המכללה העברית
HEBREW COLLEGE

FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

HEBREW COLLEGE

Contents
June 30, 2021 and 2020

AAFCPAs
great minds | great hearts

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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, 2021 and 2020, 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, 2021 and 2020, 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
December 8, 2021

HEBREW COLLEGE

Statements of Financial Position
June 30, 2021 and 2020

	2021			2020		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash	$ 2,911,013	$ 3,621,198	$ 6,532,211	$ 2,573,972	$ 1,068,878	$ 3,642,850
Accounts receivable, net of allowances for doubtful accounts of approximately $9,500 at June 30, 2021 and 2020	51,799	-	51,799	19,333	-	19,333
Current portion of pledges and grants receivable	-	1,462,899	1,462,899	146,800	445,383	592,183
Current portion of mortgage receivable	1,600,000	-	1,600,000	1,600,000	-	1,600,000
Current portion of prepaid rent	428,580	-	428,580	428,580	-	428,580
Prepaid expenses and other	7,579	-	7,579	21,414	-	21,414
Total current assets	4,998,971	5,084,097	10,083,068	4,790,099	1,514,261	6,304,360
Restricted Cash	-	-	-	481,920	-	481,920
Investments	-	3,523,849	3,523,849	-	2,603,723	2,603,723
Pledges and Grants Receivable, net of current portion and discount	-	1,812,208	1,812,208	-	743,195	743,195
Prepaid Rent, net of current portion	214,260	-	214,260	642,840	-	642,840
Mortgage Receivable, net of current portion	2,000,000	-	2,000,000	3,600,000	-	3,600,000
Property and Equipment, net	837,542	-	837,542	250,996	-	250,996
Due (To) From	(3,150,000)	3,150,000	-	(3,453,665)	3,453,665	-
Total assets	$ 4,900,773	$ 13,570,154	$ 18,470,927	$ 6,312,190	$ 8,314,844	$ 14,627,034
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	1,624,400	-	1,624,400
Current portion of accrued settlement costs	50,406	-	50,406	50,406	-	50,406
Accounts payable	711,443	-	711,443	121,039	-	121,039
Accrued expenses	144,295	-	144,295	219,313	-	219,313
Conditional advance	-	-	-	158,845	-	158,845
Deferred revenue	342,319	-	342,319	342,410	-	342,410
Total current liabilities	2,907,867	-	2,907,867	2,551,417	-	2,551,417
Annuity Payable, net of current portion	218,490	-	218,490	253,482	-	253,482
Long-Term Debt, net of current portion	2,097,555	-	2,097,555	3,721,955	-	3,721,955
Accrued Settlement Costs, net of current portion	324,501	-	324,501	374,906	-	374,906
Total liabilities	5,548,413	-	5,548,413	6,901,760	-	6,901,760
Net Assets:						
Without donor restrictions	(647,640)	-	(647,640)	(589,570)	-	(589,570)
With donor restrictions	-	13,570,154	13,570,154	-	8,314,844	8,314,844
Total net assets	(647,640)	13,570,154	12,922,514	(589,570)	8,314,844	7,725,274
Total liabilities and net assets	$ 4,900,773	$ 13,570,154	$ 18,470,927	$ 6,312,190	$ 8,314,844	$ 14,627,034

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Tuition	$ 2,973,081	$ -	$ 2,973,081	$ 3,405,918	$ -	$ 3,405,918
Participant fees	1,559,896	-	1,559,896	1,367,331	-	1,367,331
Less - scholarships and grants	(1,313,254)	-	(1,313,254)	(1,277,089)	-	(1,277,089)
Tuition and fees, net	3,219,723	-	3,219,723	3,496,160	-	3,496,160
Grants	2,037,430	373,765	2,411,195	3,191,724	126,800	3,318,524
Contributions	1,642,582	156,164	1,798,746	985,176	108,318	1,093,494
Consulting and other income	186,178	-	186,178	207,611	-	207,611
Facilities rental, conferences and events	184,405	-	184,405	290,503	-	290,503
Investment return designated for current operations	126,058	-	126,058	110,000	-	110,000
Net assets released from restrictions:						
Purpose restrictions	534,297	(534,297)	-	1,000,932	(1,000,932)	-
Time restrictions	215,000	(215,000)	-	65,000	(65,000)	-
Total operating revenue	8,145,673	(219,368)	7,926,305	9,347,106	(830,814)	8,516,292
Operating Expenses:						
Instruction	5,309,723	-	5,309,723	5,767,206	-	5,767,206
Academic support	477,226	-	477,226	435,799	-	435,799
Student services	342,019	-	342,019	343,842	-	343,842
Institutional support	1,760,404	-	1,760,404	1,772,444	-	1,772,444
Development	314,371	-	314,371	474,880	-	474,880
Total operating expenses	8,203,743	-	8,203,743	8,794,171	-	8,794,171
Changes in net assets from operations	(58,070)	(219,368)	(277,438)	552,935	(830,814)	(277,879)
Non-Operating Activities:						
Capital contributions	-	4,857,081	4,857,081	-	250,000	250,000
Investment return, net	-	722,324	722,324	-	(31,758)	(31,758)
Endowment contributions	-	21,331	21,331	-	45,675	45,675
Investment return designated for current operations	-	(126,058)	(126,058)	-	(110,000)	(110,000)
Net non-operating activities	-	5,474,678	5,474,678	-	153,917	153,917
Changes in net assets	(58,070)	5,255,310	5,197,240	552,935	(676,897)	(123,962)
Net Assets:						
Beginning of year	(589,570)	8,314,844	7,725,274	(929,328)	8,778,564	7,849,236
Net asset reclassification	-	-	-	(213,177)	213,177	-
End of year	$ (647,640)	$ 13,570,154	$ 12,922,514	$ (589,570)	$ 8,314,844	$ 7,725,274

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	$ 5,197,240	$ (123,962)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	61,904	56,708
Bad debts	12,929	163
Non-cash rent	428,580	428,580
Change in discount on pledges receivable	53,685	(23,298)
Endowment contributions	(21,331)	(45,675)
Capital contribution	(4,857,081)	(250,000)
Realized and unrealized (gains) losses	(720,786)	37,153
Change in annuity payable present value	8	-
Changes in operating assets and liabilities:		
Accounts receivable	(45,395)	4,261
Pledges and grants receivable	1,281,693	577,359
Prepaid expenses and other	13,835	66,490
Annuity payable	(34,992)	(35,000)
Accounts payable	590,404	(36,547)
Accrued expenses	(220,052)	(57,073)
Conditional advance	(158,845)	158,845
Deferred revenue	(91)	(195,665)
Net cash provided by operating activities	1,581,705	562,339
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	126,058	110,000
Mortgage receivable principal collected	1,600,000	1,200,000
Property and equipment additions	(503,416)	(133,723)
Purchase of investments	(325,406)	(51,020)
Net cash provided by investing activities	897,236	1,125,257
Cash Flows from Financing Activities:		
Endowment contributions	21,331	45,675
Capital contribution	1,581,974	250,000
Payments on accrued settlement costs	(50,405)	(50,406)
Principal payments on long-term debt	(1,624,400)	(24,400)
Net cash provided by (used in) financing activities	(71,500)	220,869
Net Change in Cash and Restricted Cash	2,407,441	1,908,465
Cash and Restricted Cash:		
Beginning of year	4,124,770	2,216,305
End of year	$ 6,532,211	$ 4,124,770
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	$ 6,532,211	$ 3,642,850
Restricted cash	-	481,920
Total cash and restricted cash	$ 6,532,211	$ 4,124,770
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	$ 434,987	$ (53,739)
Property and equipment additions included in accrued expenses	$ 162,533	$ 17,499

The accompanying notes are an integral part of these statements.

HEBREW COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021							2020
		Program						
	Instruction	Academic Support	Student Services	Total Program	Institutional Support	Development	Total	Total
Personnel and Related:								
Salaries and wages	$ 3,430,317	$ 210,238	$ 224,077	$ 3,864,632	$ 958,934	$ 230,813	$ 5,054,379	$ 5,528,864
Payroll taxes and benefits	338,647	22,448	28,846	389,941	156,542	22,281	568,764	596,652
Total personnel and related	3,768,964	232,686	252,923	4,254,573	1,115,476	253,094	5,623,143	6,125,516
Occupancy:								
Rent	342,864	21,429	21,429	385,722	21,429	21,429	428,580	428,580
Utilities	651	44,888	-	45,539	287,482	-	333,021	303,790
Facilities maintenance and repairs	1,500	-	-	1,500	68,787	-	70,287	64,407
Security	-	218	-	218	10,885	-	11,103	43,302
Total occupancy	345,015	66,535	21,429	432,979	388,583	21,429	842,991	840,079
Other:								
Professional services	621,509	13,410	2,781	637,700	89,688	470	727,858	787,357
Program	421,426	-	37,828	459,254	5,799	575	465,628	567,413
Equipment and software	8,120	132,371	-	140,491	63,042	127	203,660	131,119
Office expenses	80,862	385	23,912	105,159	15,439	10,922	131,520	144,778
Depreciation	49,524	3,095	3,095	55,714	3,095	3,095	61,904	56,708
Marketing	11,385	-	-	11,385	20,995	18,495	50,875	45,591
Corporate	415	-	-	415	39,393	306	40,114	24,996
Library	797	28,744	-	29,541	318	247	30,106	36,257
Bad debts	-	-	-	-	12,929	-	12,929	163
Travel and meetings	1,706	-	51	1,757	3,691	3,655	9,103	26,152
Event expenses	-	-	-	-	1,956	1,956	3,912	8,042
Total other	1,195,744	178,005	67,667	1,441,416	256,345	39,848	1,737,609	1,828,576
Total expenses	$ 5,309,723	$ 477,226	$ 342,019	$ 6,128,968	$ 1,760,404	$ 314,371	$ 8,203,743	$ 8,794,171

The accompanying notes are an integral part of these statements.

Statement of Functional Expenses
For the Year Ended June 30, 2020

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

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 2028.

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).

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, 2021.

Grants and contributions are recorded as revenue 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.

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

	2021	2020
Subject to expenditure for specific purpose:		
Scholarships	$ 532,924	$ 591,589
Instructors, fellowships, conferences and other programs	117,767	35,581
Capital Projects	5,107,081	250,000
Miller Center	292,519	206,070
President's growth fund	-	38,450
Graduate studies: Rabbinical/Cantorial	424,775	447,182
Art Green project	32,504	32,300
	6,507,570	1,601,172
Subject to the passage of time	199,511	468,196
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity	6,943,997	6,922,666
Accumulated depreciation	(80,924)	(677,190)
	6,863,073	6,245,476
Total net assets with donor restrictions	$ 13,570,154	$ 8,314,844

A reconciliation of endowment activity for fiscal years 2021 and 2020 is as follows:

	2021	2020
Endowment net assets, beginning of year	$ 6,245,476	$ 6,128,382
Net asset transfer	-	213,177
Investment return, net	722,324	(31,758)
Contributions	21,331	45,675
Appropriation of endowment net assets for current operations	(126,058)	(110,000)
Endowment net assets, end of year	$ 6,863,073	$ 6,245,476

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 $126,058 and $110,000 of net assets to be used for operations in accordance with its investment spending policy for the years ended June 30, 2021 and 2020, respectively.

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

Capital Campaign

During fiscal year 2021, the College launched a capital campaign to finance the construction, development, and related costs associated with the relocation to a new shared campus in Auburndale, Massachusetts (the Project). The Project is scheduled to begin in November/December, 2021. As of June 30, 2021 the College has raised approximately $5,107,000 as part of the capital campaign (see page 9). The project is expected to be completed in December 2022 and to cost approximately $14,500,000 (see Note 7). In addition, the College has received a commitment letter from a bank for financing, which was finalized in December 2021.

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.

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.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the years ended June 30, 2021 and 2020, were $44,549 and $31,441, respectively, and are included in marketing in the accompanying statements of functional expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. 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:

Furniture, fixtures and equipment	3 - 7 years
Data equipment and software	3 - 5 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.

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

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, 2021 and 2020, 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, 2021 and 2020, is included in Note 5.

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, 2021 and 2020. 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 December 8, 2021, which is the date the financial statements were available to be issued. No events met the criteria for disclosure or recognition in the financial statements other than what is disclosed on page 10.

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 years 2021 and 2020 was $35,953 and $37,074, respectively.

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 at June 20, 2020. The letter of credit was secured by a specific cash account, which was presented as restricted cash in the accompanying statement of financial position. During fiscal year 2021, the College received notification that due to an increased composite score, the College was no longer required to maintain a letter of credit beginning January 1, 2021.

5. INVESTMENTS

Fair value measurement was determined using the following inputs at June 30:

2021	Level 1	Level 2	Level 3	Total
Pooled investment fund*	$ -	$ -	$ -	$ 3,250,704
State of Israel bonds	-	4,538	-	4,538
Bond and stock index funds	268,607	-	-	268,607
Total investments	$ 268,607	$ 4,538	$ -	$ 3,523,849

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

* 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:

	2021	2020
Money market funds	7.2%	3.4%
Domestic equity	3.5	2.7
Absolute return	-	0.3
Subtotal	10.7	6.4
Alternative investments:		
Absolute return	38.6	38.6
International equity	19.9	22.0
Domestic equity	6.7	9.6
Fixed income	10.3	9.3
Private equity/venture capital	7.9	6.6
Credit related	3.8	3.9
Real assets	2.1	3.6
Total alternative investments	89.3	93.6
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, 2021 or 2020.

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

	2021	2020
Due in one year	$ 1,462,899	$ 592,183
Due in one to five years	1,737,698	600,000
Due in five to ten years	184,999	199,999
	3,385,596	1,392,182
Less - discount	110,489	56,804
	3,275,107	1,335,378
Less - current portion	1,462,899	592,183
Long-term pledges and grants receivable, net	$ 1,812,208	$ 743,195

The College discounted long-term pledges using a 2% discount rate at June 30, 2021 and 2020.

7. PROPERTY AND EQUIPMENT AND PREPAID RENT

Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Furniture, fixtures and equipment	$ 2,134,320	$ 2,111,199
Data equipment and software	1,316,233	1,316,233
Projects under development	646,384	21,055
	4,096,937	3,448,487
Less - accumulated depreciation	3,259,395	3,197,491
Property and equipment, net	$ 837,542	$ 250,996

Projects under development is made up of the Project (see Note 2). 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 2021 and 2020, $428,580 of free rent was utilized. The remaining $642,840 and $1,071,420 is included in prepaid rent in the accompanying statements of financial position as of June 30, 2021 and 2020, respectively.

8. LONG-TERM DEBT

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

	2021	2020
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).	$ 3,600,000	$ 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.	121,955	146,355
	3,721,955	5,346,355
Less - current portion	1,624,400	1,624,400
	$ 2,097,555	$ 3,721,955

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

2022	$ 1,624,400
2023	$ 1,624,400
2024	$ 424,400
2025	$ 24,400
2026	$ 24,355

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 approximately $12,600 through July 1, 2028. The outstanding balances of this agreement ($374,907 and $425,312 at June 30, 2021 and 2020, 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 $90,083 and $114,833 during the years ended June 30, 2021 and 2020, 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 2021 and 2020.

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 the 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 $253,494 and $288,486 as of June 30, 2021 and 2020, 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:

	2021	2020
Annuity payable, beginning of year	$ 288,486	$ 323,486
Payments made	(34,992)	(35,000)
Annuity payable, end of year	$ 253,494	$ 288,486

12. CONCENTRATIONS

Approximately 20% and 21% of total operating revenue for the years ended June 30, 2021 and 2020, respectively, is from CJP.

Approximately 60% and 88% of gross pledges receivable at June 30, 2021 and 2020, 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, 2021 and 2020, 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, the College had used $303,665 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. Note receivable balance is $3,600,000 as of June 30, 2021.

Future receipts over the next three years are as follows:

2022	$ 1,600,000
2023	$ 1,600,000
2024	$ 400,000

14. MORTGAGE NOTE RECEIVABLE (Continued)

The above amounts have not been discounted to their net present value, as all amounts are either expected to be collected in fiscal year 2022 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:

	2021	2020
Cash	$ 6,532,211	$ 3,642,850
Accounts receivable, net	51,799	19,333
Current portion of pledges and grants receivable	1,462,899	592,183
	8,046,909	4,254,366
Less - pledges and grants with purpose restrictions	(1,437,899)	(592,183)
Less - cash with purpose restrictions	(3,621,198)	(542,376)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,987,812	$ 3,119,807

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, 2021 and 2020, the College has financial assets equal to approximately four and a half months of operating expenses.

16. CONDITIONAL GRANT

During fiscal year 2020, 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 were 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 would be due over a two-year period with interest at 1%. Any repayment was deferred until November 13, 2020, when the note, plus interest, was 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 Administration (SBA). In the opinion of management, the results of such reviews would not have a material effect on the financial position of the College as of June 30, 2021, and on the changes in its net assets for the year then ended. As of June 30, 2020, these funds were shown as conditional advance on the statement of financial position. The loan was forgiven in full in fiscal year 2021 and is included in contributions on the June 30, 2021 statement of activities and changes in net assets.

During fiscal year 2021, the College received a four year $500,000 conditional grant for the capital campaign. The donor reserves the right to stop payment at any point over the next three years. During fiscal year 2021,the College received and recognized $172,000 of the donation. The remaining $328,000 is considered conditional and has appropriately not been recorded in the accompanying financial statements and will be recorded as received as the College would have met the criteria for recognition.

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 has 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.

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.

18. RECLASSIFICATION

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform with the fiscal year 2021 presentation.