2023, respectively. Deferred compensation obligation totaled \$261,647 and \$183,812 as of May 31, 2024 and 2023, respectively.

Employment Agreement

The College has an employment agreement with its President through May 31, 2026. 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, 2024 and 2023, totaled approximately \$672,000 and \$608,000 for the years ended May 31, 2024 and 2023, 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 \$145,000 and \$125,000 for the years ended May 31, 2024 and 2023, respectively.

At May 31, 2024, future minimum lease income under these leases total:

2025	\$ 127,000
2026	93,000
2027	93,000
2028	61,000
2029	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, 2024:

	2024					Total
	Instruction	Academic Support	Student Services	Institutional Support	Development & Fundraising	
Salaries and wages	\$ 12,546,069	\$ 9,733,645	\$ 1,734,576	\$ 2,093,069	\$ 274,036	\$ 26,381,395
Employee benefits	1,655,315	1,043,093	237,482	290,589	38,356	3,264,835
Payroll taxes	887,428	559,211	127,316	114,059	20,563	1,708,577
Fees for services	38,278	1,640,427	151,440	455,525	127,280	2,412,950
Advertising and promotion	-	-	1,670,229	-	-	1,670,229
Office expenses	117,011	291,370	309,754	513,337	2,801	1,234,273
Information technology	42,930	574,948	252,085	142,524	26,224	1,038,711
Occupancy	465,570	305,285	65,725	79,926	10,473	926,979
Travel	3,630	31,446	151,570	4,400	157	191,203
Conferences, conventions and meetings	125,858	43,962	11,784	47,316	268	229,188
Interest	269,703	176,851	38,075	46,301	6,067	536,997
Depreciation and amortization	890,969	584,230	125,780	152,956	20,043	1,773,978
Insurance	-	9,747	-	291,336	-	301,083
Library	-	479,807	-	-	-	479,807
Total operating expenses	\$ 17,042,761	\$ 15,474,022	\$ 4,875,816	\$ 4,231,338	\$ 526,268	\$ 42,150,205

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, 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

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 \$26,000 and \$240,000 for the years ended May 31, 2024 and 2023, respectively.

The College recognized revenue under the so-called employee retention tax credit program in the amount of approximately \$2,915,000 for the year ended May 31, 2024. The College’s claims could be subject to further scrutiny from the IRS through April 15, 2025 which is the date for which the statute of limitations on the College’s claim expires. The IRS may review for compliance with program requirements based on dollar thresholds and other factors. As of the date of this report, the amount of liability, if any, from a potential review for compliance is not able to be determined. Management is of the opinion that a review would not have an adverse effect on the College’s financial position.