

**BAY PATH UNIVERSITY**

# Financial Statements

**JUNE 30, 2020 & 2019**

with Independent Auditors' Report thereon



**BAY PATH UNIVERSITY**

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report)

# BAY PATH UNIVERSITY

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Bay Path University  
Longmeadow, Massachusetts

### **Report on Financial Statements**

We have audited the accompanying financial statements of Bay Path University (the University), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and changes in net assets, 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 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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 University 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 2 to the financial statements, Bay Path University adopted Accounting Standards Update (ASU) 2018-08, *Not for Profit Entities: Clarifying the Scope and Accounting guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to this matter.

**Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 26-27 are presented for purposes of additional analysis and are 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 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants**  
**Braintree, Massachusetts**

October 26, 2020

**BAY PATH UNIVERSITY**  
**Statements of Financial Position**  
June 30,

	<b>2020</b>	<b>2019</b>
<u><b>Assets</b></u>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 8,771,082	\$ 10,559,123
Accounts and notes receivable, net (note 3)	4,615,862	4,760,879
Pledge receivable, net (note 4)	764,016	212,342
Other assets	1,183,952	1,329,117
Investments (note 5)	67,302,942	63,303,847
Land, buildings and equipment, net of accumulated depreciation (note 7)	35,161,763	36,361,734
<b>Total Assets</b>	<b>\$ 117,799,617</b>	<b>\$ 116,527,042</b>
<u><b>Liabilities and Net Assets</b></u>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 3,946,660	\$ 4,384,126
Deposits, deferred tuition and fees	5,939,036	5,707,804
Annuity obligations (note 5)	136,830	172,139
Other long-term liabilities (note 7)	1,923,310	1,831,725
Bonds payable, net (note 10)	15,887,745	16,501,809
Grants refundable	752,904	752,904
<b>Total liabilities</b>	<b>28,586,485</b>	<b>29,350,507</b>
<b>Net assets:</b>		
Without donor restrictions	71,576,780	71,142,905
With donor restrictions (note 13)	17,636,352	16,033,630
<b>Total net assets</b>	<b>89,213,132</b>	<b>87,176,535</b>
<b>Total liabilities and net assets</b>	<b>\$ 117,799,617</b>	<b>\$ 116,527,042</b>

*The accompanying notes are an integral part of the financial statements.*

**BAY PATH UNIVERSITY**  
Statement of Activities and Changes in Net Assets  
June 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Operating revenues:			
Tuition and fees	\$ 59,862,514	\$ -	\$ 59,862,514
Residence halls and dining services	2,694,958	-	2,694,958
Less scholarships and aid to students	(13,199,393)	-	(13,199,393)
Net student fees	49,358,079	-	49,358,079
Federal and state grants	2,692,334	-	2,692,334
Other auxiliary income	244,196	-	244,196
Interest income	93,653	-	93,653
Investment income used in operations (note 5)	1,679,923	217,494	1,897,417
Contributions and private grants	227,648	3,306,345	3,533,993
Other income	900,012	-	900,012
Net assets released from restrictions (note 14)	2,103,381	(2,103,381)	-
Total operating revenues	57,299,226	1,420,458	58,719,684
Operating expenses:			
Academic instruction	21,855,062	-	21,855,062
Academic support	8,940,526	-	8,940,526
Student services	12,686,747	-	12,686,747
Auxiliary	2,306,339	-	2,306,339
Other expenses	82,488	-	82,488
Management and general	9,654,241	-	9,654,241
Total operating expenses	55,525,403	-	55,525,403
Change in net assets from operations	1,773,823	1,420,458	3,194,281
Nonoperating additions and deductions:			
Net return on long-term investment, net of amounts used in operations (note 5)	(1,339,948)	182,264	(1,157,684)
Change in net assets	433,875	1,602,722	2,036,597
Net assets, beginning of year	71,142,905	16,033,630	87,176,535
Net assets, end of year	\$ 71,576,780	\$ 17,636,352	\$ 89,213,132

*The accompanying notes are an integral part of the financial statements.*

**BAY PATH UNIVERSITY**  
Statement of Activities and Changes in Net Assets  
June 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Operating revenues:			
Tuition and fees	\$ 61,280,252	\$ -	\$ 61,280,252
Residence halls and dining services	3,712,907	-	3,712,907
Less scholarships and aid to students	(12,113,714)	-	(12,113,714)
Net student fees	52,879,445	-	52,879,445
Federal and state grants	1,475,629	-	1,475,629
Other auxiliary income	328,418	-	328,418
Interest income	159,083	-	159,083
Investment income used in operations (note 5)	1,727,146	200,290	1,927,436
Contributions and private grants	196,631	1,601,202	1,797,833
Other income	780,971	77,935	858,906
Net assets released from restrictions (note 14)	1,546,626	(1,546,626)	-
Total operating revenues	59,093,949	332,801	59,426,750
Operating expenses:			
Academic instruction	22,313,595	-	22,313,595
Academic support	8,345,732	-	8,345,732
Student services	13,118,744	-	13,118,744
Auxiliary	2,577,023	-	2,577,023
Other expenses	413,984	-	413,984
Management and general	10,359,552	-	10,359,552
Total operating expenses	57,128,630	-	57,128,630
Change in net assets from operations	1,965,319	332,801	2,298,120
Nonoperating additions and deductions:			
Net return on long-term investment, net of amounts used in operations (note 5)	(17,528)	248,129	230,601
Net loss on disposition of land, buildings and equipment	(52,195)	-	(52,195)
Reclassification and changes in donor intent	600	(600)	-
Change in net assets	1,896,196	580,330	2,476,526
Net assets, beginning of year	69,246,709	15,453,300	84,700,009
Net assets, end of year	\$ 71,142,905	\$ 16,033,630	\$ 87,176,535

*The accompanying notes are an integral part of the financial statements.*



**BAY PATH UNIVERSITY**

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program services							
	Academic Instruction	Academic Support	Student Services	Auxiliary and Other	Total Program Services	Management and General	Fundraising	Total
Advertising and promotion	\$ 122	\$ 9,011	\$ 4,479,781	\$ 10,750	\$ 4,499,664	\$ 76,267	\$ -	\$ 4,575,931
Bad debts	-	-	-	-	-	19,838	-	19,838
Buildings and grounds	825,127	227,979	244,551	384,568	1,682,225	313,953	-	1,996,178
Conferences/meetings/travel	138,439	48,339	85,714	2,050	274,542	27,170	2,404	304,116
Depreciation, accretion and amortization	1,575,823	325,561	441,253	440,907	2,783,544	286,486	-	3,070,030
Employee benefits	2,964,883	1,122,351	955,186	75,707	5,118,127	1,125,397	153,364	6,396,888
Entertainment	6,948	968	42,318	-	50,234	9,869	23,425	83,528
Food service	57,693	21,812	89,757	966	170,228	40,769	15,377	226,374
Grants expense	1,094,794	529,934	233,103	-	1,857,831	147,843	16,804	2,022,478
Information technology	13,423	879,644	7,326	-	900,393	1,484	-	901,877
Insurance	-	-	-	-	-	353,224	-	353,224
Interest	424,757	-	-	-	424,757	111,946	-	536,703
Legal and accounting	-	-	-	-	-	107,023	-	107,023
Memberships	66,826	40,631	40,596	475	148,528	46,128	1,130	195,786
Miscellaneous	27,153	15,586	24,281	9,261	76,281	345,252	348	421,881
Office expenses	204,489	48,694	393,748	8,212	655,143	49,755	15,210	720,108
Purchase services	590,955	914,515	1,368,375	47,494	2,921,339	811,885	81,288	3,814,512
Salaries and wages	13,765,291	4,644,967	4,002,372	391,406	22,804,036	4,691,978	619,734	28,115,748
Student Board	-	-	-	1,014,402	1,014,402	-	-	1,014,402
Supplies	98,339	110,534	278,386	2,629	489,888	153,715	5,175	648,778
	<u>\$ 21,855,062</u>	<u>\$ 8,940,526</u>	<u>\$ 12,686,747</u>	<u>\$ 2,388,827</u>	<u>\$ 45,871,162</u>	<u>\$ 8,719,982</u>	<u>\$ 934,259</u>	<u>\$ 55,525,403</u>

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

**BAY PATH UNIVERSITY**

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program services							
	Academic Instruction	Academic Support	Student Services	Auxiliary and Other	Total Program Services	Management and General	Fundraising	Total
Advertising and promotion	\$ -	\$ 11,018	\$ 4,088,947	\$ 10,374	\$ 4,110,339	\$ 55,522	\$ -	\$ 4,165,861
Bad debts	-	-	-	-	-	518,028	-	518,028
Buildings and grounds	955,526	279,846	314,000	456,301	2,005,673	328,333	-	2,334,006
Conferences/meetings/travel	256,043	87,329	199,112	9,356	551,840	36,868	16,189	604,897
Depreciation, accretion and amortization	1,724,885	361,631	438,000	434,743	2,959,259	338,052	-	3,297,311
Employee benefits	2,879,218	1,033,738	1,035,343	55,850	5,004,149	1,034,136	127,961	6,166,246
Entertainment	5,401	11,085	78,925	79	95,490	11,869	37,197	144,556
Food service	85,156	30,349	145,073	62,288	322,866	42,489	11,507	376,862
Grants expense	705,585	190,445	142,704	-	1,038,734	211,898	88,444	1,339,076
Information technology	13,244	860,848	7,802	-	881,894	1,701	-	883,595
Insurance	-	-	-	-	-	290,615	-	290,615
Interest	439,450	-	-	-	439,450	115,619	-	555,069
Legal and accounting	-	-	-	-	-	131,945	-	131,945
Memberships	60,329	34,826	37,514	223	132,892	47,807	3,346	184,045
Miscellaneous	30,305	3,096	34,671	150,087	218,159	591,597	277	810,033
Office expenses	261,202	56,465	433,574	9,189	760,430	13,730	19,716	793,876
Purchase services	652,472	945,380	1,444,074	186,905	3,228,831	1,021,117	44,210	4,294,158
Salaries and wages	14,177,780	4,317,822	4,383,571	331,305	23,210,478	4,512,875	537,742	28,261,095
Student Board	-	-	-	1,279,252	1,279,252	-	-	1,279,252
Supplies	66,999	121,854	335,434	5,055	529,342	153,024	15,738	698,104
	<u>\$ 22,313,595</u>	<u>\$ 8,345,732</u>	<u>\$ 13,118,744</u>	<u>\$ 2,991,007</u>	<u>\$ 46,769,078</u>	<u>\$ 9,457,225</u>	<u>\$ 902,327</u>	<u>\$ 57,128,630</u>

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

# BAY PATH UNIVERSITY

## Statements of Cash Flows

For the Years Ended June 30,

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 2,036,597	\$ 2,476,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and accretion	3,070,031	3,297,311
Amortization	5,757	5,757
Bad debts	19,838	518,028
Net loss on disposition of land, building and equipment	-	52,195
Net (gain) loss on investments	442,250	(2,132,727)
Contributions restricted for long-term investment	(1,217,823)	(692,445)
Changes in operating assets and liabilities:		
Receivables and other assets, net	(281,330)	3,586,136
Accounts payable and accrued liabilities	(437,466)	878,563
Deposits, deferred tuition and fees, and annuity obligations	195,922	(2,369,014)
Net cash provided by operating activities	3,833,776	5,620,330
Cash flows from investing activities:		
Additions to land, buildings and equipment	(1,778,474)	(1,830,590)
Purchases of investments	(19,029,746)	(35,766,635)
Proceeds from sale of investments	14,588,402	34,205,203
Net cash used in investing activities	(6,219,818)	(3,392,022)
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,217,823	692,445
Principal payments on outstanding bonds	(619,822)	(601,467)
Net cash provided by financing activities	598,001	90,978
Increase (decrease) in cash and cash equivalents	(1,788,041)	2,319,286
Cash and cash equivalents at beginning of year	10,559,123	8,239,837
Cash and cash equivalents at end of year	\$ 8,771,082	\$ 10,559,123
Supplemental data:		
Cash paid for interest	\$ 531,552	\$ 549,686
Change in land, buildings and equipment included in accounts payable at year-end	\$ (244,200)	\$ 355,312

*The accompanying notes are an integral part of the financial statements.*

# BAY PATH UNIVERSITY

## Notes to Financial Statements

June 30, 2020 and 2019

### (1) Organization

Bay Path University (the University) is a distinctive, progressive, professionally focused, four-year and graduate university for undergraduate women and co-educational graduate students.

A pioneer in innovative undergraduate programs for women and professional graduate degrees for men and women, Bay Path University, through its focus on leadership, communication, and technology, educates students to become confident and resourceful contributors to our increasingly interdependent world.

Students are challenged to accept the responsibilities and to experience the rewards of leadership through their education at Bay Path University. Opportunities to build and strengthen technological, analytical, and oral and written communication skills are thoroughly integrated into the curriculum. Students apply and expand their knowledge through internships, field placements, or focused projects in a wide variety of settings.

The University, which values and promotes diversity, respects the needs, views, and rights of others. A dedicated community of faculty and staff fosters the social and personal as well as the intellectual development of all students.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 18, 2020, the University transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The University refunded a total of \$841,052 before June 30, 2020 to students for a pro-rata share of the housing and meals fees charged for the period from when the University transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The University was awarded \$1,501,661 of which \$715,583 is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other \$786,078 is required by the University to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the University expended \$715,583 for emergency grants to students and \$715,583 for institutional costs from the HEERF funds. Additionally, the University expended \$70,495 of CARES Act funding under Title III.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and 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 with donor restrictions* – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity.

*Net assets without donor restrictions* – Net assets available for general use and not subject to donor restrictions. The Board of Trustees (the Board) has designated from net assets without donor restrictions, net assets for endowment. The University's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation; funds for facilities and student loans and undesignated 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.

#### **(b) Operations**

The statements of activities report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's undergraduate and graduate programs. Earned income on the University's investments is reported as operating revenue. Contributions from bequests without donor restrictions or for the acquisition of capital assets are reported as operating revenue. Realized and unrealized gains and losses in excess of the University's spending policy are reported as nonoperating revenue.

#### **(c) Revenue Recognition**

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it was not used properly.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Tuition revenue is recorded as earned at the University's established rates, net of financial aid and endowment scholarships provided directly by the University to students.

## **BAY PATH UNIVERSITY**

### Notes to Financial Statements

June 30, 2020 and 2019

#### ***(d) Cash and Cash Equivalents***

The University considers cash and cash equivalents as investments with maturities at date of purchase of three months or less unless such investments are part of the University's long-term investment strategy. The University may maintain cash and cash equivalent deposits in excess of federally insured limits at certain financial institutions. The University has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

#### ***(e) Loans Receivable and Payable***

Loans receivable consist primarily of the Federal Perkins Loan Program ("Perkins"). The Federal Government provided a portion of the funds to support this program. Loan payments received from students made under the Perkins program provided by the Federal Government is refundable to the Federal Government upon ending (liquidation) of the University's participation in the programs. The amount due to the Federal Government upon liquidation is included as a liability.

#### ***(f) Allowance for Doubtful Accounts***

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

#### ***(g) Investments and Fair Value Hierarchy***

Investments are recorded at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized in the statement of activities. Realized gains and losses on the sale of investments are generally determined on the specific identification method on the trade date.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments are measured and reported at fair value. Investments are then classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 inputs are quoted prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

The University's interest in alternative investment funds are generally reported at the net asset value or its equivalent (NAV) reported by each of the investment managers as a practical expedient for determining the fair value of the investment. In cases where NAV is used as a practical expedient, these investments are redeemable either at NAV under the original terms of the subscription agreements and operations of the underlying funds, or at the discretion of the investment manager when the underlying

## **BAY PATH UNIVERSITY**

### Notes to Financial Statements

June 30, 2020 and 2019

investments are sold. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements.

Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the value of the funds and, consequently, the fair value of the University's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the University's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the University were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material. As of June 30, 2020 and 2019, the University had no specific plans or intentions to sell investments at amounts different than NAV.

The values of publicly traded fixed income and equity securities are based on quoted market prices. The estimated fair values of investments in limited partnerships and similar interests are generally based on net asset values provided by the general partners as a proxy for fair values. Fair values for certain private equity investments held through limited partnerships and alternative investments are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and methods that are reviewed by the University. Because the investments in private equity investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed. Real estate acquired for investment is carried at estimated fair value as periodically appraised.

#### ***(h) Land, Buildings and Equipment***

Land, buildings, and equipment are stated at cost less accumulated depreciation. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities.

#### ***(i) Deferred Revenues***

Student deposits, along with advance payments for tuition, room, and board related to the next fiscal year have been deferred and will be reported as revenue over the related term.

#### ***(j) Income Taxes***

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a more likely than not sustainability after review by tax authorities. If

## **BAY PATH UNIVERSITY**

### Notes to Financial Statements

June 30, 2020 and 2019

a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances that statute of limitations may remain open indefinitely.

The University has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the University may, however, be subject to tax on unrelated business income.

#### ***(k) Compensated Absences***

Employees of the University are entitled to paid vacation and other time off, depending on length of service. Based upon periodic reviews, management believes the amount to be immaterial at any given time. Accordingly, the University's policy is to recognize the costs of compensated absences when actually paid to employees.

#### ***(l) Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

Fundraising expense for the years ended June 30, 2020 and 2019 totaled \$934,259 and \$902,327, respectively. The majority of these fundraising expenses are classified as management and general expenses in the statement of activities.

Expenses associated with the operation and maintenance of University plant assets, including interest and depreciation, are allocated to the functional categories.

#### ***(m) Advertising Costs***

Advertising costs are expensed as incurred.

#### ***(n) 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 about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts and pledge receivables, asset retirement obligations, useful lives and depreciation, amortization and the recoverability of long-lived assets and gift annuities.



## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

**(o) Risks and Uncertainties**

The University invests in investment securities which may be exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with 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 risk factors in the near term could materially affect the amounts reported in the statements of financial position and activities.

**(p) Reclassifications**

Certain reclassifications have been made to 2019 information to conform to the 2020 presentation.

**(q) New Accounting Pronouncements**

FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as “the new revenue recognition standard”). It is effective for periods beginning after December 15, 2019 for non-public companies. The purpose of the new revenue recognition standard is to remove inconsistencies and weaknesses in current revenue recognition requirements; to provide a more robust framework for addressing revenue recognition issues and to improve comparability of recognition across entities, industries, jurisdictions and capital markets. It requires the University to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition. The current policy for exchange-based revenue is to recognize revenue as it is earned.

FASB issued ASU 2016-02, *Leases*, which is effective for periods beginning after December 15, 2021. The purpose of this pronouncement will require lessees to recognize on their statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded.

FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which is effective for periods beginning after December 15, 2019. Implementation of this standard will add, modify, or eliminate certain fair value instrument disclosures.

FASB issued ASU 2019-03, *Updating the Definition of Collections*, which is effective for periods beginning after December 15, 2019. Implementation of this standard will expand the definition of collections to allow the sale of collections to be used for the direct care of existing collections.

Management is in the process of evaluating these pronouncements and has not yet determined their impact on the financial statements.

**(3) Accounts and Notes Receivable, net**

The University’s accounts and notes receivable at June 30, 2020 and 2019 consisted of:

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 5,194,749	\$ 4,956,733
Perkins loan program notes receivable	2,239,640	2,622,934
Other accounts receivable	94,139	205,017
Less allowance for doubtful accounts	<u>(2,912,666)</u>	<u>(3,023,805)</u>
Net accounts and notes receivable	<u>\$ 4,615,862</u>	<u>\$ 4,760,879</u>

#### (4) Pledges Receivable, net

The University's net pledges receivable at June 30, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 337,680	\$ 143,648
One to five years	<u>477,232</u>	<u>111,768</u>
	814,912	255,416
Less:		
Present value discount	(10,380)	(2,558)
Allowance on uncollectible pledges	<u>(40,516)</u>	<u>(40,516)</u>
Net pledges receivable	<u>\$ 764,016</u>	<u>\$ 212,342</u>

Discount rates ranged from 0.16% to 2.52% at June 30, 2020 and 0.58% to 2.63% at June 30, 2019.

#### (5) Investments and Fair Value

The majority of the University's investments are maintained in a pooled endowment fund (the fund) consisting of both donor-restricted (true) and Board-designated (quasi) endowment funds. The goals of the fund are to generate a total return that preserves the long-term real purchasing power of the endowment funds and provides a relatively predictable and increasing revenue stream to be used for donor-specified and Board-designated purposes that support the mission of the University. A unitized method is used to account for the individual funds within the investment pool. Written investment policies provide the framework for the management of the investment assets according to industry best practices and applicable laws in order to achieve the goals of the fund. These policies are reviewed at least annually by the Investment Committee of the Board of Trustees of the University.

One goal of the investment policy is to control risk through diversified asset allocation. Investment vehicles including mutual funds, common trust funds and index funds are used to provide access to certain asset classes with the potential benefits of liquidity, lower fees and reduced benchmark risk. The University also maintains a portfolio of short-term investments, primarily fixed-income securities and certificates of deposit, in support of operating capital needs and a separate investment portfolio related to split-interest agreements.

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

Certain donors have established charitable gift annuities with the University, whereby the donated assets are invested and payments are made to the donor and/or other beneficiaries in accordance with the agreement for a specified period of time, at which time the remaining assets and future investment return are retained by the University. The assets, which are included with investment funds held or administered by others, had a fair value at June 30, 2020 and 2019 of \$213,552 and \$261,431, respectively. The present value of estimated future payments, which are recorded as a liability, was \$136,830 at June 30, 2020 and \$172,139 at June 30, 2019. Income from the annuities has been measured at the present value of the remainder interests.

The following table presents the University's fair value hierarchy as described in Note 2 for those assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	June 30, 2020					Redemption or liquidation
	Level 1	Level 2	Level 3	Measured at NAV	Total	
Endowment investments:						
Cash	\$ 2,219	\$ -	\$ -	\$ -	\$ 2,219	Daily
Short-term investments	60,390	-	-	-	60,390	Daily
Total return assets:						
U.S. equities	19,988,794	-	-	-	19,988,794	Daily
International equities	5,914,014	-	-	-	5,914,014	Daily
Emerging market equities	2,135,231	-	-	-	2,135,231	Daily
Inflation hedges:						
Real estate investment trusts	2,545,438	-	-	-	2,545,438	Daily
Fixed income/deflation hedges	13,469,710	-	-	-	13,469,710	Daily
Direct real estate	-	-	803,608	-	803,608	Illiquid
Private equity <sup>1</sup>	-	-	-	5,067,478	5,067,478	Illiquid
Hedge funds <sup>2</sup>	-	-	-	5,358,924	5,358,924	Subject to lock-up
Endowment investments at fair value	<u>44,115,796</u>	<u>-</u>	<u>803,608</u>	<u>10,426,402</u>	<u>55,345,806</u>	
Other investments:						
Short-term investments	11,266,548	-	-	-	11,266,548	Daily
Funds held or administered by others	<u>-</u>	<u>-</u>	<u>690,588</u>	<u>-</u>	<u>690,588</u>	N/A
Total other investments	<u>11,266,548</u>	<u>-</u>	<u>690,588</u>	<u>-</u>	<u>11,957,136</u>	
Total investments	<u>\$ 55,382,344</u>	<u>\$ -</u>	<u>\$ 1,494,196</u>	<u>\$ 10,426,402</u>	<u>\$ 67,302,942</u>	

<sup>1</sup>. The private equity funds have initial terms of 10 years. The funds are expected to liquidate in 1-2.5 years.

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

2. The University's hedge fund investments are restricted from redemption based on rolling lock up periods.

	June 30, 2019				Total	Redemption or liquidation
	Level 1	Level 2	Level 3	Measured at NAV		
Endowment investments:						
Cash	\$ 6,815	\$ -	\$ -	\$ -	\$ 6,815	Daily
Short-term investments	95,000	-	-	-	95,000	Daily
Total return assets:						
U.S. equities	13,745,381	-	-	-	13,745,381	Daily
International equities	9,803,316	-	-	-	9,803,316	Daily
Emerging market equities	3,991,981	-	-	-	3,991,981	Daily
Global equities	2,889,717	-	-	-	2,889,717	Daily
Inflation hedges:						
Commodities	1,127,723	-	-	-	1,127,723	Daily
Real estate investment trusts	2,690,359	-	-	-	2,690,359	Daily
Fixed income/deflation hedges	12,971,685	-	-	-	12,971,685	Daily
Direct real estate	-	-	823,599	-	823,599	Illiquid
Private equity <sup>1</sup>	-	-	-	339,589	339,589	Illiquid
Hedge funds <sup>2</sup>	-	-	-	5,104,590	5,104,590	Subject to lock-up
Endowment investments at fair value	<u>47,321,977</u>	<u>-</u>	<u>823,599</u>	<u>5,444,179</u>	<u>53,589,755</u>	
Other investments:						
Short-term investments	9,009,356	-	-	-	9,009,356	Daily
Funds held or administered by others	<u>-</u>	<u>-</u>	<u>704,736</u>	<u>-</u>	<u>704,736</u>	N/A
Total other investments	<u>9,009,356</u>	<u>-</u>	<u>704,736</u>	<u>-</u>	<u>9,714,092</u>	
Total investments	<u>\$ 56,331,333</u>	<u>\$ -</u>	<u>\$ 1,528,335</u>	<u>\$ 5,444,179</u>	<u>\$ 63,303,847</u>	

1. The private equity funds have initial terms of 10 years. The funds are expected to liquidate in 2-3.5 years.

2. The University's hedge fund investments are restricted from redemption based on rolling lock up periods.

The University recognizes transfers between levels at the end of the reporting period as if the transfer occurred on the last day of the reporting period. There were no transfers during the years ended June 30, 2020 and 2019.

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

The activity for the fiscal years ended June 30, 2020 and 2019 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is presented in the following tables:

	2020			2019		
	Direct real estate	Funds held or administered by others	Total	Direct real estate	Funds held or administered by others	Total
Beginning value	\$ 823,599	\$ 704,736	\$ 1,528,335	\$ 786,738	\$ 689,722	\$ 1,476,460
Acquisitions	-	46,167	46,167	-	111,293	111,293
Dispositions	-	(64,561)	(64,561)	-	(100,370)	(100,370)
Investment income	-	929	929	-	(247)	(247)
Unrealized (losses) gains	(19,991)	3,317	(16,674)	36,861	4,338	41,199
Ending value	<u>\$ 803,608</u>	<u>\$ 690,588</u>	<u>\$ 1,494,196</u>	<u>\$ 823,599</u>	<u>\$ 704,736</u>	<u>\$ 1,528,335</u>

At June 30, 2020, the University had outstanding investment commitments to alternative investments of \$28,875, which will be paid in one or more installments and in amounts and on the dates specified by the general partner extending through the year ending June 30, 2021.

#### (6) Endowment Funds

The University's Endowment Fund (the fund) is an investment portfolio comprised of donor-restricted funds and funds designated by the University to function as endowments (quasi-endowments). The goals of the fund are to generate a total return that preserves the long-term real purchasing power of the endowment funds and provides a relatively predictable and increasing revenue stream to be used for donor-specified or Board-designated purposes that support the mission of the University.

The University employs a spending policy which, absent any explicit donor designations to the contrary, allows for spending 3%-6% of a twelve-quarter moving average market value of the endowment. The spending policy complies with the Massachusetts version of the Uniform Prudent Management of Institutional Funds Act (Mass UPMIFA). Those donor-restricted funds which explicitly designate spending yield only do not participate in the spending policy.

Mass UPMIFA allows, subject to the intent of a donor expressed in the gift instrument, an institution to appropriate for expenditure or accumulate as much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The University has chosen to require the preservation of the original gift of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. Accordingly, the University classifies as net assets with donor restrictions held in perpetuity (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 portion of donor-restricted endowment funds that are not permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure by the University.

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

perpetual duration, commonly referred to as “underwater”, is reported as losses within net assets with donor restrictions. The Board of Trustees have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2020 and 2019, the University did not have “underwater” endowment funds.

Endowment funds consisted of the following at June 30, 2020 and 2019:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 14,001,086	\$ 14,001,086
Quasi (board designated)	41,344,720	-	41,344,720
Total	<u>\$ 41,344,720</u>	<u>\$ 14,001,086</u>	<u>\$ 55,345,806</u>

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted	\$ -	\$ 12,827,153	\$ 12,827,153
Quasi (board designated)	40,762,602	-	40,762,602
Total	<u>\$ 40,762,602</u>	<u>\$ 12,827,153</u>	<u>\$ 53,589,755</u>

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

Changes in endowment funds for the fiscal years ended June 30, 2020 and 2019 were as follows:

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
June 30, 2019	\$ 40,762,602	\$ 12,827,153	\$ 53,589,755
Investment return, net	200,211	392,438	592,649
Contributions	41,260	1,122,142	1,163,402
Distributions	333,328	(333,328)	-
Transfers	7,319	(7,319)	-
June 30, 2020	\$ 41,344,720	\$ 14,001,086	\$ 55,345,806

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
June 30, 2018	\$ 38,849,638	\$ 11,729,701	\$ 50,579,339
Investment return, net	1,530,285	449,506	1,979,791
Contributions	77,404	953,221	1,030,625
Distributions	302,230	(302,230)	-
Transfers	3,045	(3,045)	-
June 30, 2019	\$ 40,762,602	\$ 12,827,153	\$ 53,589,755

#### (7) Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>	<b>Estimated useful lives</b>
Land and improvements	\$ 6,143,008	\$ 6,096,815	-
Building and building improvements	52,394,733	51,635,991	10 to 50 years
Leasehold improvements	1,577,708	1,577,708	10 years
Furniture and equipment	13,760,271	13,566,686	5 to 10 years
Computer equipment and software	12,270,441	11,849,476	3 years
Motor vehicles	331,080	292,682	3 years
Construction in progress	369,866	376,745	-
	86,847,107	85,396,103	
Less accumulated depreciation	(51,685,344)	(49,034,369)	
	\$ 35,161,763	\$ 36,361,734	

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$2,978,445 and \$3,210,087, respectively.

The University's conditional asset retirement obligations as of June 30, 2020 and 2019 totaled \$2,343,116 and \$2,231,540, respectively. A portion of these obligations, \$419,806 at June 30, 2020 and \$399,815 at June 30, 2019, was reflected as a reduction in the fair value of investments since the University holds certain parcels of real estate in its long-term investment pool. Accretion expenses for the years ended June 30, 2020 and 2019 totaled \$91,585 and \$87,224, respectively.

#### (8) Leases

The University has noncancelable leases for office space, equipment and vehicles which are accounted for as operating leases. Rent expense under these leases was \$593,921 and \$589,997 for fiscal years 2020 and 2019, respectively. The approximate future minimum rental commitments under these agreements are as follows:

	<u>Amount</u>
Years ending June 30:	
2021	\$ 345,698
2022	211,139
2023	196,732
2024	185,720
2025	189,570
Thereafter	<u>277,030</u>
	<u>\$ 1,405,889</u>

#### (9) Line of Credit

The University has available a \$750,000 revolving line of credit from a bank at an interest rate calculated at 0.25% points less than the highest prime rate as published in the *Wall Street Journal* (3.25% and 5.25% at June 30, 2020 and 2019, respectively). At June 30, 2020 and 2019, there were no outstanding advances against the line of credit.

#### (10) Bonds Payable, net

On December 1, 2013, the Massachusetts Development Finance Agency (the Agency), Bay Path University (the Borrower), and Peoples Bank (the Trustee), entered into a Loan and Trust Agreement, pursuant to which the Agency issued Revenue Bonds (Bay Path University Project, Series 2013) in the aggregate principal amount of \$19,500,000. Unamortized bond issuance costs related to the bond payable were \$106,513 and \$112,271 as of June 30, 2020 and 2019, respectively.

The loan, which is secured by a mortgage, has a term of 25 years with a maturity date of December 23, 2038. The interest rate is fixed at 3.2% per annum for the first 10 years, after which the interest rate will be converted to a revised rate equal to the greater of 3.2% or the then applicable Federal Home Loan Bank of Boston Amortizing Rate for obligations with a ten-year term and a fifteen-year maturity plus 1.68% per annum.



## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

The University's loan payable contains certain covenants, which the University is in compliance with as of June 30, 2020 and 2019.

Principal payments on the loan for the succeeding fiscal years ending June 30 are:

	<u>Amount</u>
Years ending June 30:	
2021	641,686
2022	662,817
2023	684,645
2024	705,977
2025	730,439
Thereafter	<u>12,568,694</u>
	<u>\$ 15,994,258</u>

#### (11) Pension Plan

The University maintains a defined contribution retirement plan. The plan's investments were held and administered by the Teachers Insurance and Annuity Association (TIAA). The plan provides benefits for most faculty, staff, and administrators. Eligible employees may contribute a percentage of their annual compensation, pretax, subject to various restrictions within the Internal Revenue Code. University contributions in 2020 and 2019 consisted of 6% of each plan participant's annual salary and matches from 1% up to a maximum of 3% based upon the employee's contribution. Pension expense totaled \$1,891,280 and \$1,925,947 for fiscal years 2020 and 2019, respectively.

#### (12) Deferred Compensation

The University offers a deferred compensation plan under which eligible employees may elect to defer a portion of their annual compensation for payment in future periods. Under the plan, deferred wages are payable at the participant's election at a date certain or at termination of the participant's employment with the University. Participation in the plan is limited to the Executive Staff of the University. Assets of the plan are held in a separate account, and for reporting purposes, are included at fair market value with investment funds held or administered by others. The fair value of the assets at June 30, 2020 and 2019 totaled \$477,036 and \$443,305, respectively.

On July 1, 2017, the University entered into an additional agreement with a key employee to provide deferred compensation. The liability related to this benefit is being accrued at equal amounts over four years. The liability amounted to \$675,000 and \$450,000 at June 30, 2020 and 2019, respectively, and is included in accounts payable and accrued liabilities on the statements of financial position. Compensation costs incurred and charged to operations related to this agreement amounted to \$225,000 and \$225,000 for the years ended June 30, 2020 and 2019, respectively.

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

#### (13) Net Assets With Donor Restrictions

The University's net assets with donor restrictions were as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions:		
Restricted for the passage of time	\$ 243,866	\$ 280,446
Restricted for use:		
Program expenses	1,852,341	2,162,295
Scholarships	<u>2,595,271</u>	<u>2,224,618</u>
Total	<u>4,447,612</u>	4,386,913
Restricted in perpetuity:		
Scholarships	11,732,175	10,179,554
General University support	<u>1,212,699</u>	<u>1,186,717</u>
Total	<u>12,944,874</u>	<u>11,366,271</u>
Total net assets with donor restrictions	<u>\$ 17,636,352</u>	<u>\$ 16,033,630</u>

#### (14) Net Assets Released from Restrictions

Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. The net assets released from restriction related to the following:

	<u>2020</u>	<u>2019</u>
Time restriction met and purpose restrictions accomplished:		
Student aid	\$ 850,843	\$ 584,655
Other activities	<u>1,252,538</u>	<u>961,971</u>
	<u>\$ 2,103,381</u>	<u>\$ 1,546,626</u>

#### (15) Commitments, Contingencies and Uncertainties

The University participates in the Massachusetts University Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase increased by CPI plus 2%. The potential cost associated with this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the University does not expect these amounts, if any, to be material to the financial statements.

## BAY PATH UNIVERSITY

### Notes to Financial Statements

June 30, 2020 and 2019

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there has been no settlements or court decisions on this matter. The University has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the University.

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the University's finances and operations cannot be determined.

#### (16) Liquidity and Availability

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and equivalents, marketable securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University 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 the financial assets available to meet general expenditures over the next 12 months, the University 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 University's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. The University's board-designated endowment is subject to an annual spending rate of 4%. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval), these amounts could be made available if necessary (\$41,344,720 at June 30, 2020).

As of June 30, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 8,771,082	\$ 10,559,123
Accounts receivable	3,421,251	3,379,026
Pledges receivable, due within one year	<u>337,680</u>	<u>143,648</u>
	<u>\$ 12,530,013</u>	<u>\$ 14,081,797</u>

## **BAY PATH UNIVERSITY**

### Notes to Financial Statements

June 30, 2020 and 2019

#### **(17) Subsequent Events**

Management has evaluated subsequent events through October 26, 2020, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events, other than those listed below, subsequent to June 30, 2020 requiring disclosure in these financial statements.

Subsequent to June 30, 2020, and in an effort to de-densify the campus due to the COVID-19 pandemic, the University shifted numerous courses previously taught on-ground to an online format effective for the fall 2020 semester. In addition, occupancy in the University's residence halls was reduced by approximately 50%, allowing only one student per room.

**BAY PATH UNIVERSITY**  
**Financial Responsibility Supplemental Schedule**  
**Year Ended June 30, 2020**

<b>Primary Reserve Ratio:</b>		
		<b>Expendable Net Assets:</b>
1	Statement of Financial Position (SFP)	Net assets without donor restrictions 71,576,780
2	SFP	Net assets with donor restrictions 17,636,352
3		<b>Secured and Unsecured related party receivable - Total</b> -
4	Not applicable	Unsecured related party receivables -
5		<b>Property, Plant and Equipment, net (includes Construction in progress) - Total</b> 35,161,763
6	SD Line 3d	Property, plant and equipment pre-implementation 33,383,289
7	Not applicable	Property, plant and equipment post- implementation with outstanding debt for original purchase -
8	SD Line 6a	Property, plant and equipment post-implementation without outstanding debt for original purchase 1,408,608
9	SD Line 5	Construction in progress 369,866
10		<b>Lease right-of-use asset, net - Total</b> -
11	Not applicable	Lease right-of-use, pre-implementation (grandfather of leases option not chosen) -
12	Not applicable	Lease right-of-use asset, post-implementation -
13	Not applicable	Intangible assets -
14	Not applicable	Post-employment and pension liabilities -
15		<b>Long-term debt- for long term purposes - Total</b> 15,887,745
16	SD Line 8d	Long- term debt- for long term purpose pre-implementation 15,887,745
17	Not applicable	Long-term debt- for long term purposes post-implementation -
18	Not applicable	Line of Credit for Construction in progress -
19		<b>Lease right-of-use asset liability - Total</b> -
20	Not applicable	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen) -
21	Not applicable	Post-implementation right-of-use asset liability -
22		<b>Annuities, term endowment and life income with donor restrictions - Total</b> 1,569,919
23	SD Line 2a	Annuities with donor restrictions 76,721
24	SD Line 2b	Term Endowments with donor restrictions 1,493,198
25	Not applicable	Life income funds with donor restrictions -
26	SD Line 1	Net Assets with donor restrictions - restricted in perpetuity 12,944,875
		<b>Total Expenses without Donor Restrictions &amp; Losses without Donor Restrictions:</b>
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities 55,525,403
28	Not applicable	Non-operating and Net Investment (loss) -
29	Not applicable	Net Investment losses -
30	Not applicable	Pension-related changes other than net periodic costs -
<b>Equity Ratio:</b>		
		<b>Modified Net Assets:</b>
31	SFP	Net assets without donor restrictions 71,576,780
32	SFP	Net assets with donor restrictions 17,636,352
33	Not applicable	Intangible Assets -
34	Not applicable	Intangible Assets- Goodwill -
35		<b>Secured and unsecured related party receivables- Total</b> -
36	Not applicable	Unsecured related party receivables -
		<b>Modified Assets:</b>
37	SFP	Total Assets 117,799,617
38	Not applicable	Lease right-of-use asset pre-implementation -
39	Not applicable	Pre-implementation right-of-use asset liability -
40	Not applicable	Intangible Assets -
41	Not applicable	Secured and unsecured related part receivables -
42	Not applicable	Unsecured related party receivables -
<b>Net Income Ratio:</b>		
		<b>Change in Net Assets Without Donor Restrictions:</b>
43	SOA	Change in net assets without donor restrictions 433,875
		<b>Total Revenue without Donor Restrictions &amp; Gains without Donor Restrictions</b>
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains 55,525,650
45	SOA: Investments, Net	Investments, net (operating and non-operating) 433,628

**BAY PATH UNIVERSITY**  
**Supplemental Disclosures - U.S. Department of Education**  
**Year Ended June 30, 2020**

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate ratios for determining sufficient financial responsibility under Title IV.

**Net Assets**

1 Net assets with donor restrictions: restricted in perpetuity	\$	12,944,875
2 Other net assets with donor restrictions (not perpetually restricted):		
a. Annuities with donor restrictions		76,721
b. Term Endowments		1,493,198
c. Life income funds (trusts)		-
d. Total annuities, term endowment and life income funds with donor restrictions	\$	1,569,919

**Property, Plant and Equipment, net**

3 Pre-implementation property, plant and equipment, net (PP&E, net)		
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019 financial statement)	\$	36,361,734
b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards		-
c. Less subsequent depreciation and disposals		(2,978,445)
d. Balance Pre-implementation property, plant and equipment, net		33,383,289
4 Debt Financed Post-Implementation property, plant and equipment, net		
Long-lived assets acquired with debt subsequent to June 30, 2019:		
a. Equipment		-
b. Land Improvements		-
c. Building		-
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months		-
5 Construction in progress- acquired subsequent to June 30, 2019		369,866
6 Post-implementation property, plant and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		1,408,608
7 Total Property, Plant and Equipment, net- June 30, 2020	\$	35,161,763

**Debt to be excluded from expendable net assets**

8 Pre-implementation debt:		
a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2019)	\$	16,501,809
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.		-
c. Less subsequent debt repayments		(614,064)
d. Balance pre-implementation debt		15,887,745
9 Allowable post-implementation debt used for capitalized long-lived assets:		
a. Equipment- all capitalized		-
b. Land Improvements		-
c. Buildings		-
10 Construction in progress (CIP) financed with short term debt		-
11 Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		-
	\$	15,887,745



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
Bay Path University  
Boston, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Fisher University (the "University"), which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated October 26, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

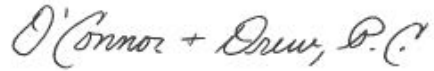
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants  
Braintree, Massachusetts**

October 26, 2020