

BAY PATH UNIVERSITY

Financial Statements

June 30, 2021 & 2020

with Independent Auditors' Report thereon

Celebrating

125
Years

BAY PATH

1897 – UNIVERSITY – 2022

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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, 2021 and 2020, 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

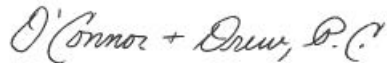
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 28-30 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 22, 2021, 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 22, 2021

BAY PATH UNIVERSITY
Statements of Financial Position
June 30,

	2021	2020
<u>Assets</u>		
Assets:		
Cash and cash equivalents	\$ 13,267,877	\$ 8,771,082
Accounts and notes receivable, net (note 3)	5,226,151	4,615,862
Pledge receivable, net (note 4)	491,116	764,016
Other assets	1,384,583	1,183,952
Investments (note 5)	84,937,726	67,302,942
Land, buildings and equipment, net of accumulated depreciation (note 7)	33,167,784	35,161,763
Total Assets	\$ 138,475,237	\$ 117,799,617
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,007,492	\$ 3,946,660
Deposits, deferred tuition and fees	7,690,487	5,939,036
Annuity obligations (note 5)	111,603	136,830
Other long-term liabilities	2,019,475	1,923,310
Bonds payable, net (note 10)	15,251,816	15,887,745
Grants refundable	414,916	752,904
Total liabilities	29,495,789	28,586,485
Net assets:		
Without donor restrictions	88,600,669	71,576,780
With donor restrictions (note 13)	20,378,779	17,636,352
Total net assets	108,979,448	89,213,132
Total liabilities and net assets	\$ 138,475,237	\$ 117,799,617

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

BAY PATH UNIVERSITY
Statement of Activities and Changes in Net Assets
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Tuition and fees	\$ 58,832,592	\$ -	\$ 58,832,592
Residence halls and dining services	1,199,356	-	1,199,356
Less scholarships and aid to students	(13,029,349)	-	(13,029,349)
Net student fees	47,002,599	-	47,002,599
Federal and state grants	4,335,830	-	4,335,830
Other auxiliary income	29,460	-	29,460
Interest income	66,801	-	66,801
Investment income used in operations (note 5)	1,775,188	171,369	1,946,557
Contributions and private grants	171,120	1,300,022	1,471,142
Other income	390,688	-	390,688
Net assets released from restrictions (note 14)	1,631,043	(1,631,043)	-
Total operating revenues	55,402,729	(159,652)	55,243,077
Operating expenses:			
Academic instruction	20,878,879	-	20,878,879
Academic support	7,970,086	-	7,970,086
Student services	10,706,527	-	10,706,527
Auxiliary	1,774,756	-	1,774,756
Other expenses	7,274	-	7,274
Management and general	10,418,622	-	10,418,622
Total operating expenses	51,756,144	-	51,756,144
Change in net assets from operations	3,646,585	(159,652)	3,486,933
Nonoperating additions and deductions:			
Net return on long-term investment, net of amounts used in operations (note 5)	13,378,426	2,902,079	16,280,505
Net loss on disposition of land, buildings and equipment	(1,122)	-	(1,122)
Change in net assets	17,023,889	2,742,427	19,766,316
Net assets, beginning of year	71,576,780	17,636,352	89,213,132
Net assets, end of year	\$ 88,600,669	\$ 20,378,779	\$ 108,979,448

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

	Without Donor Restrictions	With Donor Restrictions	Total
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 Functional Expenses

For the Year Ended June 30, 2021

	Program Services							
	Academic Instruction	Academic Support	Student Services	Auxiliary and Other	Total Program Services	Management and General	Fundraising	Total
Advertising and promotion	\$ -	\$ 1,821	\$ 3,946,401	\$ -	\$ 3,948,222	\$ 58,480	\$ -	\$ 4,006,702
Bad debts	-	-	-	-	-	394,640	-	394,640
Buildings and grounds	609,477	161,772	160,242	291,452	1,222,943	294,111	-	1,517,054
Conferences/meetings/travel	14,778	6,647	26,369	-	47,794	13,897	2,489	64,180
Depreciation, accretion and amortization	1,419,813	290,697	442,732	400,906	2,554,148	257,453	-	2,811,601
Employee benefits	2,310,022	779,051	612,094	49,713	3,750,880	1,015,526	90,396	4,856,802
Entertainment	8,615	2,194	30,040	-	40,849	2,398	3,242	46,489
Food service	1,095	427	4,978	-	6,500	4,965	-	11,465
Grants expense	279,947	844,034	66,260	-	1,190,241	315,572	-	1,505,813
Information technology	11,476	825,480	7,342	-	844,298	1,697	-	845,995
Insurance	-	-	-	-	-	280,723	-	280,723
Interest	407,255	-	-	-	407,255	107,571	-	514,826
Legal and accounting	-	-	-	-	-	132,636	-	132,636
Memberships	60,373	50,438	24,761	327	135,899	69,694	4,850	210,443
Miscellaneous	19,625	30,213	15,111	2,370	67,319	201,028	172	268,519
Office expenses	158,628	27,688	164,009	1,470	351,795	165,765	16,776	534,336
Purchase services	798,288	703,243	1,499,118	44,276	3,044,925	1,036,142	75,903	4,156,970
Salaries and wages	14,640,403	4,139,105	3,482,805	286,784	22,549,097	5,093,481	649,596	28,292,174
Student Board	-	-	-	702,232	702,232	-	-	702,232
Supplies	139,084	107,276	224,265	2,500	473,125	126,706	2,713	602,544
	<u>\$ 20,878,879</u>	<u>\$ 7,970,086</u>	<u>\$ 10,706,527</u>	<u>\$ 1,782,030</u>	<u>\$ 41,337,522</u>	<u>\$ 9,572,485</u>	<u>\$ 846,137</u>	<u>\$ 51,756,144</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, 2020

	Program Services				Total	Management and	Fundraising	Total
	Academic Instruction	Academic Support	Student Services	Auxiliary and Other	Program Services	General		
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

Statements of Cash Flows

For the Years Ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 19,766,316	\$ 2,036,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and accretion	2,811,602	3,070,031
Amortization	5,757	5,757
Bad debts	394,640	19,838
Net loss on disposition of land, building and equipment	1,122	-
Net (gain) loss on investments	(15,172,815)	442,250
Contributions restricted for long-term investment	(592,532)	(1,217,823)
Changes in operating assets and liabilities:		
Receivables and other assets, net	(932,660)	(281,330)
Accounts payable and accrued liabilities	60,832	(437,466)
Grants refundable	(337,988)	-
Deposits, deferred tuition and fees, and annuity obligations	1,726,225	195,922
Net cash provided by operating activities	7,730,499	3,833,776
Cash flows from investing activities:		
Additions to land, buildings and equipment	(722,580)	(1,778,474)
Purchases of investments	(41,843,328)	(19,029,746)
Proceeds from sale of investments	39,381,358	14,588,402
Net cash used in investing activities	(3,184,550)	(6,219,818)
Cash flows from financing activities:		
Contributions restricted for long-term investment	592,532	1,217,823
Principal payments on outstanding bonds	(641,686)	(619,822)
Net cash (used in) provided by financing activities	(49,154)	598,001
Increase (decrease) in cash and cash equivalents	4,496,795	(1,788,041)
Cash and cash equivalents at beginning of year	8,771,082	10,559,123
Cash and cash equivalents at end of year	\$ 13,267,877	\$ 8,771,082
Supplemental data:		
Cash paid for interest	\$ 509,468	\$ 531,552

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

BAY PATH UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(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.

(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 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

BAY PATH UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

revenue. Realized and unrealized gains and losses in excess of the University's spending policy are reported as nonoperating revenue.

(c) Revenue Recognition

Adoption of New Accounting Standard

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as Accounting Standards Codification 606, *Revenue from Contracts with Customers*, or the "new revenue recognition standard"). This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The University adopted this standard using the modified retrospective approach on July 1, 2020. The comparative financial statements have not been restated and the prior year is under the former revenue recognition standard, which is similar to the new standard.

Under the new revenue recognition standard, revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The principles in the standard should be applied using a five-step model that includes: 1) identifying the contract(s) with a customer, 2) identifying the performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to the performance obligations in the contract, and 5) recognizing revenue when (or as) the performance obligations are satisfied.

Tuition and fees and auxiliary revenue (residence halls and dining services) are recorded at established rates. Net transaction price is fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic or auxiliary activity. The revenues and cash flows are correlated to the general conditions of the economy.

BAY PATH UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

The adoption of this standard did not materially impact reported revenue in any period because: (1) performance obligations were determined to be similar as compared with deliverables previously identified; (2) the transaction price is consistent; and (3) revenue was recorded in the same manner as under prior standards. In evaluating the effects of the change, contracts in process as of the date of adoption were considered under the practical expedient allowed under the standard.

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts, and accordingly, no change was made to this accounting.

As required under the modified retrospective method used for both revenue recognition and contribution accounting, the University is required to indicate the effects of adopting the change in the current reporting period, however management determined that the effect on earned revenue, deferred revenue and contribution revenue was immaterial. As such, no disclosures have been provided on the effect on the June 30, 2021 financial statements. In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

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.

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Notes to Financial Statements

June 30, 2021 and 2020

Deferred Revenues

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

(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

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Notes to Financial Statements

June 30, 2021 and 2020

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 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, 2021 and 2020, 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) 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 a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated

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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.

(j) 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.

(k) 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, 2021 and 2020 totaled \$846,137 and \$934,259, respectively. The majority of these fundraising expenses are classified as management and general expenses in the statements of activities.

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

(l) Advertising Costs

Advertising costs are expensed as incurred.

(m) 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.

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(n) 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.

(o) New Accounting Pronouncement

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.

Management has evaluated this pronouncement and it will be implemented in Fiscal Year 2022.

(3) Accounts and Notes Receivable, net

The University's accounts and notes receivable at June 30, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 6,250,718	\$ 5,194,749
Perkins loan program notes receivable	1,983,351	2,239,640
Other accounts receivable	249,986	94,139
Less allowance for doubtful accounts	<u>(3,257,904)</u>	<u>(2,912,666)</u>
Net accounts and notes receivable	<u>\$ 5,226,151</u>	<u>\$ 4,615,862</u>

(4) Pledges Receivable, net

The University's net pledges receivable at June 30, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 411,588	\$ 337,680
One to five years	<u>120,537</u>	<u>477,232</u>
	532,125	814,912
Less:		
Present value discount	(493)	(10,380)
Allowance on uncollectible pledges	<u>(40,516)</u>	<u>(40,516)</u>
Net pledges receivable	<u>\$ 491,116</u>	<u>\$ 764,016</u>

Discount rates ranged from 0.16% to 1.38% at June 30, 2021 and 0.16% to 2.52% at June 30, 2020.

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(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.

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, 2021 and 2020 of \$216,278 and \$213,552, respectively. The present value of estimated future payments, which are recorded as a liability, was \$111,603 at June 30, 2021 and \$136,830 at June 30, 2020. 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, 2021 and 2020:

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	June 30, 2021					Redemption or liquidation
	Level 1	Level 2	Level 3	Measured at NAV	Total	
Endowment investments:						
Cash	\$ 586,472	\$ -	\$ -	\$ -	\$ 586,472	Daily
Total return assets:						
U.S. equities	28,057,018	-	-	-	28,057,018	Daily
International equities	8,286,144	-	-	-	8,286,144	Daily
Emerging market equities	5,093,641	-	-	-	5,093,641	Daily
Global equities	1,001,428	-	-	-	1,001,428	Daily
Inflation hedges:						
Real estate investment trusts	2,914,741	-	-	-	2,914,741	Daily
Fixed income/deflation hedges	11,910,847	-	-	-	11,910,847	Daily
Direct real estate	-	-	782,618	-	782,618	Illiquid
Private equity ¹	-	-	-	9,274,457	9,274,457	Illiquid
Hedge funds ²	-	-	-	6,214,515	6,214,515	Subject to lock-up
Endowment investments at fair value	<u>57,263,819</u>	<u>-</u>	<u>782,618</u>	<u>15,488,972</u>	<u>73,535,409</u>	
Endowment cash and investments	57,850,291	-	782,618	15,488,972	74,121,881	
Less endowment cash	<u>(586,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(586,472)</u>	
Endowment investments	57,263,819	-	782,618	15,488,972	73,535,409	
Other investments:						
Short-term investments	10,604,127				10,604,127	Daily
Funds held or administered by others	<u>-</u>	<u>-</u>	<u>798,190</u>	<u>-</u>	<u>798,190</u>	N/A
Total other investments	<u>10,604,127</u>	<u>-</u>	<u>798,190</u>	<u>-</u>	<u>11,402,317</u>	
Total investments	<u>\$ 67,867,946</u>	<u>\$ -</u>	<u>\$ 1,580,808</u>	<u>\$ 15,488,972</u>	<u>\$ 84,937,726</u>	

^{1.} The private equity funds have initial terms of 10 years. The funds are expected to liquidate in 1-2.5 years.

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

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	June 30, 2020				Total	Redemption or liquidation
	Level 1	Level 2	Level 3	Measured at NAV		
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 ¹	-	-	-	5,067,478	5,067,478	Illiquid
Hedge funds ²	-	-	-	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>	

^{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, 2021 and 2020.

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The activity for the fiscal years ended June 30, 2021 and 2020 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is presented in the following tables:

	2021			2020		
	Direct real estate	Funds held or administered by others	Total	Direct real estate	Funds held or administered by others	Total
Beginning value	\$ 803,608	\$ 690,588	\$ 1,494,196	\$ 823,599	\$ 704,736	\$ 1,528,335
Acquisitions	-	117,501	117,501	-	46,167	46,167
Dispositions	-	(39,783)	(39,783)	-	(64,561)	(64,561)
Investment income	-	1,560	1,560	-	929	929
Unrealized (losses) gains	(20,990)	28,324	7,334	(19,991)	3,317	(16,674)
Ending value	<u>\$ 782,618</u>	<u>\$ 798,190</u>	<u>\$ 1,580,808</u>	<u>\$ 803,608</u>	<u>\$ 690,588</u>	<u>\$ 1,494,196</u>

At June 30, 2021, the University had outstanding investment commitments to alternative investments of \$25,625, 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, 2022.

(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.

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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 perpetual duration, commonly referred to as “underwater”, is reported as losses within net assets with donor restrictions. The Board of Trustees has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2021 and 2020, the University did not have “underwater” endowment funds.

Endowment funds consisted of the following at June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 17,411,183	\$ 17,411,183
Quasi (board designated)	56,710,698	-	56,710,698
Total	<u>\$ 56,710,698</u>	<u>\$ 17,411,183</u>	<u>\$ 74,121,881</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

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Changes in endowment funds for the fiscal years ended June 30, 2021 and 2020 were as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020	\$ 41,344,720	\$ 14,001,086	\$ 55,345,806
Investment return, net	15,151,020	3,083,973	18,234,993
Contributions	(102,181)	643,263	541,082
Distributions	313,362	(313,362)	-
Transfers	3,777	(3,777)	-
June 30, 2021	<u>\$ 56,710,698</u>	<u>\$ 17,411,183</u>	<u>\$ 74,121,881</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>\$ 41,344,720</u>	<u>\$ 14,001,086</u>	<u>\$ 55,345,806</u>

(7) Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020	Estimated useful lives
Land and improvements	\$ 6,252,940	\$ 6,143,008	-
Building and building improvements	53,064,241	52,394,733	10 to 50 years
Leasehold improvements	1,597,037	1,577,708	10 years
Furniture and equipment	13,608,861	13,760,271	5 to 10 years
Computer equipment and software	12,333,831	12,270,441	3 years
Motor vehicles	350,730	331,080	3 years
Construction in progress	2,041	369,866	-
	<u>87,209,681</u>	<u>86,847,107</u>	
Less accumulated depreciation	<u>(54,041,897)</u>	<u>(51,685,344)</u>	
	<u>\$ 33,167,784</u>	<u>\$ 35,161,763</u>	

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Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$2,715,437 and \$2,978,445, respectively.

The University's conditional asset retirement obligations as of June 30, 2021 and 2020 totaled \$2,460,270 and \$2,343,116, respectively. A portion of these obligations, \$440,796 at June 30, 2021 and \$419,806 at June 30, 2020, 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, 2021 and 2020 totaled \$96,164 and \$91,585, 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 \$350,233 and \$593,921 for fiscal years 2021 and 2020, respectively. The approximate future minimum rental commitments under these agreements are as follows:

	<u>Amount</u>
Years ending June 30:	
2022	\$ 292,873
2023	235,732
2024	224,720
2025	228,570
2026	194,898
Thereafter	<u>82,132</u>
	<u>\$ 1,258,925</u>

(9) Line of Credit

As of June 30, 2021 and 2020, the University had available a \$5,000,000 and \$750,000, respectively, 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* (3.5% and 3.25% at June 30, 2021 and 2020, respectively). At June 30, 2021 and 2020, 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 \$100,756 and \$106,513 as of June 30, 2021 and 2020, 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

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Boston Amortizing Rate for obligations with a ten-year term and a fifteen-year maturity plus 1.68% per annum.

The University's loan payable contains certain covenants, which the University is in compliance with as of June 30, 2021 and 2020. Principal payments on the loan for the succeeding fiscal years ending June 30 are:

	<u>Amount</u>
Years ending June 30:	
2022	\$ 662,817
2023	684,645
2024	705,977
2025	730,439
2026	754,494
Thereafter	<u>11,814,200</u>
	<u>\$ 15,352,572</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 consisted of 6% of each plan participant's annual salary and matched from 1% up to a maximum of 3% based upon the employee's contribution. On July 1, 2020 the University suspended its contribution to the plan. A 6% contribution of each eligible plan participant's compensation for the first 6 months of the 2020 fiscal year was made in June 2021. Pension expense totaled \$717,534 and \$1,891,280 for fiscal years 2021 and 2020, 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, 2021 and 2020 totaled \$581,912 and \$477,036, 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 \$0 and \$675,000 at June 30, 2021 and 2020, 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, 2021 and 2020, respectively.

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(13) Net Assets With Donor Restrictions

The University's net assets with donor restrictions were as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Restricted for the passage of time	\$ 434,280	\$ 243,866
Restricted for use:		
Program expenses	1,710,307	1,852,341
Scholarships	<u>4,402,282</u>	<u>2,595,271</u>
Total	6,112,589	4,447,612
Restricted in perpetuity:		
Scholarships	12,509,634	11,732,175
General University support	<u>1,322,276</u>	<u>1,212,699</u>
Total	13,831,910	12,944,874
 Total net assets with donor restrictions	 \$ 20,378,779	 \$ 17,636,352

(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>2021</u>	<u>2020</u>
Time restriction met and purpose restrictions accomplished:		
Student aid	\$ 860,772	\$ 850,843
Other activities	<u>770,271</u>	<u>1,252,538</u>
	<u>\$ 1,631,043</u>	<u>\$ 2,103,381</u>

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(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.

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. Some of the lawsuits have been dismissed, and there have been no settlements or court decisions on others. 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 in the economy. The full adverse impact and duration of COVID-19 on the University's finances and operations cannot be determined.

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(16) Pandemic Impact

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the University's operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the University the Higher Education Emergency Relief Funds (HEERF) and funds for the Strengthening Institution Program (SIP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 15, 2022, while the SIP funding must be spent by August 8, 2022.

The University has been awarded the following HEERF and SIP funds as of June 30, 2021:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 715,583	\$ 715,583	\$ 71,324	\$ 1,502,490
CRRSAA	715,583	2,101,880	114,470	2,931,933
ARPA	2,708,621	2,173,056	-	4,881,677
Total	\$ 4,139,787	\$ 4,990,519	\$ 185,794	\$ 9,316,100

The University has recognized the following as Federal and state grants for the years ended June 30, 2021 and 2020.

	For the Year Ended June 30, 2021				For the Year Ended June 30, 2020			
	Strengthening Institutions				Strengthening Institutions			
	Student Aid Award	Institutional Award	Program	Total	Student Aid Award	Institutional Award	Program	Total
CARES	\$ -	\$ -	\$ 829	\$ 829	CARES \$ 715,583	\$ 715,583	\$ 70,495	\$ 1,501,661
CRRSAA	715,583	2,101,880	114,470	2,931,933	CRRSAA -	-	-	-
ARPA	-	-	-	-	ARPA -	-	-	-
Total	\$ 715,583	\$ 2,101,880	\$ 115,299	\$ 2,932,762	Total \$ 715,583	\$ 715,583	\$ 70,495	\$ 1,501,661

\$1,973,056 of the ARPA institutional award is classified as deferred revenue and will be recognized as revenue when the ARPA student award is expensed in fiscal year 2022.

Management believes the ARPA student award will be expensed by the end of October 2021.

BAY PATH UNIVERSITY

Notes to Financial Statements

June 30, 2021 and 2020

(17) 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, 2021 and 2020.

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 (\$56,710,698 at June 30, 2021).

On June 11, 2021, the Board of Trustees voted to designate \$3,750,000 to support both new and existing programs and services in support of the mission and strategic vision of the University. The funding will be held in the University's short term reserves until a proposal is submitted to the Board of Trustees for its use.

As of June 30, 2021, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 13,267,877	\$ 8,771,082
Accounts receivable	3,925,158	3,421,251
Pledges receivable, due within one year	411,588	337,680
	<u>\$ 17,604,623</u>	<u>\$ 12,530,013</u>

(18) Subsequent Events

Management has evaluated subsequent events through October 22, 2021, 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, 2021 requiring disclosure in these financial statements.

BAY PATH UNIVERSITY
Financial Responsibility Supplemental Schedule
Year Ended June 30, 2021

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	88,600,669
2	SFP	Net assets with donor restrictions	20,378,779
3		Secured and Unsecured related party receivable - Total	-
4	Not applicable	Unsecured related party receivables	-
5		Property, Plant and Equipment, net (includes Construction in progress) - Total	33,167,784
6	SD Line 3d	Property, plant and equipment pre-implementation	32,445,204
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	720,540
9	SD Line 5	Construction in progress	2,040
10		Lease right-of-use asset, net - Total	-
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		Long-term debt- for long term purposes - Total	15,251,816
16	SD Line 8d	Long- term debt- for long term purpose pre-implementation	15,251,816
17	Not applicable	Long-term debt- for long term purposes post-implementation	-
18	Not applicable	Line of Credit for Construction in progress	-
19		Lease right-of-use asset liability - Total	-
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		Annuities, term endowment and life income with donor restrictions - Total	3,733,623
23	SD Line 2a	Annuities with donor restrictions	104,675
24	SD Line 2b	Term Endowments with donor restrictions	3,628,948
25	Not applicable	Life income funds with donor restrictions	-
26	SD Line 1	Net Assets with donor restrictions - restricted in perpetuity	13,831,910
		Total Expenses without Donor Restrictions & Losses without Donor Restrictions:	
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities	51,585,194
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	-
		Equity Ratio:	
		Modified Net Assets:	
31	SFP	Net assets without donor restrictions	88,600,669
32	SFP	Net assets with donor restrictions	20,378,779
33	Not applicable	Intangible Assets	-
34	Not applicable	Intangible Assets- Goodwill	-
35		Secured and unsecured related party receivables- Total	-
36	Not applicable	Unsecured related party receivables	-
		Modified Assets:	
37	SFP	Total Assets	138,475,237
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	-
		Net Income Ratio:	
		Change in Net Assets Without Donor Restrictions:	
43	SOA	Change in net assets without donor restrictions	17,023,889
		Total Revenue without Donor Restrictions & Gains without Donor Restrictions	
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains	53,389,790
45	SOA: Investments, Net	Investments, net (operating and non-operating)	15,220,415

BAY PATH UNIVERSITY
Supplemental Disclosures - U.S. Department of Education
Year Ended June 30, 2021

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	\$ 13,831,910
2 Other net assets with donor restrictions (not perpetually restricted):	
a. Annuities with donor restrictions	104,675
b. Term Endowments	3,628,948
c. Life income funds (trusts)	-
d. Total annuities, term endowment and life income funds with donor restrictions	\$ 3,733,623

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, 2020 financial statement)	\$ 35,161,763
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	(2,716,559)
d. Balance Pre-implementation property, plant and equipment, net	32,445,204
4 Debt Financed Post-Implementation property, plant and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2020:	
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, 2020	2,040
6 Post-implementation property, plant and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2020	720,540
	-
7 Total Property, Plant and Equipment, net- June 30, 2021	\$ 33,167,784

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, 2020)	\$ 15,887,745
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	(635,929)
d. Balance pre-implementation debt	15,251,816
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	-
	\$ 15,251,816

BAY PATH UNIVERSITY
Supplemental Disclosures - U.S. Department of Education
Year Ended June 30, 2021

12 Term of current year debt additions:

Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.			

Lease right-of-use assets and liabilities

13 Lease right-of-use assets			
Right of use assets as of balance sheet date June 20, 2021			\$ -
14 Lease right-of-use assets- Pre-implementation			
Right of use assets as of balance sheet date June 20, 2021 excluding leases entered into before Dec 15, 2018 (grandfather option of leases not chosen)			\$ -
15 Lease right-of-use assets- Post-Implementation			
Right of use assets as of balance sheet date June 20, 2021 excluding leases entered into on or after Dec 15, 2018			\$ -
16 Lease right-of-use liability			
Lease liabilities as of balance sheet dated June 20, 2021			\$ -
17 Lease right-of-use liability- Pre-implementation			
Lease liabilities as of balance sheet dated June 20, 2021 excluding leases entered into before Dec 15, 2018 (grandfathering leases not chosen)			\$ -
18 Lease right-of-use liability- Post-implementation			
Lease liability as of balance sheet dated June 20, 2021 excluding leases entered into on or after Dec 15, 2018			\$ -

Unsecured related party receivables

19 Secured and unsecured related party receivables			\$ -
20 Unsecured related party receivables			\$ -

**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***



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 Bay Path University (the "University"), which comprise the statements of financial position as of June 30, 2021, 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 22, 2021.

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.

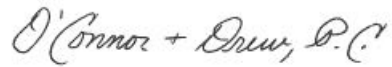
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 22, 2021