NORTH CENTRAL COLLEGE

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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CONTENTS

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 (College), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College has adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

Chicago, Illinois
October 19, 2020

NORTH CENTRAL COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
Assets:		
Cash and cash equivalents	$ 30,429,824	$ 21,360,835
Cash held in trust	20,635,116	-
Student accounts receivable, net of allowance	3,926,581	2,910,500
Prepaid expense, other receivables and other assets	1,983,357	2,034,693
Pledges receivable, net of allowance	2,259,195	12,781,333
Investments	109,521,614	115,923,726
Student loans receivable, net of allowance	6,053,569	6,113,885
Beneficial interest in charitable remainder trust	159,812	167,483
Perpetual trust held by a third party	1,064,459	1,092,452
Land, buildings and equipment, net	186,193,258	187,651,537
Total assets	$ 362,226,785	$ 350,036,444
Liabilities and Net Assets:		
Liabilities:		
Accounts payable, accrued liabilities and refundable deposits	$ 6,746,036	$ 8,393,612
Deferred revenue	1,829,775	966,004
Split-interest agreements	1,534,910	1,501,449
Refundable loan funds (Perkins loan)	880,483	1,128,509
Interest rate swap agreement liability	9,952,868	4,677,028
Other long-term liabilities	1,331,784	1,646,209
Bonds payable	91,447,522	71,999,535
Total liabilities	113,723,378	90,312,346
Net assets:		
Without donor restrictions	170,613,524	170,112,703
With donor restrictions	77,889,883	89,611,395
Total net assets	248,503,407	259,724,098
Total liabilities and net assets	$ 362,226,785	$ 350,036,444

See notes to financial statements.

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

	2020		
	Without Donor Retrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees	$ 104,225,016	$ -	$ 104,225,016
Less financial aid	(54,595,497)	-	(54,595,497)
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)
Other expenses	(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
STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	2019		
	Without Donor Retrictions	With Donor Restrictions	Total
Revenues			
Tuition and fees	$ 102,247,989	$ -	$ 102,247,989
Less financial aid	(53,418,400)	-	(53,418,400)
Net tuition and fees	48,829,589	-	48,829,589
Community education programs	311,057	-	311,057
Contributions	3,299,973	12,019,601	15,319,574
Grants	50,450	1,199,761	1,250,211
Endowment returns designated for spending	2,578,717	1,723,216	4,301,933
Other support			
Auxiliary enterprises	15,895,334	-	15,895,334
Rental	1,540,741	-	1,540,741
Other sources	2,246,764	279,460	2,526,224
Net assets released from restrictions and changes in donor restrictions	3,232,775	(3,232,775)	-
Total revenues and other support	77,985,400	11,989,263	89,974,663
Expenses			
Instruction	29,790,829	-	29,790,829
Academic support	7,700,268	-	7,700,268
Intercollegiate athletics	5,523,012	-	5,523,012
Student services	8,451,535	-	8,451,535
Institutional support	14,608,223	-	14,608,223
Auxiliary enterprises	14,491,086	-	14,491,086
Total expenses	80,564,953	-	80,564,953
Change in net assets before other changes	(2,579,553)	11,989,263	9,409,710
Other changes in net assets			
Investment return	2,585,034	3,454,045	6,039,079
Unrealized investment gain	308,735	450,939	759,674
Endowment returns designated for spending	(2,578,717)	(1,723,216)	(4,301,933)
Change in fair value of interest rate swap agreement	(3,639,382)	-	(3,639,382)
Reclassification of net assets	(5,592,165)	5,592,165	-
Change in value of split-interest agreements	-	9,780	9,780
Loss on asset write-offs	(16)	(331,500)	(331,516)
Contributions - capital	-	179,740	179,740
Change in net assets	(11,496,064)	19,621,216	8,125,152
Net assets			
Beginning of year	181,608,767	69,990,179	251,598,946
End of year	$ 170,112,703	$ 89,611,395	$ 259,724,098

See notes to financial statements.

NORTH CENTRAL COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (11,220,691)	$ 8,125,152
Adjustments to reconcile change in net assets to net cash from operating activities		
Change in pledge discount	9,930	14,330
Loss on asset writeoffs	-	16
Allowance for doubtful accounts	213,979	(17,140)
Change in value of remainder and lead trusts	7,671	123,286
Change in fair value of interest rate swap agreements	5,275,840	3,639,382
Change in amounts payable under split-interest agreement	33,461	(26,083)
Realized and unrealized loss (gain) on marketable securities	4,116,782	(4,079,092)
Realized gains on other investments	-	(136,205)
Depreciaton and amortization	7,851,937	7,331,579
Contributions restricted for permanent investment	(742,348)	(439,440)
Investment income earned from permanent investment	(52,994)	(52,264)
Contributions received for construction in progress	(477,804)	(179,740)
Changes in operating assets and liabilities		
Student accounts receivable	(1,365,649)	225,890
Prepaid expenses, other receivables and other assets	51,336	565,814
Perpetual trust held by third party	27,993	(2,493)
Pledges receivable	10,782,007	(9,451,484)
Student loan receivable	(73,894)	(101,856)
Accounts payable, accrued liabilities, and refundable deposits	(1,512,558)	849,060
Other long-term liabilities	(314,425)	(478,273)
Deferred revenue	863,771	(219,218)
Refundable loan funds	(248,026)	23,913
Net cash from operating activities	13,226,318	5,715,134
Cash flows from investing activities		
Purchases of land, buildings, and equipment	(6,528,676)	(3,324,776)
Purchases of investments	(38,882,150)	(24,155,457)
Proceeds from sales of investments	41,167,480	30,621,887
Net cash from investing activities	(4,243,346)	3,141,654
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	742,348	439,440
Investment income earned from permanent investment	52,994	52,264
Contributions received for construction in progress	477,804	179,740
Proceeds on bond Issuance	21,524,000	-
Repayment of bonds	(2,076,013)	(2,695,520)
Net cash from financing activities	20,721,133	(2,024,076)
Net change in cash and cash equivalents	29,704,105	6,832,712
Cash and cash equivalents at beginning of year	21,360,835	14,528,123
Cash and cash equivalents at end of year	$ 51,064,940	$ 21,360,835
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 2,021,498	$ 2,119,645
Supplemental disclosures of noncash investing and financing activities		
Construction in progress included in accounts payable	$ 93,586	$ 228,604

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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as a reclassification between applicable classes of net assets (assets released from restriction).

Revenue Recognition: Tuition revenue is recognized as earned by providing instruction. Revenue from auxiliary enterprises is recognized when goods or services are provided.

Fund Accounting: In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is the method by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, the various funds are grouped into net assets without donor restrictions and with donor restrictions in accordance with accounting guidance.

(Continued)

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

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. Real estate and private equity are stated at the lower of cost or fair market 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.

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.

(Continued)

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

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 next fiscal year. 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 $1,064,459 and $1,092,452 at June 30, 2020 and 2019, 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 $159,812 and $167,483 at June 30, 2020 and 2019, 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 $4,542,138 and $4,566,280 at June 30, 2020 and 2019, 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 0.6% and 2.8% in 2020 and 2019, 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 $1,078,803 and $1,096,097 at June 30, 2020 and 2019, respectively, is classified as such because it is only restricted by time. The split-interest agreement liability with donor restrictions of $456,107 and $405,352 at June 30, 2020 and 2019, respectively, is classified as such because the remaining balance is to be transferred to a permanent endowment after the trust or annuity is terminated.

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.

(Continued)

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

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, 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.

Auxiliary Enterprises: The College's auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, the College's auxiliary enterprises consist of residence halls, dining halls, the activities center and the College bookstore. Auxiliary enterprise revenues and expenses are reported in the accompanying statements of activities in net assets without donor restrictions.

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% in 2020 and 2019.

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.

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.

(Continued)

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

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 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.

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.

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.

The extent to which COVID-19 may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted.

(Continued)

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

Recent Accounting Guidance: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU have been delayed for 12 months, and are now effective for the fiscal year ending June 31, 2021. The College has not yet implemented this ASU and is in the process of assessing the effect on the College's financial statements.

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 is 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 June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The College implemented ASU 2018-08 for the year ended June 30, 2020, for contributions received during the fiscal year. The new standard had no impact on the amount recognized or the timing of when revenue was recognized.

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NOTE 2 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	2020	2019
Student accounts receivable allowance for doubtful accounts		
Beginning balance	$ 1,932,856	$ 2,185,925
Bad debt expense	350,000	208,841
Accounts written off	(432)	(461,910)
Ending balance	$ 2,282,424	$ 1,932,856
Student loan receivables allowance for doubtful accounts		
Beginning balance	$ 331,860	$ 331,860
Bad debt expense	134,210	-
Ending balance	$ 466,070	$ 331,860
Pledges receivable allowance for doubtful accounts		
Beginning balance	$ 327,727	$ 91,798
Allowance adjustment for pledges	265,201	567,429
Pledges written off	(535,000)	(331,500)
Ending balance	$ 57,928	$ 327,727

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 0.11% to 2.34%.

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.

(Continued)

NOTE 3 - PLEDGES RECEIVABLE (Continued)

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

	2020	2019
In one year or less	$ 1,324,502	$ 11,761,387
Between one year and five years	1,007,507	1,372,489
	2,332,009	13,133,876
Less discount	(14,886)	(24,816)
Less allowance for doubtful accounts	(57,928)	(327,727)
Total	$ 2,259,195	$ 12,781,333

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, 2020 and 2019, student loans represented 1.7% of total assets.

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

	2020	2019
Federal government programs (Perkins)	$ 817,206	$ 1,052,458
Institutional programs (Roller & Legacy)	5,702,433	5,393,287
	6,519,639	6,445,745
Less allowance for uncollectible accounts	(466,070)	(331,860)
Student loans receivable, net	$ 6,053,569	$ 6,113,885

(Continued)

NOTE 4 - STUDENT LOANS RECEIVABLE/LOAN FUNDS (Continued)

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 $880,483 and $1,128,509 at June 30, 2020 and 2019, 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.

NOTE 5 - INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments consist of the following as of June 30:

	2020 Fair Value	2019 Fair Value
Marketable securities		
Corporate bonds	$ 14,509,393	$ 17,766,857
Government & agency obligations	1,998,829	2,160,630
Equities		
Common stock	8,593,702	8,769,765
Mutual funds	65,503,110	68,294,995
Total marketable securities	90,605,034	96,992,247
Other investments		
Hedge funds	15,327,220	18,013,214
Real estate fund	3,095,283	690,195
Private equity	494,077	228,070
Total other investments	18,916,580	18,931,479
	$ 109,521,614	$ 115,923,726

(Continued)

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

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

	2020	2019
Dividends and interest income	$ 2,412,802	$ 2,583,456
Realized gain on marketable securities	2,243,829	3,319,418
Realized gain on other investments	-	136,205
Unrealized (loss) gain on marketable securities	(6,360,611)	759,674
Total	$ (1,703,980)	$ 6,798,753

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
2020				
Real estate funds (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		
2019				
Real estate funds (a)	$ 690,195	$ -	Quarterly	45 days
Private equity (b)	228,070	3,000,000	N/A	N/A
Hedge funds (c)	18,013,214	-	Monthly-Annually	0-90 days
Total	$18,931,479	$ 3,000,000		

a) Real estate consists of limited liability real estate partnerships. 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.

(Continued)

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

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].

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].

(Continued)

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

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

	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 funds	-	-	-	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

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments					
Corporate bonds	$ -	$ 17,766,857	$ -	$ -	$ 17,766,857
Government & agency obligations	-	2,160,630	-	-	2,160,630
Common stock	8,769,765	-	-	-	8,769,765
Mutual funds	68,294,995	-	-	-	68,294,995
Hedge funds	-	-	-	18,013,214	18,013,214
Real estate fund	-	-	-	690,195	690,195
Private equity	-	-	-	228,070	228,070
Charitable remainder trusts	-	-	167,483	-	167,483
Perpetual trusts	-	-	1,092,452	-	1,092,452
Total assets at fair value	$ 77,064,760	$ 19,927,487	$ 1,259,935	$ 18,931,479	$ 117,183,661
Liabilities					
Interest rate swap	$ -	$ 4,677,028	$ -	$ -	$ 4,677,028

(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, 2018	$ 1,089,959	$ 290,769	$ 1,380,728
Unrealized gains (losses)	2,493	(123,286)	(120,793)
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

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 $43,649,409 and $42,926,228 in original donor-restricted endowment funds classified as net assets with donor restrictions at June 30, 2020, and 2019, 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.

(Continued)

NOTE 6 - ENDOWMENT (Continued)

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 2020 and 2019.

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, 2020 and 2019, 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 2020 and 2019, the College had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
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
2019			
Donor endowment funds	$ -	$ 69,642,658	$ 69,642,658
Board-designated funds	49,558,804	-	49,558,804
Total funds	$ 49,558,804	$ 69,642,658	$ 119,201,462

(Continued)

NOTE 6 - ENDOWMENT (Continued)

During the fiscal years ended June 30, 2020 and 2019, changes in endowment net assets consisted of the following:

	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 and 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 loss	(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

(Continued)

NOTE 6 - ENDOWMENT (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 55,073,509	$ 61,865,618	$ 116,939,127
Contributions received	-	439,440	439,440
Contributions to Board-designated endowment funds	106,615	-	106,615
Investment return			
Investment income and fees	1,118,318	1,440,879	2,559,197
Realized gains	1,432,752	2,013,264	3,446,016
Total investment return	2,551,070	3,454,143	6,005,213
Appropriation of endowment assets for expenditure	(2,578,717)	(1,723,216)	(4,301,933)
Unrealized investment gain	294,666	450,939	745,605
Transfer of net assets and other changes	(5,888,339)	5,155,734	(732,605)
Net assets, end of year	$ 49,558,804	$ 69,642,658	$ 119,201,462

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:

	2020	2019
Land and improvements	$ 8,834,544	$ 8,834,544
Buildings and improvements	243,221,976	237,980,569
Equipment	27,491,550	27,204,155
Construction in progress	3,337,753	2,772,855
	282,885,823	276,792,123
Less accumulated depreciation	(96,692,565)	(89,140,586)
Total	$ 186,193,258	$ 187,651,537

(Continued)

NOTE 8 - SHORT-TERM BORROWINGS

At June 30, 2019, 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 60 basis points at the date of draw or prime commercial rate (whichever is lower). There were no borrowings at June 30, 2020 and 2019. The line of credit will expire on March 30, 2021. 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:

	2020	2019
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.	28,500,000	29,288,000
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.	8,056,976	9,088,162
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	-
	92,033,976	72,329,162
Unamortized bond issuance costs	(586,454)	(329,627)
Total bonds payable	$ 91,447,522	$ 71,999,535

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 2.02% in 2020 and 2.65% in 2019. The interest rate swap agreement

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

on the 2014A Series increased the rate by 0.62% in 2020 and 0.07% in 2019, bringing the effective interest rate on the 2014A issue to an annual rate of 2.96% for 2020 and 2.72% for 2019.

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 1.91% in 2020 and 2.48% in 2019. The interest rate swap agreement on the 2014B Series increased the rate by 1.3% in 2020 and 0.74% in 2019, bringing the effective interest rate on the 2014B issue to an annual rate of 3.15% for 2020 and 3.22% for 2019.

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 average rate for the 2015 bonds (including the commitment fee) was 2.21% for 2020 and 2.66% for 2019.

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 interest rate for the 2020 bonds was 2.72% for 2020.

During the fiscal years ended June 30, 2020 and 2019, the College incurred interest in the amount of $2,021,498 and $2,119,645, respectively, for the years ending June 30, 2020 and 2019, 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, 2020 and 2019 except for the June 30, 2019, debt service coverage ratio requirement on one of the bond issuances. For June 30, 2019, the College obtained a waiver of this covenant requirement.

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

2021	$ 812,000
2022	1,483,000
2023	1,527,000
2024	2,918,976
2025	4,974,000
Thereafter	80,319,000
Total	$ 92,033,976

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, 2020 and 2019, the fair value of the interest rate swaps were as follows:

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)

Notional Amount	Interest Rate	Maturity Date	Fair Value June 30, 2019
$ 33,953,000	2.72%	December 2024	$ (1,008,147)
$ 29,288,000	3.22%	June 2044	(3,668,881)
			$ (4,677,028)

The fair value of these interest rate swap agreements resulted in an unrealized loss of $5,275,841 in 2020 and an unrealized loss of $3,639,382 in 2019 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:

	2020	2019
Educational and general operations	$ 37,914,063	$ 48,667,982
Scholarships	29,280,571	29,990,554
Physical plant expenditures	6,957,813	7,150,148
Payments to split-interest agreement recipients	3,167,038	3,232,313
Student loan funds	570,398	570,398
	$ 77,889,883	$ 89,611,395

(Continued)

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:

	2020	2019
Instruction	$ 1,077,910	$ 924,590
Academic support	148,557	175,845
Intercollegiate athletics	496,033	325,148
Student services	69,654	50,086
Private scholarships and fellowships	2,068,206	1,116,883
Time restriction	10,000,000	-
Operations and maintenance	-	241,496
Institutional support	463,264	398,727
Fixed-asset additions	1,008,485	-
	15,332,109	3,232,775
Loss on asset write offs	267,500	331,500
Total	$15,599,609	$ 3,564,275

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 2020 and 2019, $2,853,362 and $2,729,630, 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 $323,516 and $282,586 at June 30, 2020 and 2019, 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 2020 and 2019 totaled $2,053,677 and $2,350,535, 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	$ 160,744
2022	97,810
2023	79,342
2024	60,766
2025	44,844
Thereafter	42,250
Total	$ 485,756

Rental expense for operating leases during 2020 and 2019 totaled $303,724 and $349,670, 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 - 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.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The College entered into construction contracts for which construction was incomplete as of June 30, 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, 2020 were approximately $15,200,000.

(Continued)

NOTE 18 - 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, 2020 and 2019, the College purchased products or services worth $1,441,403 and $566,483, 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 19 - 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, 2020 and 2019 was $1,267,915 and $1,372,113, respectively. Employee health insurance expense, under the self-insurance plan, totaled $2,233,105 and $2,237,014 for the years ended June 30, 2020 and 2019, respectively.

NOTE 20 - 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 the functional expenses by their natural classification for the year ended June 30, 2020.

	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

(Continued)

NOTE 20 - FUNCTIONAL EXPENSE (Continued)

The table below presents the functional expenses by their natural classification for the year ended June 30, 2019.

	2019						
Category	Instruction	Academic Support	Intercollegiate Athletics	Student Services	Institutional Support	Auxiliary	2019 Total
Salary	$ 17,430,643	$ 3,799,340	$ 2,397,165	$ 3,522,991	$ 5,230,668	$ 1,702,228	$ 34,083,035
Benefits	3,904,877	870,053	549,587	820,853	3,167,212	401,092	9,713,674
Depreciation & amortization	2,761,867	344,414	480,462	671,961	321,851	2,751,024	7,331,579
Operations & maintenance	2,240,305	802,484	397,770	541,356	695,999	3,517,329	8,195,243
Interest expense	798,488	99,574	138,907	194,272	93,051	795,353	2,119,645
Auxiliary enterprise	-	-	-	-	-	4,225,305	4,225,305
General	1,923,843	1,123,178	1,388,424	1,367,869	3,870,765	520,802	10,194,881
Professional & contracted services	730,806	661,225	170,697	1,332,233	1,228,677	577,953	4,701,591
Total	$ 29,790,829	$ 7,700,268	$ 5,523,012	$ 8,451,535	$ 14,608,223	$ 14,491,086	$ 80,564,953

NOTE 21 - 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 $46,779,980 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. For fiscal year 2021, the Board of Trustees has authorized a distribution from the unrestricted endowment funds of approximately $2,800,000 to support operations.

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

	2020	2019
Cash and cash equivalents	$ 11,165,086	$ 11,690,079
Student accounts receivable, net of allowance	3,926,581	2,910,500
Other receivables	413,274	166,056
Total	$ 15,504,941	$ 14,766,635

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 8).

NOTE 22 - 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 19, 2020, which was the date that these financial statements were available to be issued.