המכללה העברית
HEBREW COLLEGE

FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Trustees of
Hebrew College:

Report on the Financial Statements

We have audited the accompanying financial statements of Hebrew College (a Massachusetts nonprofit corporation) (the College) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hebrew College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Boston, Massachusetts
November 4, 2020

HEBREW COLLEGE

Statements of Financial Position
June 30, 2020 and 2019

	2020			2019		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash	$ 2,573,972	$ 1,068,878	$ 3,642,850	$ 912,728	$ 842,292	$ 1,755,020
Accounts receivable, net of allowances for doubtful accounts of approximately $9,500 and $10,000 at June 30, 2020 and 2019, respectively	19,333	-	19,333	23,757	-	23,757
Current portion of pledges and grants receivable	146,800	445,383	592,183	79,939	644,603	724,542
Current portion of mortgage receivable	1,600,000	-	1,600,000	1,200,000	-	1,200,000
Current portion of prepaid rent	428,580	-	428,580	600,000	-	600,000
Prepaid expenses and other	21,414	-	21,414	87,904	-	87,904
Total current assets	4,790,099	1,514,261	6,304,360	2,904,328	1,486,895	4,391,223
Restricted Cash	481,920	-	481,920	461,285	-	461,285
Investments	-	2,603,723	2,603,723	4,538	2,695,318	2,699,856
Pledges and Grants Receivable, net of current portion and discount	-	743,195	743,195	-	1,164,897	1,164,897
Prepaid Rent, net of current portion	642,840	-	642,840	900,000	-	900,000
Mortgage Receivable, net of current portion	3,600,000	-	3,600,000	5,200,000	-	5,200,000
Property and Equipment, net	250,996	-	250,996	156,482	-	156,482
Due (To) From	(3,453,665)	3,453,665	-	(3,431,454)	3,431,454	-
Total assets	$ 6,312,190	$ 8,314,844	$ 14,627,034	$ 6,195,179	$ 8,778,564	$ 14,973,743
Liabilities and Net Assets						
Current Liabilities:						
Current portion of annuity payable	$ 35,004	$ -	$ 35,004	$ 35,004	$ -	$ 35,004
Current portion of long-term debt	1,624,400	-	1,624,400	24,400	-	24,400
Current portion of accrued settlement costs	50,406	-	50,406	50,406	-	50,406
Accounts payable	121,039	-	121,039	157,586	-	157,586
Accrued expenses	219,313	-	219,313	258,887	-	258,887
Conditional advance	158,845	-	158,845	-	-	-
Deferred revenue	342,410	-	342,410	538,075	-	538,075
Total current liabilities	2,551,417	-	2,551,417	1,064,358	-	1,064,358
Annuity Payable, net of current portion	253,482	-	253,482	288,482	-	288,482
Long-Term Debt, net of current portion	3,721,955	-	3,721,955	5,346,355	-	5,346,355
Accrued Settlement Costs, net of current portion	374,906	-	374,906	425,312	-	425,312
Total liabilities	6,901,760	-	6,901,760	7,124,507	-	7,124,507
Net Assets:						
Without donor restrictions	(589,570)	-	(589,570)	(929,328)	-	(929,328)
With donor restrictions	-	8,314,844	8,314,844	-	8,778,564	8,778,564
Total net assets	(589,570)	8,314,844	7,725,274	(929,328)	8,778,564	7,849,236
Total liabilities and net assets	$ 6,312,190	$ 8,314,844	$ 14,627,034	$ 6,195,179	$ 8,778,564	$ 14,973,743

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Tuition and fees	$ 3,405,918	$ -	$ 3,405,918	$ 3,527,753	$ -	$ 3,527,753
Less - scholarships and grants	(1,277,089)	-	(1,277,089)	(1,215,736)	-	(1,215,736)
Tuition and fees, net	2,128,829	-	2,128,829	2,312,017	-	2,312,017
Grants	3,191,724	126,800	3,318,524	1,660,736	672,011	2,332,747
Participant fees	1,367,331	-	1,367,331	1,338,093	-	1,338,093
Contributions	985,176	108,318	1,093,494	1,354,491	483,768	1,838,259
Facilities rental, conferences and events	290,503	-	290,503	341,518	-	341,518
Consulting and other income	207,611	-	207,611	208,379	-	208,379
Investment return designated for current operations	110,000	-	110,000	100,000	-	100,000
Net assets released from restrictions:						
Purpose restrictions	1,000,932	(1,000,932)	-	683,599	(683,599)	-
Time restrictions	65,000	(65,000)	-	408,053	(408,053)	-
Total operating revenue	9,347,106	(830,814)	8,516,292	8,406,886	64,127	8,471,013
Operating Expenses:						
Instruction	5,767,206	-	5,767,206	6,068,581	-	6,068,581
Academic support	435,799	-	435,799	582,913	-	582,913
Student services	343,842	-	343,842	188,133	-	188,133
Institutional support	1,772,444	-	1,772,444	2,066,853	-	2,066,853
Development	474,880	-	474,880	508,182	-	508,182
Total operating expenses	8,794,171	-	8,794,171	9,414,662	-	9,414,662
Changes in net assets from operations	552,935	(830,814)	(277,879)	(1,007,776)	64,127	(943,649)
Non-Operating Activities:						
Capital contributions	-	250,000	250,000	-	-	-
Endowment contributions	-	45,675	45,675	-	69,100	69,100
Loss on sale of property held for sale	-	-	-	(2,221,179)	-	(2,221,179)
Investment return, net	-	(31,758)	(31,758)	1,936	92,929	94,865
Investment return designated for current operations	-	(110,000)	(110,000)	-	(100,000)	(100,000)
Net non-operating activities	-	153,917	153,917	(2,219,243)	62,029	(2,157,214)
Changes in net assets	552,935	(676,897)	(123,962)	(3,227,019)	126,156	(3,100,863)
Net Assets:						
Beginning of year	(929,328)	8,778,564	7,849,236	2,297,691	8,652,408	10,950,099
Net asset reclassification	(213,177)	213,177	-	-	-	-
End of year	$ (589,570)	$ 8,314,844	$ 7,725,274	$ (929,328)	$ 8,778,564	$ 7,849,236

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	$ (123,962)	$ (3,100,863)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Loss on sale of property held for sale	-	2,221,179
Depreciation	56,708	35,587
Imputed interest - debt issuance costs	-	1,006
Bad debts	163	147,221
Non-cash rent	428,580	500,000
Change in discount on pledges receivable	23,298	25,420
Endowment contributions	(45,675)	(69,100)
Capital contribution	(250,000)	-
Realized and unrealized (gains) losses	37,153	(90,156)
Changes in operating assets and liabilities:		
Accounts receivable	4,261	(145,859)
Pledges and grants receivable	530,763	129,809
Prepaid expenses and other	66,490	(61,624)
Annuity payable	(35,000)	(35,004)
Accounts payable	(36,547)	(260,478)
Accrued expenses	(57,073)	(811,268)
Conditional advance	158,845	-
Deferred revenue	(195,665)	(26,800)
Net cash provided by (used in) operating activities	562,339	(1,540,930)
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	110,000	163,404
Proceeds from sale of property	-	536,635
Mortgage receivable principal collected	1,200,000	1,600,000
Property and equipment additions	(133,723)	(96,337)
Purchase of investments	(51,020)	(166,162)
Net cash provided by investing activities	1,125,257	2,037,540
Cash Flows from Financing Activities:		
Repayments on line of credit	-	(50,000)
Proceeds on line of credit	-	400,000
Endowment contributions	45,675	69,100
Capital contribution	250,000	-
Payments on accrued settlement costs	(50,406)	(37,804)
Principal payments on long-term debt	(24,400)	(39,900)
Net cash provided by financing activities	220,869	341,396
Net Change in Cash and Restricted Cash	1,908,465	838,006
Cash and Restricted Cash:		
Beginning of year	2,216,305	1,378,299
End of year	$ 4,124,770	$ 2,216,305
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	$ 3,642,850	$ 1,755,020
Restricted cash	481,920	461,285
Total cash and restricted cash	$ 4,124,770	$ 2,216,305
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ -	$ 41,003
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	$ (53,739)	$ 20,187
Prepaid rent recorded from sale of property	$ -	$ 2,000,000
Mortgage note receivable recorded from sale of property	$ -	$ 8,000,000
Long-term debt repaid from sale of property	$ -	$ 6,852,966
Long-term debt recognized upon sale of property	$ -	$ 5,200,000
Property and equipment additions included in accrued expenses	$ 17,499	$ -

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020							2019
	Program							
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Development	Total	Total
Personnel and Related:								
Salaries and wages	$ 3,722,274	$ 243,809	$ 231,340	$ 4,197,423	$ 980,707	$ 350,734	$ 5,528,864	$ 5,652,228
Payroll taxes and benefits	344,408	25,064	33,996	403,468	155,118	38,066	596,652	614,656
Total personnel and related	4,066,682	268,873	265,336	4,600,891	1,135,825	388,800	6,125,516	6,266,884
Occupancy:								
Rent	342,864	21,429	21,429	385,722	21,429	21,429	428,580	500,000
Utilities	3,760	24,237	-	27,997	274,465	1,328	303,790	376,154
Facilities maintenance and repairs	1,580	213	1,500	3,293	61,114	-	64,407	61,571
Security	-	1,927	-	1,927	41,375	-	43,302	29,131
Interest	-	-	-	-	-	-	-	42,009
Total occupancy	348,204	47,806	22,929	418,939	398,383	22,757	840,079	1,008,865
Other:								
Professional services	635,431	-	-	635,431	127,026	24,900	787,357	802,525
Program	542,756	-	23,467	566,223	855	335	567,413	546,255
Office expenses	81,549	135	29,275	110,959	20,014	13,805	144,778	135,728
Equipment and software	3,856	81,521	-	85,377	43,775	1,967	131,119	186,924
Depreciation	45,368	2,835	2,835	51,038	2,835	2,835	56,708	35,587
Marketing	17,724	29	-	17,753	13,919	13,919	45,591	48,197
Library	1,693	34,564	-	36,257	-	-	36,257	41,167
Travel and meetings	23,458	-	-	23,458	1,352	1,342	26,152	51,043
Corporate	285	36	-	321	24,376	299	24,996	62,759
Event expenses	200	-	-	200	3,921	3,921	8,042	81,507
Bad debts	-	-	-	-	163	-	163	147,221
Total other	1,352,320	119,120	55,577	1,527,017	238,236	63,323	1,828,576	2,138,913
Total expenses	$ 5,767,206	$ 435,799	$ 343,842	$ 6,546,847	$ 1,772,444	$ 474,880	$ 8,794,171	$ 9,414,662

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program						
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Development	Total
Personnel and Related:							
Salaries and wages	$ 3,838,865	$ 291,432	$ 101,140	$ 4,231,437	$ 1,079,353	$ 341,438	$ 5,652,228
Payroll taxes and benefits	357,704	38,169	12,903	408,776	167,461	38,419	614,656
Total personnel and related	4,196,569	329,601	114,043	4,640,213	1,246,814	379,857	6,266,884
Occupancy:							
Rent	400,000	25,000	25,000	450,000	25,000	25,000	500,000
Utilities	2,989	27,093	-	30,082	346,072	-	376,154
Facilities maintenance and repairs	69	32	40	141	61,430	-	61,571
Security	-	4,502	-	4,502	24,629	-	29,131
Interest	33,609	2,100	2,100	37,809	2,100	2,100	42,009
Total occupancy	436,667	58,727	27,140	522,534	459,231	27,100	1,008,865
Other:							
Professional services	578,839	1,140	-	579,979	191,823	30,723	802,525
Program	517,682	177	26,831	544,690	1,241	324	546,255
Office expenses	86,120	10,426	8,793	105,339	18,269	12,120	135,728
Equipment and software	4,571	134,080	150	138,801	47,621	502	186,924
Depreciation	28,471	1,779	1,779	32,029	1,779	1,779	35,587
Marketing	10,073	-	8,802	18,875	14,692	14,630	48,197
Library	64	41,103	-	41,167	-	-	41,167
Travel and meetings	49,840	-	309	50,149	639	255	51,043
Corporate	139	5,880	286	6,305	56,064	390	62,759
Event expenses	12,325	-	-	12,325	28,680	40,502	81,507
Bad debts	147,221	-	-	147,221	-	-	147,221
Total other	1,435,345	194,585	46,950	1,676,880	360,808	101,225	2,138,913
Total expenses	$ 6,068,581	$ 582,913	$ 188,133	$ 6,839,627	$ 2,066,853	$ 508,182	$ 9,414,662

The accompanying notes are an integral part of these statements.

1. OPERATIONS AND NONPROFIT STATUS

Hebrew College (the College) is a private, Massachusetts nonprofit corporation established in 1921. The College is an accredited, nonsectarian institution of Judaic studies. The College has programs in graduate and undergraduate studies, high school, Hebrew language, adult studies, and cultural events. The College is a constituent agency of the Combined Jewish Philanthropies of Greater Boston, Inc. (CJP) and is accredited by the New England Commission of Higher Education, Inc. (NECHE). The next comprehensive review by NECHE is scheduled for the Fall of 2020.

The College is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The College is also exempt from state income taxes. Donors may deduct contributions made to the College within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, the College adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the College's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. The College does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

Contributions Received and Contributions Made

On July 1, 2019, the College adopted FASB's ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The College adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2020 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

Restricted Cash

On July 1, 2020, the College adopted FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-18 resulted in the following changes to the College's cash flow classification for the year ended June 30, 2019:

Combined Statement of Cash Flows	2019 As Previously Reported	Effect of Adoption	2019 As Adjusted
Operating activities	$ (1,540,930)	$ -	$ (1,540,930)
Investing activities	2,380,564	(343,024)	2,037,540
Financing activities	341,396	-	341,396
Net change in cash and restricted cash	$ 1,181,030	$ (343,024)	$ 838,006

Cash and Cash Equivalents

The College considers all highly liquid investments with an initial maturity of three months or less to be cash. For the purpose of the statements of cash flows, cash includes restricted cash (see Note 4).

Revenue Recognition

The College generally measures revenue for qualifying exchange transactions based on the amount of consideration the College expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the College satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The College evaluates its revenue contracts with customers based on the five-step model under Topic 606: (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 separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The College recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is satisfied through academic instruction delivered continually throughout the academic year; therefore, the revenue is recognized ratably over the course of the academic year. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition and room and board rates at the time revenue is recognized. Fees and deposits received in advance of services provided are recorded as deferred revenue.

The College recognizes participant fees as services are performed; all prepayments are considered deferred revenue.

The College occasionally leases certain facilities for events. Facility rental income is recognized when the events occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the College must determine whether a grant or contribution (or a promise) is conditional or unconditional for transactions deemed to be a grant or contribution. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the College should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 16 for disclosure of the College's conditional grant at June 30, 2020.

Grants and contributions are recorded as revenue, net of applicable discounts for doubtful accounts and net present value, when unconditionally received or pledged. Grants and contributions with donor restrictions are recorded as revenue with donor restrictions and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Annual Fund contributions include those funds raised in a yearly appeal to alumni and other constituent supporters of the College and are classified based on the presence or absence of donor restrictions.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the 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.

Accounts and Notes Receivable and Allowance for Doubtful Accounts

Accounts and notes receivable (see Note 14) are stated at the amount the College expects to collect from outstanding balances. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in accounts and notes receivable. The allowance is based upon specific identification of probably losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, occupancy, and depreciation, which are allocated based on an estimate of time and level of effort spent on the College's program and supporting functions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The net assets of the College consist of the following:

Net Assets Without Donor Restrictions represent those net resources that bear no external restrictions and are generally available for use by the College.

Net Assets With Donor Restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted), amounts for use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Trustees (see below).

Net assets with donor restrictions are restricted as follows at June 30:

	2020	2019
Subject to expenditure for specific purpose:		
Scholarships	$ 766,589	$ 1,063,283
Instructors, fellowships, conferences and other programs	307,763	383,475
Capital Projects	250,000	-
Miller Center	206,070	250,000
President's growth fund	38,450	156,226
Art Green project	32,300	27,300
	1,601,172	1,880,284
Subject to the passage of time	468,196	769,898
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity	6,923,802	6,767,439
Accumulated depreciation	(678,326)	(639,057)
	6,245,476	6,128,382
Total net assets with donor restrictions	$ 8,314,844	$ 8,778,564

A reconciliation of endowment activity for fiscal years 2020 and 2019 is as follows:

	2020	2019
Endowment net assets, beginning of year	$ 6,128,382	$ 6,016,353
Net asset transfer	213,177	-
Investment return	(31,758)	92,929
Contributions	45,675	69,100
Net assets redesignated for endowment	-	50,000
Appropriation of endowment net assets for current operations	(110,000)	(100,000)
Endowment net assets, end of year	$ 6,245,476	$ 6,128,382

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds intended for perpetual duration may fall below the original gift value. The deficiencies result from unfavorable market conditions and continued appropriation for expenditure in accordance with donor intentions and the spending policies that were deemed prudent by the Board of Trustees. The College is guided by Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) in establishing spending rates. The College appropriated $110,000 and $100,000 of net assets to be used for operations in accordance with its investment spending policy (see pages 10 and 13) for the years ended June 30, 2020 and 2019, respectively.

During fiscal year 2020, the College identified $213,177 of endowments funds that were previously treated as net assets without donor restrictions. During fiscal year 2020, the College reclassified these funds into the endowment.

Investment Return Objectives and Risk Parameters

The investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The College benchmarks its portfolio performance against a number of commonly used indices.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2020 and 2019, were $31,441 and $33,149, respectively, and are included in marketing in the accompanying statement of functional expenses.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost (see Note 7). Donated property and equipment are recorded at fair value at the time of donation.

Depreciation is computed using the straight-line method and the half-year convention for additions over the following estimated useful lives:

Buildings and improvements	15 - 40 years
Land improvements	15 - 20 years
Furniture, fixtures and equipment	3 - 7 years
Data equipment and software	3 - 5 years
Leasehold improvements	20 years

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

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

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

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

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

Investments

The majority of the College's investments are held in the Jewish Community Endowment Pool (JCEP), a limited partnership under the managerial control of CJP (see Note 1). Investment return consists of interest, dividends, and realized and unrealized gains and losses on investments (see Note 5). Interest and dividend income is recorded as earned. Realized gains and losses on investment transactions are recognized as changes in net assets in the period in which they occur.

Investments are recorded in the financial statements at fair value. If an investment is directly held by the College and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interests in the JCEP limited partnership is reported at the net asset value (NAV) reported by the fund manager, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the College had no plans to sell investments at amounts different from NAV.

A summary of inputs used in valuing the College's investments as of June 30, 2020 and 2019, is included in Note 5.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Spending Policy

Massachusetts law allows appropriation of a donor-restricted endowment based on the prudent practices of the Board of Trustees. The Board of Trustees has voted to allow for the use of a portion of total investment return for operations each year up to 5% of the previous twelve quarter average of the investment balance at quarter end. Additional appropriation is allowed at the discretion of the Board of Trustees. Transfers to net assets without donor restrictions, in accordance with this policy, are reflected in the accompanying statements of activities and changes in net assets as investment return designated for current operations.

Collections

The College does not capitalize collections which have been acquired through purchase or donation. Purchases of collections are expensed in the year in which the items are acquired.

Income Taxes

The College accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The College has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The College's tax returns are subject to examination by Federal and state jurisdictions.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying statements of activities and changes in net assets. Non-operating activities include primarily endowment, capital and investment related activity.

Subsequent Events

Subsequent events have been evaluated through November 4, 2020, which is the date the financial statements were available to be issued. See Notes 4 and 17 for events that met the criteria for disclosure in the financial statements.

3. RELATED PARTY TRANSACTIONS

The College employed two individuals that were related to senior management of the College. The total earnings of the two individuals in fiscal year 2020 was $37,074.

4. RESTRICTED CASH

The United States Department of Education (DOE) requires that the College submit an irrevocable letter of credit to the DOE. The College obtained this letter of credit from a bank in the amount of $481,920 and $461,285 at June 30, 2020 and 2019, respectively. The letter of credit is secured by a specific cash account, which is presented as restricted cash in the accompanying statements of financial position. Subsequent to June 30, 2020, the College received notification that due to an increased composite score, the College will no longer be require to maintain a letter of credit beginning January 1, 2021.

5. INVESTMENTS

Fair value measurement (see Note 2) was determined using the following inputs at June 30:

2020	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 2,401,110
State of Israel bonds	-	4,538	-	4,538
Bond and stock index funds	198,075	-	-	198,075
Total investments	$ 198,075	$ 4,538	$ -	$ 2,603,723

2019	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 2,511,011
State of Israel bonds	-	4,538	-	4,538
Bond and stock index funds	184,307	-	-	184,307
Total investments	$ 184,307	$ 4,538	$ -	$ 2,699,856

* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net assets value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Investments include primarily donor restricted endowment. Accordingly, investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are not insured and are subject to ongoing market fluctuations.

The pooled investment fund consists of the following categories of assets as of June 30:

	2020	2019
Money market funds	3.4%	4.3%
Domestic equity	2.7	2.3
Absolute return	0.3	0.3
Real assets	-	0.4
Subtotal	6.4	7.3
Alternative investments:		
Absolute return	38.6	36.0
International equity	22.0	21.9
Domestic equity	9.6	7.2
Fixed income	9.3	12.2
Private equity/venture capital	6.6	5.1
Credit related	3.9	6.7
Real assets	3.6	3.6
Total alternative investments	93.6	92.7
Total	100.0%	100.0%

6. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are recorded at their net present value when unconditionally committed. An allowance for potentially uncollectible pledges and grants receivable is recorded based upon management's assessment of potential defaults. There was no allowance deemed necessary as of June 30, 2020 or 2019.

Pledges and grants receivable are due as follows as of June 30:

	2020	2019
Due in one year	$ 592,183	$ 724,542
Due in one to five years	600,000	920,000
Due in five to ten years	199,999	324,999
	1,392,182	1,969,541
Less - discount	56,804	80,102
	1,335,378	1,889,439
Less - current portion	592,183	724,542
Long-term pledges and grants receivable, net	$ 743,195	$ 1,164,897

The College discounted long-term pledges using a 2% discount rate at June 30, 2020 and 2019.

7. PROPERTY AND EQUIPMENT AND PREPAID RENT

Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture, fixtures and equipment	$ 2,111,199	$ 2,078,619
Data equipment and software	1,316,233	1,218,646
Projects under development	21,055	-
	3,448,487	3,297,265
Less - accumulated depreciation	3,197,491	3,140,783
Property and equipment, net	$ 250,996	$ 156,482

Projects under development is made up of consulting and related costs in regard to the College's relocation in the future. These amounts are not depreciated until they are placed into service.

Prepaid Rent

The College sold a building and land in a prior fiscal year, a transaction which generated $2,000,000 of free rent to be utilized by the College over a four-year period commencing in 2019. In fiscal years 2020 and 2019, $428,580 and $500,000, respectively, of free rent was utilized. The remaining $1,071,420 and $1,500,000 is included in prepaid rent in the accompanying statements of financial position as of June 30, 2020 and 2019, respectively.

8. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2020	2019
Non-interest bearing note payable to CJP, due in quarterly installments of $400,000 starting in July 2020 through July 2023. The note is secured by a note receivable (see Note 14).	$ 5,200,000	$ 5,200,000
Non-interest bearing note payable to CJP, due in annual installments of $24,400 through December 2025. CJP may loan an additional $111,000 under this agreement. In the event of any default in payment, CJP may declare the entire outstanding note balance due on demand with interest at 10%. The note is unsecured.	146,355	170,755
	5,346,355	5,370,755
Less - current portion	1,624,400	24,400
	$ 3,721,955	$ 5,346,355

Future principal payments over the next five years are as follows:

2021	$ 1,624,400
2022	$ 1,624,400
2023	$ 1,624,400
2024	$ 424,400
2025	$ 24,400

Interest expense was $39,216 for the year ended June 30, 2019. There was no interest expense for the year ended June 30, 2020.

The College owes a bond insurance company for fees related to a 2012 bond refinancing in the original amount of $568,000. The College is required to make quarterly payments of $12,601 through July 1, 2028. The outstanding balances of this agreement ($425,312 and $475,718 at June 30, 2020 and 2019, respectively) is presented as accrued settlement costs in the accompanying statements of financial position.

9. LEASES

The College leases space to the Newton Centre Minyan, Inc. (a Massachusetts nonprofit corporation) (the Minyan) as a tenant-at-will. The Minyan paid the College a total of $114,833 and $106,000 during the years ended June 30, 2020 and 2019, respectively. The annual fees are included in facilities rental, conferences and events in the accompanying statements of activities and changes in net assets.

10. EMPLOYEE BENEFIT PLAN

The College has a discretionary employer contribution retirement plan under IRC Section 403(b) for qualified employees. Employees are eligible to participate upon hire. Employees contribute to the plan each year within the limits of the IRC, through salary reduction agreements. Only those employees who have completed six months of service are eligible to receive a portion of the employer's discretionary matching contribution, if any. Contributions vest upon attainment of normal retirement age of 65, upon retirement due to disability, upon death, or upon termination of the plan. The College did not contribute to this plan in fiscal years 2020 and 2019.

11. RETIREMENT AGREEMENT

The College has a retirement agreement with a former President of the College (former President). The retirement agreement outlines future retirement annuity payments to a former President, which began in fiscal year 2017, at $2,917 per month. Fair value, which is measured using Level 3 inputs (life expectancy and present value factors using a 1.49% discount rate), was $288,486 and $323,486 as of June 30, 2020 and 2019, respectively, which is presented as annuity payable in the accompanying statements of financial position. Future payments under this agreement will be approximately $35,000 per year.

A reconciliation of the agreement activity is as follows:

	2020	2019
Annuity payable, beginning of year	$ 323,486	$ 358,490
Payments made	(35,000)	(35,004)
Annuity payable, end of year	$ 288,486	$ 323,486

12. CONCENTRATIONS

Approximately 21% of total operating revenue for the years ended June 30, 2020 and 2019, is from CJP.

Approximately 88% and 84% of gross pledges receivable at June 30, 2020 and 2019, respectively, are due from four donors.

13. DUE (TO) FROM

Due (to) from in the accompanying statements of financial position consists of:

- The Massachusetts Supreme Judicial Court, with the support and approval of the Attorney General of the Commonwealth of Massachusetts, has authorized the College to borrow up to $2,900,000 of net assets with donor restrictions and/or appreciation on these net assets with donor restrictions for operating purposes. As of June 30, 2020 and 2019, the College had borrowed $2,900,000 under this agreement.
- A $250,000 contribution made in 2005, which was recorded as net assets without donor restrictions, was actually net assets with donor restrictions.
- As of June 30, 2020 and 2019, the College had used $303,665 and $281,454, respectively, of net assets with donor restrictions to fund a restricted cash account related to the letter of credit agreement (see Note 4).

14. MORTGAGE NOTE RECEIVABLE

As part of the sale of the Property (see Note 7), the College entered into an $8,000,000, non-interest bearing note receivable with the buyer of the Property. Of the future payments under this mortgage note receivable, $5,200,000 is to be paid directly to CJP to satisfy the non-interest bearing note payable reflected in Note 8, with the balance being payable to the College. Payments under this agreement are expected to be $1,600,000 for fiscal years 2021 through 2023.

The above amounts have not been discounted to their net present value, as all amounts are either expected to be collected in fiscal year 2021 or are offset by the non-interest bearing note payable to CJP.

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the College within one year from the statements of financial position date are as follows as of June 30:

	2020	2019
Cash	$ 3,642,850	$ 1,755,020
Accounts receivable, net	19,333	23,757
Current portion of pledges and grants receivable	592,183	724,542
	4,254,366	2,503,319
Less - pledges and grants with purpose restrictions	(293,796)	(281,513)
Less - cash with purpose restrictions	(542,376)	(842,292)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,418,194	$ 1,379,514

As part of the College's liquidity management, the College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due. As of June 30, 2020 and 2019, the College has financial assets equal to approximately four and a half and two months of operating expenses, respectively.

16. CONDITIONAL GRANT

The College applied for and was awarded a loan of $1,120,000 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until November 13, 2020, when the note, plus interest, will be due in equal monthly payments through April 23, 2022. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Association (SBA). In the opinion of management, the results of such reviews will not have a material effect on the financial position of the College as of June 30, 2020, and on the changes in its net assets for the year then ended.

The College believes there is not more than a remote chance this loan will not be forgiven and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605. This grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with the loan application and CARES Act requirements. As of June 30, 2020, the College recognized $961,155 of grant revenue. The remaining balance of $158,845 is shown as a conditional advance in the accompanying June 30, 2020 statement of financial position. The College has not accrued interest as of June 30, 2020, since it expects the interest to be forgiven.

17. CONTINGENCY

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the College, its operations and future financial statements.

17. CONTINGENCY (Continued)

Management of the College is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the College is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

Management has applied for and was awarded a PPP loan (see Note 16). Subsequent to year end the College also received a $464,181 grant from the Department of Education under the Title VIII Coronavirus Aid, Relief, and Economic Security Act.

18. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the fiscal year 2020 presentation.