




Unity College

FINANCIAL STATEMENTS

June 30, 2021 and 2020

With Independent Auditor's Report



FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Unity College

We have audited the accompanying financial statements of Unity College (the College), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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 U.S. generally accepted accounting principles.

The Board of Trustees
Unity College

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021, the College adopted Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and related guidance. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the College as a whole. The accompanying financial responsibility supplemental schedule is presented for additional analysis as required by the U.S. Department of Education, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
January 20, 2022

UNITY COLLEGE

Statements of Financial Position

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (Notes 1 and 14)	\$ 10,751,530	\$ 5,907,080
Inventories and other assets	578,008	229,533
Accounts and interest receivable (net of allowance for doubtful accounts of \$539,971 in 2021 and \$217,340 in 2020) (Note 14)	630,807	241,700
Contributions and grants receivable (Notes 1 and 14)	61,631	484,431
Intermediate-term investments (Notes 1, 2, 11, and 14)	4,053,452	3,442,682
Gift of future interest	65,834	65,834
Federal funds and grants receivable	510	863,299
Land, buildings, and equipment, net of accumulated depreciation (Notes 1, 6, and 10)	22,249,358	26,442,914
Long-term investments (Notes 1, 2, 11, and 14)	<u>18,671,070</u>	<u>15,297,089</u>
Total assets	<u>\$ 57,062,200</u>	<u>\$ 52,974,562</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 1,232,931	\$ 1,205,973
Student deposits and deferred revenue (Note 1)	1,104,566	334,927
Asset retirement obligation (Note 10)	140,588	135,475
Interest rate swaps (Notes 1 and 11)	828,540	1,377,006
Long-term debt (Notes 1 and 5)	<u>12,918,986</u>	<u>16,679,290</u>
Total liabilities	<u>16,225,611</u>	<u>19,732,671</u>
Net assets		
Without donor restrictions (Note 1)	19,488,541	15,113,337
With donor restrictions (Notes 1 and 3)	<u>21,348,048</u>	<u>18,128,554</u>
Total net assets	<u>40,836,589</u>	<u>33,241,891</u>
Total liabilities and net assets	<u>\$ 57,062,200</u>	<u>\$ 52,974,562</u>

The accompanying notes are an integral part of these financial statements.

UNITY COLLEGE

Statements of Activities

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions		
Operating revenues, gains, and other support		
Tuition and fees	\$ 16,888,703	\$ 15,295,604
Auxiliary enterprises and other revenue	509,418	4,692,908
Investment return (Note 2)	166,466	185,392
Contributions and other (Notes 1 and 5)	3,582,031	369,681
Gain on sale of land, buildings, and equipment	200,484	-
Net assets released from restrictions (Notes 1 and 4)	<u>2,434,955</u>	<u>2,245,680</u>
Total operating revenues, gains, and other support	<u>23,782,057</u>	<u>22,789,265</u>
Operating expenses (Note 1)		
Instructional	4,586,045	4,783,110
Academic support	7,080,746	5,367,142
Student services	1,655,868	3,304,826
Institutional support	2,826,304	3,900,702
Scholarships and fellowships	541,518	524,549
Auxiliary enterprises	3,084,310	4,514,607
Fundraising	<u>153,340</u>	<u>224,270</u>
Total operating expenses	<u>19,928,131</u>	<u>22,619,206</u>
Change in net assets from operations	3,853,926	170,059
Nonoperating activities		
Loss from defalcation (Note 1)	(27,188)	(196,594)
Change in value of interest rate swaps (Note 1)	<u>548,466</u>	<u>(793,089)</u>
Change in net assets without donor restrictions	<u>4,375,204</u>	<u>(819,624)</u>
Changes in net assets with donor restrictions		
Revenues, gains, and other support		
Contributions (Note 1)	1,685,227	1,660,926
Investment return (Note 2)	3,969,222	855,825
Net assets released from restrictions (Notes 1 and 4)	<u>(2,434,955)</u>	<u>(2,245,680)</u>
Change in net assets with donor restrictions	<u>3,219,494</u>	<u>271,071</u>
Change in net assets	7,594,698	(548,553)
Net assets, beginning of year	<u>33,241,891</u>	<u>33,790,444</u>
Net assets, end of year	<u>\$ 40,836,589</u>	<u>\$ 33,241,891</u>

The accompanying notes are an integral part of these financial statements.

UNITY COLLEGE

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Instructional</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits (Note 7)	\$ 3,986,460	\$ 3,380,325	\$ 1,183,362	\$ 591,286	\$ -	\$ 781,195	\$ 133,332	\$ 10,055,960
Supplies	14,005	22,124	3,231	23,014	-	17,281	15	79,670
Travel	2,257	891	2,774	6,350	-	427	1,834	14,533
Professional fees	30,382	383,633	101,087	650,090	-	44,442	32	1,209,666
Insurance	-	-	-	176,011	-	28,239	-	204,250
Interest (Notes 5 and 12)	16,053	-	16,053	-	-	428,555	-	460,661
Other	88,655	3,229,712	211,438	1,120,490	541,518	574,710	18,127	5,784,650
Depreciation and amortization	<u>448,233</u>	<u>64,061</u>	<u>137,923</u>	<u>259,063</u>	<u>-</u>	<u>1,209,461</u>	<u>-</u>	<u>2,118,741</u>
Total	<u>\$ 4,586,045</u>	<u>\$ 7,080,746</u>	<u>\$ 1,655,868</u>	<u>\$ 2,826,304</u>	<u>\$ 541,518</u>	<u>\$ 3,084,310</u>	<u>\$ 153,340</u>	<u>\$ 19,928,131</u>

The accompanying notes are an integral part of these financial statements.

UNITY COLLEGE

Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Instructional</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits (Note 7)	\$ 3,859,181	\$ 2,566,883	\$ 2,064,558	\$ 1,953,114	\$ -	\$ 1,306,939	\$ 174,817	\$ 11,925,492
Supplies	61,307	13,124	60,041	19,317	-	59,426	1,612	214,827
Travel	72,805	32,182	141,685	58,367	-	6,448	11,005	322,492
Professional fees	122,666	180,127	320,188	678,493	-	206,244	8,062	1,515,780
Insurance	-	-	-	222,856	-	22,053	-	244,909
Interest (Notes 5 and 12)	16,901	-	16,901	-	-	451,189	-	484,991
Other	170,042	2,501,846	553,151	757,729	524,549	1,187,158	28,774	5,723,249
Depreciation and amortization	<u>480,208</u>	<u>72,980</u>	<u>148,302</u>	<u>210,826</u>	<u>-</u>	<u>1,275,150</u>	<u>-</u>	<u>2,187,466</u>
 Total	 <u>\$ 4,783,110</u>	 <u>\$ 5,367,142</u>	 <u>\$ 3,304,826</u>	 <u>\$ 3,900,702</u>	 <u>\$ 524,549</u>	 <u>\$ 4,514,607</u>	 <u>\$ 224,270</u>	 <u>\$ 22,619,206</u>

The accompanying notes are an integral part of these financial statements.

UNITY COLLEGE

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 7,594,698	\$ (548,553)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,118,741	2,187,466
Paycheck Protection Program note forgiveness	(3,024,200)	-
Gain on sale of land, buildings, and equipment	(200,484)	-
Net gain on investments	(3,830,092)	(698,603)
Contributions restricted for long-term purposes	-	(15,000)
Decrease (increase) in		
Accounts and interest receivable	(389,107)	146,692
Inventories and other assets	(348,475)	(106,502)
Contributions and grants receivable	422,800	(368,306)
Student loans receivable	-	57,030
Federal funds and grants receivable	862,789	(863,299)
Increase (decrease) in		
Accounts payable for operating activities, accrued liabilities, and refundable advances	52,129	102,537
Student deposits and deferred revenue	769,639	(278,368)
Interest rate swaps	(548,466)	793,088
Net cash provided by operating activities	<u>3,479,972</u>	<u>408,182</u>
Cash flows from investing activities		
Proceeds from sale of land, buildings, and equipment	2,777,763	-
Purchase of land, buildings, and equipment	(507,894)	(973,706)
Purchase of investments	(10,532,485)	(9,906,282)
Proceeds from sale of investments	<u>10,377,827</u>	<u>10,750,846</u>
Net cash provided (used) by investing activities	<u>2,115,211</u>	<u>(129,142)</u>
Cash flows from financing activities		
Contributions received restricted for long-term purposes	-	15,000
Proceeds from long-term borrowings	-	3,024,200
Principal payments on long-term debt	(750,733)	(724,114)
Net cash (used) provided by financing activities	<u>(750,733)</u>	<u>2,315,086</u>
Net increase in cash and cash equivalents	4,844,450	2,594,126
Cash and cash equivalents, beginning of year	<u>5,907,080</u>	<u>3,312,954</u>
Cash and cash equivalents, end of year	<u>\$ 10,751,530</u>	<u>\$ 5,907,080</u>
Supplemental disclosure		
Cash and cash equivalents	\$ 10,751,530	\$ 5,907,080
Intermediate-term investments	<u>4,053,452</u>	<u>3,442,682</u>
Total cash, cash equivalents, and intermediate-term investments per statements of financial position	<u>\$ 14,804,982</u>	<u>\$ 9,349,762</u>
Noncash transactions		
Transfer of Perkins Loans to the Department of Education	<u>\$ -</u>	<u>\$ 39,344</u>

The accompanying notes are an integral part of these financial statements.

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Nature of Activities

Unity College (the College) is a small, private college in rural Maine that provides dedicated, engaged students with a liberal arts education that emphasizes the environment and natural resources. Graduates of the College are prepared to be environmental stewards, effective leaders, and responsible citizens through active learning experiences within a supportive community.

1. **Summary of Significant Accounting Policies**

Reporting Standard

The College's financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), which require the College to report the information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the College. These net assets may be used at the discretion of the College's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the College or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of 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.

Support With and Without Donor Restriction

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, the College reports contributions of cash or other assets, including unconditional promises to give, in the statement of activities when the cash, unconditional promise, or other assets are received. Unconditional promises to give are reported at their fair value, and an allowance for uncollectible promises is subsequently established when appropriate. Conditional promises to give are reported in the statement of activities when the conditions are met.

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

The College reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The College reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The College reports grants from federal and state granting authorities as restricted support when awarded. Upon expenditure of funds as stipulated by the terms of the underlying grants, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

All liquid investments with an original maturity of three months or less, other than those held by custodians as part of the investment portfolio, are considered to be cash equivalents.

The College maintains its cash and certificates of deposit in bank deposit accounts which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant risk with respect to these accounts.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at construction cost, acquisition cost, or fair value at the date of gift, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the assets. The College capitalizes assets with a cost of \$1,000 or greater and an estimated useful life greater than one year. Following is a summary of estimated useful lives by asset category:

	<u>Estimated Useful Lives (Years)</u>
Land improvements	7
Buildings and improvements	7 - 30
Furniture and equipment	3 - 5
Vehicles	5
Library collection	7
Other	7

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statement of financial position and statement of activities.

Interest Rate Swaps

The College entered into interest rate swap agreements in conjunction with issuance of the bonds described in Note 5. The interest rate swap agreements are used to offset the variability of expected future cash flows due to the variable interest rates of the bond instruments. The swap notional amounts equal the outstanding principal balance of the bond instruments. The swaps terminate on December 18, 2030, December 19, 2029, and December 23, 2028, respectively. The College pays a fixed rate of 3.12%, 3.25%, and 3.74%, respectively, and receives a variable rate based on 65% of the 30-day London Interbank Offering Rate (LIBOR) Index plus 2.5%. The swaps are carried at fair value in the statement of financial position.

Bond Issuance Costs

Certain costs related to long-term debt such as accountants, attorneys, and underwriting fees are capitalized and amortized on a straight-line basis over the lives of the respective debt issues, which mature at various dates through December 2030. The unamortized deferred costs are presented as a reduction of the related long-term debt.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. Those expenses include depreciation and amortization, operations and maintenance, and interest. For these expenses, depreciation and amortization and operations and maintenance are allocated based on square footage and interest is allocated based on the use of the related debt proceeds.

Income Taxes

The College is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

New Accounting Pronouncements

As of July 1, 2020, the College retrospectively adopted provisions of FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and related guidance (Topic 606). Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. As a result of the adoption of Topic 606, approximately \$127,000 has been reclassified from expenses to net revenues for the year ended June 30, 2020. There was no other significant impact as a result of this adoption.

Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering a student's financial condition and current economic conditions. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received.

Revenue Recognition

Net revenues consist primarily of undergraduate and graduate tuition, net of scholarships, and fees derived from courses taught by the College. A contract is entered into with a student and covers a course or semester. Revenue recognition begins once a student starts attending a course. Tuition revenue is recognized pro-rata over the applicable period of instruction. The College has elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts have original terms of less than one year.

The College maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the College continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The College does not record revenue on amounts that may be refunded. However, for students that have taken out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV is required as a result of his or her withdrawal, the College reassesses collectability for these students for the estimated revenue that will be returned.

Auxiliary revenues primarily include room and board fee revenues that are recognized over the period the services are provided.

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

The College's accounts receivable represent unconditional rights to consideration from contracts with students; accordingly, accounts receivable are not recognized until the student starts attending a course and the revenue recognition process has commenced. Student billings occur in advance of the course start date, and are due prior to the start of the course, unless payment plans have been established. Included in each invoice to the student are all educational related items including tuition, net of scholarships, housing, educational materials, and fees.

The College's contract liabilities are reported as student deposits and deferred revenue in the statement of financial position. Such amounts represent the excess of tuition, fees, and other student payments billed over amounts recognized as revenue in the statement of activities. The College's educational programs have starting and ending dates that differ from its fiscal year-end. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned.

Uncertainties

On March 13, 2020, the U.S. government declared a national state of emergency as a result of the global pandemic of COVID-19. Efforts were taken by national, state, and local governments to manage the spread of COVID-19 which included the temporary shutdown of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have gradually become less restrictive during the fiscal year 2021, most industry sectors are still experiencing disruption to business operations and may experience further impacts related to volatility in operations, investment returns, and reduced philanthropic support. Significant uncertainty still surrounds the duration of the pandemic and operational adjustments that must be made to accommodate guidance from the Center for Disease Control and Prevention, the potential economic ramifications, and further government actions to mitigate them. Therefore, management is not in a position to reasonably estimate the full financial impact and duration.

Defalcation

During the year ended June 30, 2020, the College identified a loss from defalcation which has been reflected in the statement of activities.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the College has considered transactions or events occurring through January 20, 2022, which was the date that the financial statements were available to be issued.

Subsequent to June 30, 2021, the College entered into contracts with vendors for construction, enrollment services, food services, and additional technological implementation support. The construction contract entered into after June 30, 2021 represents costs for facilities of approximately \$2,600,000. The College entered into contracts for student recruitment services subsequent to year end for approximately \$8,325,500 through June 30, 2022. These contracts were entered into as part of the regular course of business.

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

2. Investments

The fair values of investments at June 30 were as follows:

	<u>2021</u>	<u>2020</u>
<u>Intermediate-term investments</u>		
U.S. Government and agencies	\$ 205,625	\$ 430,120
Mutual funds	1,813,701	-
Certificates of deposit	403,767	1,360,828
Corporate bonds	<u>1,630,359</u>	<u>1,651,734</u>
	<u>\$ 4,053,452</u>	<u>\$ 3,442,682</u>
<u>Long-term investments</u>		
Cash and money market funds	\$ 356,322	\$ 395,903
U.S. equities	9,468,966	6,975,593
Fixed income funds	4,402,069	3,741,895
International equity funds	3,894,998	3,088,183
Commodities	<u>548,715</u>	<u>1,095,515</u>
	<u>\$ 18,671,070</u>	<u>\$ 15,297,089</u>

The composition of endowment net assets, reported as long-term investments, by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 18,039,079	\$ 18,039,079
Board-designated endowment funds	<u>631,991</u>	<u>-</u>	<u>631,991</u>
	<u>\$ 631,991</u>	<u>\$ 18,039,079</u>	<u>\$ 18,671,070</u>

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 491,640	\$ 14,805,449	\$ 15,297,089
Investment return, net	140,351	3,969,222	4,109,573
Contributions	-	1,432	1,432
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(737,024)</u>	<u>(737,024)</u>
Endowment net assets, end of year	<u>\$ 631,991</u>	<u>\$ 18,039,079</u>	<u>\$ 18,671,070</u>

The composition of endowment net assets, reported as long-term investments, by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 14,805,449	\$ 14,805,449
Board-designated endowment funds	<u>491,640</u>	<u>-</u>	<u>491,640</u>
	<u>\$ 491,640</u>	<u>\$ 14,805,449</u>	<u>\$ 15,297,089</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 463,895	\$ 14,509,337	\$ 14,973,232
Investment return, net	29,245	855,824	885,069
Contributions	-	15,000	15,000
Appropriation of endowment assets for expenditure	<u>(1,500)</u>	<u>(574,712)</u>	<u>(576,212)</u>
Endowment net assets, end of year	<u>\$ 491,640</u>	<u>\$ 14,805,449</u>	<u>\$ 15,297,089</u>

UNITY COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

The College has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets of perpetual duration an amount equal to the aggregate value in dollars of (a) each perpetual duration donor-restricted endowment fund at the time it became an endowment fund, (b) each subsequent donation to the fund at the time the donation is made, and (c) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. Accordingly, unless explicitly stated otherwise by the donor, realized and unrealized net appreciation in investments in donor-restricted endowment funds of perpetual duration is reported as net assets with donor restrictions until appropriated by the Board of Trustees for expenditure. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

The objective of the endowment fund is to preserve the real (inflation adjusted) purchasing power of assets and to provide relatively predictable and constant income for current use, in accordance with the spending policy. The intention of the spending policy is to maintain and grow the real value of the portfolio while funding any identified needs the Board of Trustees may specify. Absent extraordinary circumstances, the annual spending from the endowment asset base is limited to 4% of the three-year rolling average of the endowment's market value, calculated quarterly. Management fees and other applicable expenses are not included with the spending allocation. The College has a policy that permits spending from underwater funds (those whose fair value is less than the historic amounts of the contributions) depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

Under the College's investment policy, the total endowment fund shall be diversified both by asset class and within asset classes. Specifically, equity investments shall not be more than 75%, nor less than 50%, of the endowment. To encourage prudent asset diversification, no single stock (or convertible), at original cost, shall exceed 5% of the total endowment value. Developed and emerging international equity shall not exceed 30%. Fixed income shall not be less than 20%, nor greater than 40%, of the endowment. Except for government obligations guaranteed or backed by the U.S. Government, no single debt issuer shall exceed 5% of the total endowment value. Alternative investments shall not exceed 15% and cash shall not exceed 6% of the endowment portfolio.

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3. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Scholarships	\$ 644,428	\$ 346,616
Sky Lodge	1,665,141	1,938,143
Endeavor	35,000	35,000
Davis Family Foundation	51,068	51,068
Davis Educational Foundation Grant	89,600	89,686
Other programs	757,474	505,492
Time restricted until board appropriated - appreciation on perpetual endowment funds without purpose restrictions	<u>6,270,541</u>	<u>3,345,463</u>
	<u>9,513,252</u>	<u>6,311,468</u>
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	970,875	955,230
Field of Dreams and Unity Centre for the Performing Arts	150,000	150,000
Any activities of the College	<u>10,121,015</u>	<u>10,119,493</u>
	11,241,890	11,224,723
Land held with perpetual restrictions (Note 6)	527,072	527,072
Other	<u>65,834</u>	<u>65,291</u>
Net assets held in perpetuity	<u>11,834,796</u>	<u>11,817,086</u>
Total net assets with donor restrictions	<u>\$ 21,348,048</u>	<u>\$ 18,128,554</u>

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4. Net Assets Released From Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2021</u>	<u>2020</u>
Scholarship and fellowship disbursements	\$ 120,596	\$ 337,059
Davis Educational Foundation Grant	86	35,700
Distance education	-	100,000
Maine space grant	-	17,422
Wood turtle grant	-	25,768
Higher Education Emergency Relief Funds	1,276,517	811,790
Appropriation of endowed assets	737,024	574,712
Sky Lodge	273,002	278,016
Various other program expenses	<u>27,730</u>	<u>65,213</u>
	<u>\$ 2,434,955</u>	<u>\$ 2,245,680</u>

5. Borrowings

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Bangor Savings Bank; interest fixed at 1% unsecured Paycheck Protection Program forgivable note payable, forgiven during 2021.	\$ -	\$ 3,024,200
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.25% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of \$28,932, including interest, with balance due December 2029; collateralized by substantially all assets (1)	3,719,597	3,934,922
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.74% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of \$38,688, including interest, with balance due December 2028; collateralized by substantially all assets (2)	4,615,166	4,898,543

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	<u>2021</u>	<u>2020</u>
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.12% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of \$33,776, including interest, with balance due December 2030; collateralized by substantially all assets (3)	<u>4,708,001</u>	<u>4,960,032</u>
	13,042,764	16,817,697
Less bond issuance costs, net of amortization	<u>(123,778)</u>	<u>(138,407)</u>
Long-term debt, net	<u>\$ 12,918,986</u>	<u>\$ 16,679,290</u>

- (1) The variable interest rate is equal to 65% of the 30-day LIBOR plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.25% via an interest rate swap (Note 1).
- (2) The variable interest rate is equal to 65% of the 30-day LIBOR plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.74% via an interest rate swap (Note 1).
- (3) The variable interest rate is equal to 65% of the 30-day LIBOR plus 2.5%. The interest rate is repriced monthly to an effective rate of 3.12% via an interest rate swap (Note 1).

Maturities of long-term debt for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 777,000
2023	804,000
2024	831,000
2025	861,000
2026	891,000

During 2020, the College qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the amount of \$3,024,200. The PPP provides funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the loan is dependent upon compliance with this and other terms and conditions of the CARES Act. The College applied for and was granted forgiveness during 2021. The revenue from loan forgiveness is included in the statement of activities and represented 11% of total revenue for the College during the year ended June 30, 2021. Forgiveness is subject to the sole approval of the SBA.

The SBA has indicated it will review PPP loans in excess of \$2,000,000 to determine whether the organization can support the good-faith certification made when applying for the PPP that economic uncertainty made the loan request necessary to support ongoing operations. The PPP

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loan forgiveness is subject to SBA review for six years from the date of loan forgiveness. Management believes there is sufficient evidence to support the College's necessity of the PPP to support ongoing operations due to the economic uncertainty at the time of the loan application. Any difference between amounts previously estimated to be forgiven and amounts subsequently determined to be forgiven will be reflected in the year that such amounts become known.

The loan agreements contain various covenants regarding such items as submission of financial statements and budgets, permitted dispositions and acquisitions of property, additional debt, and meeting certain debt coverage financial ratios.

The College has available an unsecured line of credit in the amount of \$750,000. The line bears interest at prime less 0.25%, with a floor of 3.25%, and expires in March 2022. There were no advances under this line at June 30, 2021 or 2020.

The College has an available reducing revolver in the amount of \$3,500,000. This revolver is collateralized by the College's investment portfolio, an assignment of \$1,000,000 deposit account, and a security interest in all business assets. No amounts were extended on the revolver as of June 30, 2021.

6. Land, Buildings, and Equipment

Land, buildings, and equipment consist of:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 3,213,045	\$ 3,730,395
Buildings and improvements	32,960,339	34,873,283
Furniture and equipment	9,687,547	9,450,342
Vehicles	1,267,052	1,267,052
Library collection	799,671	799,671
Other	59,555	59,555
Construction in progress	<u>205,378</u>	<u>313,869</u>
	48,192,587	50,494,167
Less accumulated depreciation	<u>25,943,229</u>	<u>24,051,253</u>
	<u>\$ 22,249,358</u>	<u>\$ 26,442,914</u>

In a prior year, the College received a gift of land, buildings, equipment, and other assets valued at \$1,631,690. As the assets are subject to a right of first offer agreement between the College and a third-party beneficiary, the value of land and other non-depreciable assets of \$408,100 is included in net assets of perpetual duration. Per the terms of this agreement, if the College desires to transfer the assets, the College must first offer to give the assets to the third-party beneficiary at no cost. If the third-party beneficiary waives the offer, and the College sells the land and buildings, all net proceeds will (a) add to the \$150,000 endowment the donor established at the date of the gift to support ongoing maintenance of the property, if the sale is of less than all the land and buildings, or (b) be paid to the third-party beneficiary if all the land and buildings are sold. If the College sells the equipment and other assets, it is entitled to retain the net proceeds.

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In 2018, the College received a gift of land, buildings, and furniture and equipment. The assets were recorded at fair market value at the date of the gift. The land, buildings, and furniture and equipment were valued at \$400,000, \$1,350,000, and \$722,150, respectively. Per the terms of the agreement, the College is not permitted to sell, transfer, or convey, any asset with an aggregate inventory value of \$5,000 or more within the next five years. As the assets are subject to these donor restrictions, the value of the gift is included in net assets with donor restrictions, net of accumulated depreciation.

Net assets with donor restrictions also include a donated land parcel initially valued at \$76,472. Proceeds from any sale of the land must be maintained as a perpetual endowment fund to provide scholarships to students at the College who are pursuing a degree in sustainable agriculture.

Net assets with donor restrictions also include a donated land parcel initially valued at \$42,500 which the College is not permitted to sell.

7. Retirement Plans

The College has established a tax deferred annuity plan with the Teachers Insurance and Annuity Association and College Retirement Equities Fund. All regular full and part-time employees and faculty who work a minimum of 1,000 hours per year are eligible to participate in the plan on a voluntary basis. Contributions to the plan, provided contributions are made by participants at a minimum of 3% of gross wages, are made by the College at 6% of the participant's gross wages in 2021 and 2020. Plan expense was \$346,716 and \$460,200 for 2021 and 2020, respectively.

The College sponsors a 457(b) deferred compensation retirement plan for the Executive Director. The plan assets and related plan liability are included in the statement of financial position as part of inventories and other assets and accounts payable and accrued liabilities for \$171,299.

8. Commitments and Contingencies

As is common practice in the field of higher education, the College has various employment contracts with faculty and administrators. Prior to June 30, 2021, certain faculty members continue to be paid throughout the summer months for services rendered prior to June 30. Accordingly, these accruals, as well as other employee related accruals, are included in accrued liabilities in the statement of financial position.

The College is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without material adverse effect to the College's future financial position or results of operations.

9. Related Party Transactions

An officer of the College was employed by a firm the College has engaged to provide legal services. During 2021, the College incurred approximately \$215,000 in legal expenditures with this firm.

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10. Asset Retirement Obligation

The College has evaluated its facilities and has determined that certain buildings contain asbestos, resulting in a conditional asset retirement obligation if the buildings are renovated or razed. The College has recorded a liability for these costs to the extent it plans to undertake activities that will require abatement of asbestos. The related cost has been capitalized in land, buildings, and equipment and is being depreciated over the estimated number of years until abatement. The College has not accrued any remaining asbestos removal obligation as its fair value cannot be reasonably estimated due to the conditional nature of the obligation.

11. Fair Value

ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The College did not have any level 3 investments as of June 30, 2021 and 2020.

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Assets and liabilities measured at fair value on a recurring basis at June 30, 2021 are summarized below:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Using the Market Approach (Level 2)</u>
Assets			
Cash and money market funds	\$ 356,322	\$ 356,322	\$ -
U.S. Government and agencies	205,625	205,625	-
Corporate bonds	1,630,359	1,337,422	314,312
Fixed income funds	4,402,069	4,402,069	-
International equity funds	3,894,998	3,894,998	-
U.S. equities	9,468,966	9,468,966	-
Mutual funds	1,813,701	1,813,701	-
Commodities	548,715	548,715	-
Liabilities			
Interest rate swaps	823,540	-	823,540

Assets measured at fair value on a recurring basis at June 30, 2020 are summarized below:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Using the Market Approach (Level 2)</u>
Assets			
Cash and money market funds	\$ 395,903	\$ 395,903	\$ -
U.S. Government and agencies	430,120	430,120	-
Corporate bonds	1,651,734	1,545,250	106,484
Fixed income funds	3,741,895	3,741,895	-
International equity funds	3,088,183	3,088,183	-
U.S. equities	6,975,593	6,975,593	-
Commodities	1,095,515	1,095,515	-
Liabilities			
Interest rate swaps	1,377,006	-	1,377,006

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The estimated fair value of the swaps was provided by the financial institution counterparty and is based on Level 2 inputs under ASC Topic 820. The swaps were valued using the income approach. The fair value adjustments on the interest rate swaps reverse to zero at the maturity date of the agreements.

Level 2 corporate bonds are valued based on quoted market prices of similar instruments.

12. Supplemental Statement of Cash Flows Disclosures

Cash paid for interest was \$460,661 in 2021 and \$492,625 in 2020.

13. Leases

The College leases office space under an operating lease expiring in 2026, with the option of two additional 60 month extensions at the end of the lease term. Future minimum lease payments under the operating lease as of June 30, 2020 are:

2022	\$ 403,461
2023	646,736
2024	648,375
2025	650,054
2026	651,772
Thereafter	<u>6,374,665</u>
Total	<u>\$ 9,375,063</u>

Total rent expense under all leases approximated \$65,955 in 2021 and \$58,923 in 2020.

Subsequent to June 30, 2021, the College entered into an agreement to lease additional space, which resulted in an increase in the annual future minimum lease payment by approximately \$570,000 per year including Yarmouth Hall and Freeport Hall whose leases extend for a 25 year period. For years one through fifteen, Freeport Hall and Yarmouth Hall's monthly payments are an average of \$11,195 and \$36,462 respectfully, which are represented above. The remaining ten years will be determined by market rate at a later time.

14. Available Resources and Liquidity

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, intermediate and long-term investments, and a line of credit. See Note 5 for information about the College's line of credit.

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For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for fiscal years 2021 and 2020.

During the year ended June 30, 2020, the College was awarded two grants totaling \$822,158 through the CARES Act with Higher Education Emergency Relief Funds (HEERF). At June 30, 2020, the College had recognized \$811,790 of this amount in grant revenue. During the year ended June 30, 2021, an additional \$1,266,149 in HEERF funding was awarded to the College. Consistent with the terms of the HEERF grant agreements, a portion of the grant must be awarded to Title IV eligible students enrolled at the time of the National Emergency Declaration (March 13, 2020) as emergency aid for student expenses caused by campus disruptions arising from the COVID-19 pandemic.

The following table shows the financial assets held by the College that are readily available within one year of the statement of financial position date to meet general expenditures as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$10,751,530	\$ 5,907,080
Accounts and interest receivable, net	630,807	241,700
Federal funds and grants receivable	510	863,999
Contributions for general expenditures due in one year or less	61,631	484,431
Payout on donor-restricted endowments for use over next 12 months	<u>785,910</u>	<u>737,025</u>
	<u>\$12,230,388</u>	<u>\$ 8,234,235</u>