NORTH CENTRAL COLLEGE

FINANCIAL STATEMENTS
June 30, 2021 and 2020

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CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
North Central College
Naperville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of North Central College (the College), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 7, 2021

NORTH CENTRAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets:		
Cash and cash equivalents	$ 39,981,765	$ 30,429,824
Cash held in trust	5,058,129	20,635,116
Student accounts receivable, net of allowance	2,846,755	3,926,581
Prepaid expense, other receivables and other assets	1,747,688	1,983,357
Pledges receivable, net of allowance	2,806,545	2,259,195
Investments	143,763,215	109,521,614
Student loans receivable, net of allowance	5,584,370	6,053,569
Beneficial interest in charitable remainder trust	192,057	159,812
Perpetual trust held by a third party	1,394,394	1,064,459
Land, buildings and equipment, net	194,804,988	186,193,258
Total assets	$ 398,179,906	$ 362,226,785
Liabilities and Net Assets:		
Liabilities:		
Accounts payable, accrued liabilities and refundable deposits	$ 8,580,644	$ 6,746,036
Deferred revenue	2,425,366	1,829,775
Split-interest agreements	1,384,489	1,534,910
Refundable loan funds (Perkins loan)	580,009	880,483
Interest rate swap agreement liability	6,334,424	9,952,868
Other long-term liabilities	1,017,356	1,331,784
Bonds payable	90,524,214	91,447,522
Total liabilities	110,846,502	113,723,378
Net assets:		
Without donor restrictions	187,558,563	170,613,524
With donor restrictions	99,774,841	77,889,883
Total net assets	287,333,404	248,503,407
Total liabilities and net assets	$ 398,179,906	$ 362,226,785

See notes to financial statements.

NORTH CENTRAL COLLEGE
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Net tuition and fees	$ 47,593,088	$ -	$ 47,593,088
Community education programs	71,742	-	71,742
Contributions	4,532,484	5,280,943	9,813,427
Grants	1,210,341	1,023,466	2,233,807
Endowment returns designated for spending	1,928,595	2,713,525	4,642,120
Other support			
Auxiliary enterprises	13,352,062	-	13,352,062
Rental	98,286	-	98,286
Other sources	3,991,236	20,345	4,011,581
Net assets released from restrictions and changes in donor restrictions	5,091,094	(5,091,094)	-
Total revenues and other support	77,868,928	3,947,185	81,816,113
Expenses			
Instruction	28,107,079	-	28,107,079
Academic support	5,953,122	-	5,953,122
Intercollegiate athletics	4,918,788	-	4,918,788
Student services	8,809,300	-	8,809,300
Institutional support	14,610,702	-	14,610,702
Auxiliary enterprises	13,641,321	-	13,641,321
Total expenses	76,040,312	-	76,040,312
Change in net assets before other changes	1,828,616	3,947,185	5,775,801
Other changes in net assets			
Investment return	1,767,535	2,363,850	4,131,385
Unrealized investment gain	12,800,892	17,239,535	30,040,427
Endowment returns designated for spending	(1,928,595)	(2,713,525)	(4,642,120)
Change in fair value of interest rate swap agreement	3,618,444	-	3,618,444
Change in value of split-interest agreements	-	1,342,913	1,342,913
Loss on asset write-offs	(1,104,573)	(295,000)	(1,399,573)
Other expenses	(37,280)	-	(37,280)
Change in net assets	16,945,039	21,884,958	38,829,997
Net assets			
Beginning of year	170,613,524	77,889,883	248,503,407
End of year	$ 187,558,563	$ 99,774,841	$ 287,333,404

See notes to financial statements.

NORTH CENTRAL COLLEGE
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Net tuition and fees	$ 49,629,519	$ -	$ 49,629,519
Community education programs	162,334	-	162,334
Contributions	2,254,210	3,762,903	6,017,113
Grants	1,249,441	1,090,713	2,340,154
Endowment returns designated for spending	1,917,837	2,669,431	4,587,268
Other support			
Auxiliary enterprises	13,670,890	-	13,670,890
Rental	968,202	-	968,202
Other sources	3,219,063	69,033	3,288,096
Net assets released from restrictions and changes in donor restrictions	15,332,109	(15,332,109)	-
Total revenues and other support	88,403,605	(7,740,029)	80,663,576
Expenses			
Instruction	29,045,549	-	29,045,549
Academic support	7,160,480	-	7,160,480
Intercollegiate athletics	5,845,700	-	5,845,700
Student services	9,893,143	-	9,893,143
Institutional support	14,308,093	-	14,308,093
Auxiliary enterprises	13,670,878	-	13,670,878
Total expenses	79,923,843	-	79,923,843
Change in net assets before other changes	8,479,762	(7,740,029)	739,733
Other changes in net assets			
Investment return	1,892,577	2,764,054	4,656,631
Unrealized investment loss	(2,633,365)	(3,727,246)	(6,360,611)
Endowment returns designated for spending	(1,917,837)	(2,669,431)	(4,587,268)
Change in fair value of interest rate swap agreement	(5,275,840)	-	(5,275,840)
Change in value of split-interest agreements	-	(81,360)	(81,360)
Loss on asset write-offs	-	(267,500)	(267,500)
Contributions - capital	(44,476)	-	(44,476)
Change in net assets	500,821	(11,721,512)	(11,220,691)
Net assets			
Beginning of year	170,112,703	89,611,395	259,724,098
End of year	$ 170,613,524	$ 77,889,883	$ 248,503,407

See notes to financial statements.

NORTH CENTRAL COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 38,829,997	$ (11,220,691)
Adjustments to reconcile change in net assets to net cash from operating activities		
Change in pledge discount	7,476	9,930
Loss on asset write-offs	1,399,573	-
Allowance for doubtful accounts	881,039	213,979
Change in value of remainder and lead trusts	(32,245)	7,671
Change in fair value of interest rate swap agreements	(3,618,444)	5,275,840
Change in amounts payable under split-interest agreement	(150,421)	33,461
Realized and unrealized (gain) loss on marketable securities	(32,262,049)	4,116,782
Depreciation and amortization	7,595,773	7,851,937
Contributions restricted for permanent investment	(321,490)	(742,348)
Investment income earned from permanent investment	(60,272)	(52,994)
Contributions received for construction in progress	-	(477,804)
Changes in operating assets and liabilities		
Student accounts receivable	468,892	(1,365,649)
Prepaid expenses, other receivables and other assets	235,669	51,336
Perpetual trust held by third party	(329,935)	27,993
Pledges receivable	(568,861)	10,782,007
Student loan receivable	213,129	(73,894)
Accounts payable, accrued liabilities, and refundable deposits	1,674,855	(1,512,558)
Other long-term liabilities	(314,428)	(314,425)
Deferred revenue	595,591	863,771
Refundable loan funds	(300,474)	(248,026)
Net cash from operating activities	13,943,375	13,226,318
Cash flows from investing activities		
Purchases of land, buildings, and equipment	(17,447,323)	(6,528,676)
Purchases of investments	(44,252,059)	(38,882,150)
Proceeds from sales of investments	42,272,507	41,167,480
Net cash from investing activities	(19,426,875)	(4,243,346)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	321,490	742,348
Investment income earned from permanent investment	60,272	52,994
Contributions received for construction in progress	-	477,804
Proceeds on bond Issuance	-	21,524,000
Repayment of bonds	(923,308)	(2,076,013)
Net cash from financing activities	(541,546)	20,721,133
Net change in cash and cash equivalents	(6,025,046)	29,704,105
Cash and cash equivalents at beginning of year	51,064,940	21,360,835
Cash and cash equivalents at end of year	$ 45,039,894	$ 51,064,940
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 2,573,373	$ 2,021,498
Supplemental disclosures of noncash investing and financing activities		
Construction in progress included in accounts payable	$ 253,339	$ 93,586

See notes to financial statements.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1861, North Central College (the College) is an independent college dedicated to the power of the liberal arts and sciences to transform students into leaders both in their careers and communities. Our nearly 3,000 students study across more than 65 undergraduate and graduate programs, with their education made richer by supportive faculty and staff, world-class facilities and countless opportunities to learn beyond the classroom.

The College is accredited by the North Central Association of Colleges and Schools and has been in continuous operation since its founding. The College is also accredited by the University Senate of the United Methodist Church.

Basis of Presentation: The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the College as a whole, and present balances and transactions classified according to the existence or absence of donor-imposed restrictions. This presentation has been accomplished by classifying net assets and activities into two classes: with donor restrictions or without donor restrictions.

Classification of Net Assets: The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by actions of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or expire by the passage of time. Also, net assets with donor restrictions are subject to donor-imposed stipulations that the funds be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's permanent endowment and certain loan funds.

Student Tuition and Fees: Revenue includes all tuition and fees assessed for academic services rendered on campus and online, net of any refunds and discounts recognized. The College recognizes revenue for academic services over the applicable academic period. Scholarships provided to students by the College are reflected as a reduction of gross tuition and fees. Scholarships totaled $55,610,688 and $54,595,497 at June 30, 2021 and 2020, respectively.

The College maintains an institutional tuition refund policy, which provides for all or a portion of tuition and fees to be refunded if a student withdraws during the stated refund period. The College does not record revenue on amounts that are expected to be refunded.

Private Gifts: Private gifts, including unconditional pledges, that are not considered exchange transactions are recognized in the period received. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Grants and Contracts: Revenue from grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement, since expenditure in accordance with award terms typically results in the simultaneous achievement of conditions imposed by the grantor. Grant amounts received in advance of services are reported as deferred revenue in the statements of financial position.

(Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Auxiliary Enterprises: The College's auxiliary enterprises consist primarily of residence halls and dining services provided to students. The College recognizes revenue for housing and dining services proportionately over the applicable academic period. The College typically recognizes revenue from other sales and services of auxiliary enterprises at the point in time sales occur or as services are rendered. There is no deferred revenue related to auxiliary enterprises as of year-end because housing and dining contracts with students do not extend beyond the end of the fiscal year.

Contributions: Contributions, including unconditional promises to give and grants accounted for as contributions, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the present value of expected future cash flows net of allowances. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of non-cash assets are recorded at their estimated fair value. Conditional promises are recorded when conditions are substantially met. Conditional promises, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Cash and Cash Equivalents: Cash and cash equivalents are reported at cost, which approximates fair value. Cash equivalents represent short-term investments with original maturities of three months or less.

The College maintains its cash balance in financial institutions which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash Held in Trust: Cash held in trust includes amounts held by the bond trustee pursuant to the trust indenture and is available for qualified capital projects as defined by the bond documents.

Student Accounts Receivable: The majority of the College's accounts receivable are due from students of the College for tuition, room, board and fees. Credit is extended based on evaluation of a student's financial condition and collateral is not required. Student accounts receivables are stated at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The College determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history and the individual student's current ability to pay his or her obligation to the College. The receivables are charged to the allowance for uncollectible accounts when they are deemed uncollectible. The College does not charge interest on past due student accounts receivable.

Concentration of credit risk with respect to student accounts receivable is limited due to the large number of accounts and low average outstanding balance.

Investments: Investments are stated at fair value. The fair value of publicly traded securities is based upon quoted market prices. Other securities for which no such quotations or valuations are readily available are carried at estimated fair values. The estimated fair value of these investments is based on valuations provided by external investment managers and reviewed by management. The College believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Securities contributed to the College are recorded at fair value on the date of the gift.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in fair value are recorded as unrealized gains or losses on investments.

Land, Buildings and Equipment: Land, buildings and equipment are stated at cost at the date of acquisition or estimated fair value at the date of donation less accumulated depreciation. Only major replacements and improvements are capitalized.

Depreciation is computed over estimated useful lives of the assets using the straight-line method. Buildings and improvements are depreciated over 40 to 45 years.

Furniture and equipment is capitalized when its purchase price is greater than $5,000 and it has a useful life of more than two years. In addition, items that are part of a group purchase with a useful life greater than two years may also be capitalized even though individually the items may fall under the $5,000 threshold. Furniture and equipment is depreciated over a range of 3 to 20 years.

Deferred Revenue: The majority of deferred revenue represents students' tuition for the summer term and other College programs, received in advance, to be recognized as revenue in the period the performance obligation is met. Such amounts are recorded as tuition and fees when the performance obligation is met.

Also included in deferred revenue are the following: (1) summer camp fees received prior to year-end for camps occurring in July or August of the subsequent fiscal year, (2) Fine Arts subscriptions and single ticket sales for shows taking place in the following fiscal year, and (3) advanced payments for study abroad programs starting on or after July 1.

Perpetual Trust Held by a Third Party: The perpetual trust balance represents funds that are held and administered by an outside trustee. These funds represent certain endowed scholarship funds. The trust assets totaled $1,394,394 and $1,064,459 at June 30, 2021 and 2020, respectively.

Beneficial Interest in Charitable Remainder Trusts Held by Third Parties: The College is a beneficiary of certain remainder trusts that are controlled by independent trustees. The beneficial interest in the trusts are measured at fair value of the trust's investments less an aggregate actuarial liability. The College's beneficial interest in trusts with donor restrictions totaled $192,057 and $159,812 at June 30, 2021 and 2020, respectively.

Split-interest Agreements: The College also serves as trustee of irrevocable charitable remainder trusts and administers charitable annuities. Assets held in these trusts and annuities are included in investments at fair value. Such assets totaled $4,395,660 and $4,542,138 at June 30, 2021 and 2020, respectively. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. Amounts payable under charitable trusts and annuities represent the present value of the aggregate liability for charitable trust payments to be made over the term of the trust or the expected lives of the beneficiaries. The discount rates used to calculate the liability for present value of estimated future payments under the charitable trusts were 1.2% and 0.6% in 2021 and 2020, respectively.

The liabilities for these trusts and annuities are included in split-interest agreements on the statements of financial position. The split-interest agreement liability with donor restrictions of $975,603 and $1,078,803 at June 30, 2021 and 2020, respectively, is classified as such because it is only restricted by time. The split-interest agreement liability with donor restrictions of $408,886 and $456,107 at June 30, 2021 and 2020, respectively, is classified as such because the remaining balance is to be transferred to a permanent endowment after the trust or annuity is terminated.

(Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Swap Agreement: The College uses interest rate swap agreements to manage the impact of interest rate changes on underlying floating-rate debt. The College's swap portfolio consists of a pay fixed/receive floating swap, which synthetically converts a floating-rate obligation into a fixed-rate instrument.

The College accounts for its interest rate swaps by using Financial Accounting Standards Board (FASB) guidance that defines accounting for derivative instruments and hedging activities. Accordingly, the College has recorded its interest rate swap on the statements of financial position based on fair value. If the fair value is positive, the interest rate swap agreement will be listed in the asset section of the statements of financial position and if the fair value is negative, the interest rate swap agreement will be listed in the liabilities section of the statements of financial position. Changes in fair value are recorded as other changes in net assets in the statements of activities.

Endowment Spending Rate Policy: The College's endowment fund investments are managed to achieve the maximum long-term total return. The College's Board of Trustees has authorized a policy permitting the use of total returns at a rate (spending rate) of up to 6.0% of the average market value of the endowment portfolio on the last day of the three preceding fiscal years for current operations. The remainder is retained to support operations in future years. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations currently and into the future. The actual spending rate was 4.0% in 2021 and 2020.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Tax Status: The College has received a favorable determination letter from the Internal Revenue Service, stating that it is a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC, except for income taxes pertaining to unrelated business income.

Fair Value Measurements: Accounting principles generally accepted in the United States of America define fair value measurements, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. Furthermore, the College maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

(Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market. These include active listed equities.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but which are traded less frequently and investments that are valued using other securities, the parameters of which can be directly observed. The interest rate swap agreements qualify as a Level 2 fair value measurements. Also included in Level 2 are corporate bonds, and government and agency obligations.

Level 3 - Securities and trusts that have little to no observable pricing as of the report date. These instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. These primarily consist of trust receivable accounts. The inputs used by the College in estimating the value of Level 3 instruments is the fair value of the assets held by the trusts, less any projected obligations to the donor beneficiary.

In general, where available and appropriate, alternative investments, which generally do not have a readily determinable fair value, are valued using fund net asset values per share or ownership interest (NAVs). Fair value is discussed further in Note 5.

The College recognizes transfers between levels at the end of the reporting period.

Recent Accounting Guidance: In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous generally accepted accounting principles (GAAP) and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The new standard will be effective for the College in the fiscal year ending June 30, 2023. The College has not yet implemented this ASU and is in the process of assessing the effect on the College's financial statements.

Adoption of New Accounting Standards: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance under accounting principles generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Effective July 1, 2020, the College adopted ASU 2014-09 using the modified retrospective method. Adoption of the standard did not materially impact the College's financial statements.

(Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Coronavirus Impact: The World Health Organization declared a global health emergency in January 2020, and in March 2020 it declared the spread of COVID-19 as a global pandemic. For the safety of its students, faculty and staff, the College closed its campus and switched to a remote instruction model as of March 16, 2020 for the remainder of the 2019-2020 academic year. Employees and faculty were asked to work remotely from home unless they were deemed essential employees. The College engaged in an intensive planning effort aimed at resuming on-campus activities to the greatest extent possible, as quickly as is prudent, in light of the ongoing COVID19 pandemic. The College adopted a variety of instructional modalities (in-person, online, blended) available to students for Fall 2020 and Spring 2021 semesters. The College has taken steps to reduce spending on travel, hospitality, printing, marketing, professional services and other spending associated with normal operations due to the operational changes resulting from COVID-19.

For the year ended June 30, 2020, students were issued prorated refunds for meals and housing costs totaling approximately $2.1 million during the Spring 2020 semester. The Coronavirus Aid, Relief, and Economic Security (CARES) ACT was passed by Congress and signed into law on March 27, 2020. One aspect of the CARES Act was the creation of the Higher Education Emergency Relief Fund (HEERF). North Central College was allocated $1.2 million to provide emergency grants to students for expenses related to the disruption of campus operations due to the COVID-19 pandemic. In addition to funds earmarked for student grants, the College received $1.2 million to help cover lost revenue as a result of transitioning to remote learning.

In fiscal year 2021, the HEERF grant program received additional funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in December 2020 and the American Rescue Plan Act (ARPA) in March 2021. The College was awarded $2,410,282 by HEERF in fiscal year 2020, $3,713,512 by CRRSAA in fiscal year 2021, and $6,520,089 by ARPA in fiscal year 2021. Under the legislation, a portion of these grants must be used for direct emergency aid to students. The remaining portion must be used by institutions to cover costs associated with significant changes to the delivery of instruction due to the coronavirus or lost revenue. As of June 30, 2021 and 2020, the College issued $1,204,770 and $1,205,141 of emergency aid to its students, respectively. For the year ending June 30, 2021, the College applied the $2,508,371 institutional portion to cover its tuition, room and board and other fees refunds and expenses, as well as for lost revenue. For the year ending June 30, 2020, the College applied the $1,205,141 institutional portion to its meal and housing costs refunds.

(Continued)

NOTE 2 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the College's allowance for doubtful accounts for the years ended June 30 are as follows:

	2021	2020
Student accounts receivable allowance for doubtful accounts		
Beginning balance	$ 2,282,424	$ 1,932,856
Bad debt expense	600,000	350,000
Bad debt recoveries (written off)	10,934	(432)
Ending balance	$ 2,893,358	$ 2,282,424
Student loan receivables allowance for doubtful accounts		
Beginning balance	$ 466,070	$ 331,860
Bad debt expense	256,070	134,210
Ending balance	$ 722,140	$ 466,070
Pledges receivable allowance for doubtful accounts		
Beginning balance	$ 57,928	$ 327,727
Allowance adjustment for pledges	14,035	265,201
Pledges written off	-	(535,000)
Ending balance	$ 71,963	$ 57,928

NOTE 3 - PLEDGES RECEIVABLE

Unconditional promises for which payments have not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. The College has discounted long-term pledges receivable to their estimated net present value, using discount rates ranging from 0.09% to 0.11%.

Pledge balances are written off at the time they are determined to be uncollectible. New unconditional promises to give are recorded when received. Based on historical analyses and a review of the donor's ability to pay, the College has determined that the allowance for doubtful accounts for pledges be maintained at a rate of approximately 2.50% of total pledges.

Unconditional promises are expected to be received in the following periods as of June 30:

	2021	2020
In one year or less	$ 1,956,646	$ 1,324,502
Between two years and five years	929,272	1,007,507
	2,885,918	2,332,009
Less discount	(7,410)	(14,886)
Less allowance for doubtful accounts	(71,963)	(57,928)
Total	$ 2,806,545	$ 2,259,195

(Continued)

NOTE 4 - STUDENT LOANS RECEIVABLE/LOAN FUNDS

The College issues uncollateralized loans to students based on financial need. Student loans are funded through the Perkins federal governmental loan program or institutional resources. Perkins loans are guaranteed by the federal government, bear interest of 5.0% and are payable over 10 years upon graduation. The interest-free institutional loan program was initially funded by a donor contribution to which institutional funds have been added. These student loans have various repayment terms up to five years as defined in the individual loan agreements. Beginning in 2016, new institutional loans were assessed an interest rate at 5% and are repayable over 10 years. At June 30, 2021 and 2020, student loans represented 1.4% and 1.7%, respectively, of total assets.

At June 30, student loans receivable consisted of the following:

	2021	2020
Federal government programs (Perkins)	$ 620,145	$ 817,206
Institutional programs (Roller & Legacy)	5,686,365	5,702,433
	6,306,510	6,519,639
Less allowance for uncollectible accounts	(722,140)	(466,070)
Student loans receivable, net	$ 5,584,370	$ 6,053,569

The College participates in the Perkins federal revolving loan program. The federal Perkins loan program expired in 2017 with final disbursements through June 30, 2018. Funds advanced by the federal government of $580,009 and $880,483 at June 30, 2021 and 2020, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

(Continued)

NOTE 5 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments consist of the following as of June 30:

	2021 Fair Value	2020 Fair Value
Marketable securities		
Corporate bonds	$ 17,375,708	$ 14,509,393
Government & agency obligations	-	1,998,829
Equities		
Common stock	13,989,366	8,593,702
Mutual funds	90,505,144	65,503,110
Total marketable securities	121,870,218	90,605,034
Other investments		
Hedge funds	17,219,166	15,327,220
Real estate fund	3,330,897	3,095,283
Private equity	1,342,934	494,077
Total other investments	21,892,997	18,916,580
	$ 143,763,215	$ 109,521,614

The following summarizes investment return in the statements of activities for the years ended June 30:

	2021	2020
Operating investment return		
Dividends and interest income	$ 1,909,763	$ 2,412,802
Realized gain on marketable securities	2,221,622	2,243,829
Unrealized gain (loss) on securities	30,040,427	(6,360,611)
Total	$ 34,171,812	$ (1,703,980)

(Continued)

NOTE 5 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of alternative investments, determined using NAV, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
2021				
Real estate fund (a)	$ 3,330,897	$ -	Quarterly	45 days
Private equity (b)	1,342,934	3,738,554	N/A	N/A
Hedge funds (c)	17,219,166	-	Monthly-Annually	0-90 days
Total	$ 21,892,997	$ 3,738,554		
2020				
Real estate fund (a)	$ 3,095,283	$ -	Quarterly	45 days
Private equity (b)	494,077	3,481,821	N/A	N/A
Hedge funds (c)	15,327,220	-	Monthly-Annually	0-90 days
Total	$ 18,916,580	$ 3,481,821		

a) Real estate consists of a limited liability real estate partnership. These funds include open-end core real estate whose primary objective is to exceed the returns of the NCREIF Fund Index and an open end fund that combines private real estate direct investment, mezzanine funds, private real estate funds and REIT funds.

b) Private equity funds consist of limited partnerships. These funds generally cannot be redeemed and are subject to the terms of the individual funds. The funds typically have lives of up to 10 years, and distributions are at the discretion of the general partners and are usually only after the realization of investments within the fund.

c) The College's hedge funds invest in both long and short securities to mitigate market risk. Certain investment funds concentrate their investment programs in specific industries, sectors or market capitalization. In addition, the funds may utilize leverage, options, futures, commodities or other derivatives and may invest in non-U.S. securities and illiquid securities. These investments are subject to certain redemption restrictions.

The following methods and assumptions were used to measure the carrying value of each class of financial instruments appearing on the accompanying statements of financial position for which it is practical to estimate the fair value.

Perpetual Trusts - Assets held by third parties under split-interest agreements consist of various arrangements in which a donor establishes and funds a perpetual trust administered by an individual or organization other than the College. These trusts are recorded at the College's interest in the fair value of the assets contributed to the trust (Level 3 inputs) [market approach].

(Continued)

NOTE 5 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investments - Marketable securities are recorded at quoted market prices as determined on the last day of the fiscal year or last day the market was open if June 30 should fall on a weekend (Level 1 inputs).

Corporate bonds, government, and agency obligations are determined by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value fixed income securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs) [market approach].

Alternative investments are recorded at fair value using NAV as a practical expedient.

Interest Rate Swap Agreements - The fair value of the interest rate swap agreements is computed using the present value of cash flows based on the notional amount, term, and fixed and variable interest rates contained in the contract. The model prices the instrument at an exit value were the agreement terminated at the date of valuation. Significant fair value inputs can be verified and do not involve management judgments (Level 2 inputs) [income approach].

Fair Value of Financial Instruments - The following table summarizes financial instruments measured at fair value by fair value hierarchy levels as of June 30:

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments					
Corporate bonds	$ -	$ 17,375,708	$ -	$ -	$ 17,375,708
Common stock	13,989,366	-	-	-	13,989,366
Mutual funds	90,505,144	-	-	-	90,505,144
Hedge funds	-	-	-	17,219,166	17,219,166
Real estate fund	-	-	-	3,330,897	3,330,897
Private equity	-	-	-	1,342,934	1,342,934
Charitable remainder trusts	-	-	192,057	-	192,057
Perpetual trusts	-	-	1,394,394	-	1,394,394
Total assets at fair value	$ 104,494,510	$ 17,375,708	$ 1,586,451	$ 21,892,997	$ 145,349,666
Liabilities					
Interest rate swap	$ -	$ 6,334,424	$ -	$ -	$ 6,334,424

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments					
Corporate bonds	$ -	$ 14,509,393	$ -	$ -	$ 14,509,393
Government & agency obligations	-	1,998,829	-	-	1,998,829
Common stock	8,593,702	-	-	-	8,593,702
Mutual funds	65,503,110	-	-	-	65,503,110
Hedge funds	-	-	-	15,327,220	15,327,220
Real estate fund	-	-	-	3,095,283	3,095,283
Private equity	-	-	-	494,077	494,077
Charitable remainder trusts	-	-	159,812	-	159,812
Perpetual trusts	-	-	1,064,459	-	1,064,459
Total assets at fair value	$ 74,096,812	$ 16,508,222	$ 1,224,271	$ 18,916,580	$ 110,745,885
Liabilities					
Interest rate swap	$ -	$ 9,952,868	$ -	$ -	$ 9,952,868

(Continued)

NOTE 5 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Changes in fair value associated with fair value hierarchy Level 3 are as follows:

	Perpetual Trusts	Charitable Remainder Trusts	Total
Balance as of June 30, 2019	$ 1,092,452	$ 167,483	$ 1,259,935
Unrealized losses	(27,993)	(7,671)	(35,664)
Balance as of June 30, 2020	1,064,459	159,812	1,224,271
Unrealized gains	329,935	32,245	362,180
Balance as of June 30, 2021	$ 1,394,394	$ 192,057	$ 1,586,451

NOTE 6 - ENDOWMENT

Certain net assets with donor restrictions are restricted as investments in perpetuity. The College's endowment consists of various individual funds established for different purposes that all support the mission of the College. The College's endowment consists of $44,300,834 and $43,649,409 in original donor-restricted endowment funds classified as net assets with donor restrictions at June 30, 2021, and 2020, respectively. Net assets associated with the College's endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The College accounts for endowment net assets based on the College's interpretation of the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions, according to donor stipulations, until those amounts are appropriated for expenditure by the College for the donor-stipulated purpose. The College considers the following factors in making a determination either to appropriate or to accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the College's and donor-restricted endowment funds.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the College.
7. The investment policies of the College.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature in 2021 and 2020.

(Continued)

NOTE 6 - ENDOWMENT (Continued)

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2021 and 2020, endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for donor-specified periods and Board-designated (quasi) endowment funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The College has an active Investment Committee that meets regularly to ensure that the objectives of the investment policy are being met and that the strategies used to meet the objectives are in accordance with the investment policy.

During 2021 and 2020, the College had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Donor endowment funds	$ -	$ 83,133,345	$ 83,133,345
Board-designated funds	61,749,880	-	61,749,880
Total funds	$ 61,749,880	$ 83,133,345	$ 144,883,225
2020			
Donor endowment funds	$ -	$ 66,063,438	$ 66,063,438
Board-designated funds	46,779,980	-	46,779,980
Total funds	$ 46,779,980	$ 66,063,438	$ 112,843,418

(Continued)

NOTE 6 - ENDOWMENT (Continued)

During the fiscal years ended June 30, 2021 and 2020, changes in endowment net assets consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 46,779,980	$ 66,063,438	$ 112,843,418
Contributions received	-	321,490	321,490
Contributions to Board-designated endowment funds	3,040,075	-	3,040,075
Investment return			
Investment income net of fees	784,006	1,113,606	1,897,612
Realized gains	903,905	1,250,160	2,154,065
Total investment return	1,687,911	2,363,766	4,051,677
Appropriation of endowment assets for expenditure	(1,928,595)	(2,713,525)	(4,642,120)
Unrealized investment gain	12,612,209	16,924,222	29,536,431
Transfer of net assets and other changes	(441,700)	173,954	(267,746)
Net assets, end of year	$ 61,749,880	$ 83,133,345	$ 144,883,225

(Continued)

NOTE 6 - ENDOWMENT (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 49,558,804	$ 69,642,658	$ 119,201,462
Contributions received	-	742,348	742,348
Contributions to Board-designated endowment funds	29,988	-	29,988
Investment return			
Investment income net of fees	1,035,961	1,479,851	2,515,812
Realized gains	929,432	1,283,866	2,213,298
Total investment return	1,965,393	2,763,717	4,729,110
Appropriation of endowment assets for expenditure	(1,917,837)	(2,669,431)	(4,587,268)
Unrealized investment gain	(2,633,365)	(3,727,246)	(6,360,611)
Transfer of net assets and other changes	(223,003)	(688,608)	(911,611)
Net assets, end of year	$ 46,779,980	$ 66,063,438	$ 112,843,418

Transfers of net assets without donor restrictions and net assets with donor restrictions and other changes consisted of the Board designation of net assets without donor restrictions and other changes.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

The components of land, buildings and equipment as of June 30 are as follows:

	2021	2020
Land and improvements	$ 8,467,857	$ 8,834,544
Buildings and improvements	244,154,000	243,221,976
Furniture and equipment	28,255,445	27,491,550
Construction in progress	18,144,512	3,337,753
	299,021,814	282,885,823
Less accumulated depreciation	(104,216,826)	(96,692,565)
Total	$ 194,804,988	$ 186,193,258

(Continued)

NOTE 8 - SHORT-TERM BORROWINGS

At June 30, 2021, the College had available a $5,000,000 line of credit with a financial institution that bears interest at London Interbank Offered Rate (LIBOR) plus 100 basis points at the date of draw or prime commercial rate (whichever is lower). The agreement is subject to a commitment fee of 10 basis points on the unused portion. There were no borrowings at June 30, 2021 and 2020. The line of credit will expire on March 29, 2022. It is renewable at the option of the lender. The College plans to renew the line of credit with the lender.

NOTE 9 - BONDS PAYABLE

Bonds payable as of June 30, including current maturities, consist of the following:

	2021	2020
Bonds payable, Series 2014A, to refund and redeem the Series 1998 and 2008 Bonds, the swap termination payment in connection with the 2008 Bond interest rate exchange agreement and bond issuance costs, principal due December 1, 2028 and December 1, 2038.	$ 33,953,000	$ 33,953,000
Bonds payable, Series 2014B, to refund and redeem the Series 1999 Bonds, construction of a new residence hall and bond issuance costs, principal due annually from June 1, 2016 - June 1, 2044.	27,688,000	28,500,000
Bonds payable, Series 2015, to plan, design, construct, furnish and equip certain educational facilities, available for drawdown with maximum borrowings of $30,177,000, principal due annually from December 1, 2017 - December 1, 2025.	7,916,976	8,056,976
Bonds payable, Series 2020, to plan, design, acquire, construct, furnish and equip certain educational facilities, available for drawdown with maximum borrowings of $21,524,000, principle due annually from June 1, 2022 - June 1, 2045	21,524,000	21,524,000
	91,081,976	92,033,976
Unamortized bond issuance costs	(557,762)	(586,454)
Total bonds payable	$ 90,524,214	$ 91,447,522

The Series 2014A Revenue Bonds were issued by the Illinois Finance Authority and purchased by BMO Harris Bank on December 4, 2014, with interest payable monthly at a rate based upon the bank purchase rate. The Loan Agreement with BMO Bank matures on December 2, 2024 at which time the Bond may be retained by BMO Harris, remarketed to a new purchaser, or purchased by the College. The average rate for the Series 2014A bonds was 1.08% in 2021 and 2.02% in 2020. The interest rate swap agreement on the 2014A Series increased the rate by 1.64% in 2021 and 0.62% in 2020, bringing the effective interest rate on the 2014A issue to an annual rate of 2.72% for 2021 and 2.64% for 2020.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2014B Revenue Bonds were issued by the Illinois Finance Authority and purchased by PNC Bank on December 4, 2014, with interest payable semi-annually on June 1 and December 1 based on the bank purchase rate. The Loan Agreement with PNC Bank matures on December 2, 2024 at which time the Bond may be retained by PNC Bank, remarketed to a new purchaser, or purchased by the College. The average rate for the Series 2014B bonds was 0.86% in 2021 and 1.91% in 2021. The interest rate swap agreement on the 2014B Series increased the rate by 2.35% in 2021 and 1.3% in 2021, bringing the effective interest rate on the 2014B issue to an annual rate of 3.21% for 2021 and 3.21% for 2020.

The Series 2015 Revenue Bonds were issued by the Illinois Finance Authority and purchased by BMO Harris Bank on July 9, 2015, with interest payable monthly based on the bank purchase rate. A quarterly commitment fee based on the average amount of unutilized funds is also payable. The Loan Agreement with BMO Harris Bank matures on December 1, 2025. The average rate for the 2015 bonds (including the commitment fee) was 1.07% for 2021 and 2.21% for 2020.

The Series 2020 Revenue Bonds were issued by the Illinois Finance Authority and purchased by BMO Harris Bank on May 28, 2020, with interest payable monthly based on the bank purchase rate. The Loan Agreement with BMO Harris Bank matures on June 1, 2027 at which time the Bond may be retained by BMO Harris Bank, remarketed to a new purchaser, or purchased by the College. The average rate for the 2020 bonds was 3.01% for 2021.

During the fiscal years ended June 30, 2021 and 2020, the College incurred interest in the amount of $2,573,373 and $2,021,498, respectively.

The related bond agreements contain various financial covenants, including liquid assets to long-term debt and debt coverage ratios. The College believes it is in compliance with these financial covenants as of June 30, 2021 and 2020 of the bond issuances.

Maturities on bonds payable for each of the upcoming fiscal years ending June 30 are as follows:

2022	$ 2,483,000
2023	1,527,000
2024	1,778,976
2025	4,974,000
2026	5,022,000
Thereafter	75,297,000
Total	$ 91,081,976

During the fiscal year ended June 30, 2015, the College entered into interest rate swap agreements on December 4, 2014 to synthetically convert the Series 2014A and Series 2014B bonds from floating rate to fixed rate instruments.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

At June 30, 2021 and 2020, the fair value of the interest rate swaps were as follows:

Notional Amount	Interest Rate	Maturity Date	Fair Value June 30, 2021
$ 33,953,000	2.72%	December 2024	$ (1,590,358)
$ 27,688,000	3.21%	June 2044	(4,744,066)
			$ (6,334,424)

Notional Amount	Interest Rate	Maturity Date	Fair Value June 30, 2020
$ 33,953,000	2.64%	December 2024	$ (2,449,991)
$ 28,500,000	3.21%	June 2044	(7,502,877)
			$ (9,952,868)

The fair value of these interest rate swap agreements resulted in an unrealized gain of $3,618,445 in 2021 and an unrealized loss of $5,275,840 in 2020 based on a yield curve and projected interest rates through the maturity of the instruments.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2021	2020
Educational and general operations	$ 51,173,000	$ 37,914,063
Scholarships	37,247,628	29,280,571
Physical plant expenditures	7,580,589	6,957,813
Payments to split-interest agreement recipients	3,203,226	3,167,038
Student loan funds	570,398	570,398
	$ 99,774,841	$ 77,889,883

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows for the years ended June 30:

	2021	2020
Instruction	$ 978,582	$ 1,077,910
Academic support	193,825	148,557
Intercollegiate athletics	8,495	496,033
Student services	130,597	69,654
Private scholarships and fellowships	1,905,364	2,068,206
Time restriction	990	10,000,000
Operations and maintenance	543,966	-
Institutional support	-	463,264
Fixed-asset additions	1,329,275	1,008,485
	5,091,094	15,332,109
Loss on asset write offs	295,000	267,500
Total	$ 5,386,094	$ 15,599,609

NOTE 12 - RETIREMENT PROGRAM

The College provides defined contribution and retirement benefits for academic and non-academic personnel through the Teachers Insurance and Annuity Association/College Retirement Equity Fund. During fiscal years 2021 and 2020, $1,942,680 and $2,853,362, respectively, was deposited into individual employee retirement accounts from College resources without donor restrictions.

The College established a 457(b) deferred compensation plan effective November 1, 2013 and a 457(f) plan effective July 1, 2016 with certain key employees. The liabilities for these plans totaled $360,850 and $323,516 at June 30, 2021 and 2020, respectively, which is included in the statements of financial position. The College is contractually obligated to maintain these balances in separate accounts, as elected by the participants. These accounts are included in the College's investment securities and are available to general creditors.

NOTE 13 - FUND-RAISING COSTS

Fund-raising costs incurred by the College in fiscal years 2021 and 2020 totaled $1,821,270 and $2,053,677, respectively. These costs related primarily to planned giving, annual fund, institutional advancement, corporate relations and the capital campaign.

(Continued)

NOTE 14 - OPERATING LEASES

The College maintains certain operating leases. Future minimum lease payments are as follows:

2021	$ 162,971
2022	142,857
2023	82,210
2024	52,140
2025	13,000
Thereafter	29,250
	$ 482,428

Rental expense for operating leases during 2021 and 2020 totaled $195,483 and $303,724, respectively.

NOTE 15 - INCOME TAXES

The FASB issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements as the College's unrelated business income was offset by the expenses directly connected with the conduct of the activity creating a net operating loss. There are no interest or penalties recognized in the statements of activities or statements of financial position.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

All funds expended in conjunction with government grants are subject to audit by government agencies. In the opinion of management, if any liability results from such audits, it will not have a material effect on the College's financial statements. The College is currently unaware of any pending audits related to government grants.

The College is a party to various claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of management of the College, such items are adequately covered by insurance or their ultimate outcome will not have a material impact on the financial position of the College.

The College entered into construction contracts for which construction was incomplete as of June 30, 2021 and 2020. These outstanding contracts were for various renovation and construction projects. Commitments are recorded as liabilities as the underlying contracted services are delivered. Open construction contracts for which construction was incomplete as of June 30, 2021 and 2020 were approximately $329,500 and $15,200,000. respectively.

(Continued)

NOTE 17 - RELATED PARTIES

The College conducts business with various vendors throughout the Naperville and greater Chicagoland areas. Several of the College's vendors have principals or employees currently serving on its Board of Trustees. In accordance with the College's Conflict of Interest Policy, each Trustee is required to disclose his or her business relationship with the College on an annual basis. For the years ended June 30, 2021 and 2020, the College purchased products or services worth $1,659,683 and $1,441,403, respectively, from these related parties. Where applicable, these expenditures are competitively bid, and management believes that having such relationships with the Trustees saves the College money on both an aggregate and an individual basis.

NOTE 18 - HEALTH PLAN – SELF-INSURANCE COMMITMENT

The College provides a self-insured health insurance plan for its employee's medical and pharmaceutical claims, whereby Blue Cross Blue Shield services as a Third-Party Administrator and provides specific aggregate stop-loss coverage. Per the stop-loss policy, the College pays a monthly premium and is responsible for the funding of all claims up to $95,000 per individual participant per policy year. The College has established a separate banking account to hold funds as a reserve for claims. The balance of the reserve funds available to settle any claims incurred but not paid as of June 30, 2021 and 2020 was $1,197,624 and $1,267,915, respectively. Employee health insurance expense, under the self-insurance plan, totaled $1,645,041and $2,233,105 for the years ended June 30, 2021 and 2020, respectively.

NOTE 19 - FUNCTIONAL EXPENSE

The statements of activities report certain categories of expenses attributable to more than one program or supporting activity that were allocated among appropriate functions. Expenses associated with property primarily depreciation, interest, facilities operations and maintenance expenses are allocated primarily on the basis of square footage.

The table below presents these functional expenses by their natural classification for the years ended June 30, 2021 and 2020.

	2021						
Category	Instruction	Academic Support	Intercollegiate Athletics	Student Services	Institutional Support	Auxiliary	2021 Total
Salary	$ 17,502,952	$ 3,039,765	$ 2,482,802	$ 3,531,109	$ 5,183,593	$ 1,528,599	$ 33,268,820
Benefits	3,187,213	617,304	503,037	666,032	2,828,632	307,884	8,110,102
Depreciation & amortization	2,861,392	356,825	497,776	696,175	333,449	2,850,156	7,595,773
Operations & maintenance	1,986,694	247,748	345,611	483,362	231,517	1,978,894	5,273,826
Interest expense	969,412	120,889	168,641	235,857	112,969	965,605	2,573,373
Auxiliary enterprise	-	-	-	-	-	3,837,068	3,837,068
General	1,153,915	1,377,270	798,765	2,076,040	4,814,272	1,616,947	11,837,209
Professional & contracted services	445,501	193,321	122,156	1,120,725	1,106,270	556,168	3,544,141
Total	$ 28,107,079	$ 5,953,122	$ 4,918,788	$ 8,809,300	$ 14,610,702	$ 13,641,321	$ 76,040,312

(Continued)

NOTE 19 - FUNCTIONAL EXPENSE

	2020						
Category	Instruction	Academic Support	Intercollegiate Athletics	Student Services	Institutional Support	Auxiliary	2020 Total
Salary	$ 17,471,063	$ 3,673,698	$ 2,589,896	$ 3,712,463	$ 5,118,300	$ 1,671,358	$ 34,236,778
Benefits	3,964,133	833,248	596,307	868,883	3,151,440	411,521	9,825,532
Depreciation & amortization	2,957,892	368,859	514,563	719,653	344,694	2,946,276	7,851,937
Operations & maintenance	2,070,887	258,247	360,257	503,846	241,328	2,062,756	5,497,321
Interest expense	761,516	94,964	132,475	185,276	88,742	758,525	2,021,498
Auxiliary enterprise	-	-	-	-	-	3,697,500	3,697,500
General	1,442,511	1,526,697	1,525,392	2,450,436	4,359,061	1,602,594	12,906,691
Professional & contracted services	377,547	404,767	126,810	1,452,586	1,004,528	520,348	3,886,586
Total	$ 29,045,549	$ 7,160,480	$ 5,845,700	$ 9,893,143	$ 14,308,093	$ 13,670,878	$ 79,923,843

NOTE 20 - LIQUIDITY AND AVAILABILITY

As part of the College's liquidity management, the College plans and implements its annual budget within its anticipated revenue projections to ensure sufficient financial resources are available to fund general obligations, including expenditures and liabilities, as they come due. Additionally, the College has $61,749,880 in funds designated by the board as endowments. Although the College does not intend to spend from board-designated endowment funds, other than amounts appropriated for general expenditures approved as part of the spending policy, funds could be made available if necessary.

The College's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2021	2020
Cash and cash equivalents	$ 23,207,412	$ 11,165,086
Student accounts receivable, net of allowance	2,846,755	3,926,581
Other receivables	502,303	413,274
Total	$ 26,556,470	$ 15,504,941

Income from donor-restricted endowment funds is restricted for specific purposes, with the exception of the amounts designated for general use. To help manage unanticipated liquidity needs, North Central College could draw upon a committed line of credit of $5 million.

NOTE 21 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, unrecognized subsequent events). The College has evaluated subsequent events through October 7, 2021, which was the date that these financial statements were available to be issued.