# AMERICAN INTERNATIONAL COLLEGE

## FINANCIAL STATEMENTS

**JUNE 30, 2020**

# AMERICAN INTERNATIONAL COLLEGE

## Financial Statements

## June 30, 2020

**C O N T E N T S**

O'Connor & Drew P.C.
Certified Public Accountants

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
American International College
Springfield, Massachusetts

**Report on Financial Statements**
We have audited the accompanying financial statements of American International College (a Massachusetts not-for-profit organization) (the "College"), 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.

**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 audit. We conducted our audit 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 audit 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American International College as of June 30, 2020, and the changes in its net assets and its cash flows for the year 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, the College 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.

**Report on Summarized Comparative Information**

We have previously audited the College's 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 17, 2019. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 31-32 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, 2020 on our consideration of American International College'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 College'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 College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

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

October 22, 2020

# AMERICAN INTERNATIONAL COLLEGE

## Statements of Financial Position

## June 30,

### Assets

| | 2020 | 2019 |
|---|---|---|
| **Assets:** | | |
| Cash and equivalents | **$ 13,988,454** | $ 8,201,662 |
| Investments | **21,081,312** | 19,877,772 |
| Accounts receivable, net | **2,436,137** | 1,669,131 |
| Pledges receivable, net | **222,307** | 305,886 |
| Prepaid expenses and other assets | **1,362,285** | 682,569 |
| Investments held in trust by others | **787,836** | 795,800 |
| Property and equipment, net | **48,507,864** | 51,368,912 |
| **Total Assets** | **$ 88,386,195** | $ 82,901,732 |

### Liabilities and Net Assets

| | 2020 | 2019 |
|---|---|---|
| **Liabilities:** | | |
| Accounts payable | **$ 2,311,769** | $ 2,163,609 |
| Accrued expenses | **2,439,682** | 2,534,548 |
| Deferred revenues and student deposits | **1,153,878** | 1,500,050 |
| Paycheck Protection Program loan | **4,559,800** | - |
| Line of credit | **6,000,000** | 4,000,000 |
| Debt, net | **20,022,755** | 22,090,329 |
| Accrued pension obligation | **2,760,460** | 1,921,477 |
| Asset retirement obligations | **1,810,663** | 1,810,663 |
| **Total Liabilities** | **41,059,007** | 36,020,676 |
| **Net Assets:** | | |
| Without donor restrictions | **31,325,605** | 31,890,944 |
| With donor restrictions | **16,001,583** | 14,990,112 |
| **Total Net Assets** | **47,327,188** | 46,881,056 |
| **Total Liabilities and Net Assets** | **$ 88,386,195** | $ 82,901,732 |

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

# AMERICAN INTERNATIONAL COLLEGE

## Statements of Activities and Changes in Net Assets

### For the Year Ended June 30, 2020
### (with comparative totals for 2019)

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Total |
| **Operating Activities:** | | | | |
| **Revenues:** | | | | |
| Tuition and fees | **$ 68,502,806** | **$ -** | **$ 68,502,806** | $ 68,238,170 |
| Residence and dining | **9,217,727** | **-** | **9,217,727** | 9,627,275 |
| Less: Scholarships and awards | **(30,397,611)** | **-** | **(30,397,611)** | (28,461,021) |
| Net tuition, fees, residence and dining | **47,322,922** | **-** | **47,322,922** | 49,404,424 |
| Private contributions and grants | **467,152** | **1,186,350** | **1,653,502** | 1,807,616 |
| Federal and state grants | **1,301,192** | **-** | **1,301,192** | 1,150,193 |
| Auxiliary enterprises | **235,553** | **-** | **235,553** | 406,514 |
| Other income | **1,192,761** | **-** | **1,192,761** | 1,445,950 |
| Net assets released from restrictions | **826,847** | **(826,847)** | **-** | - |
| **Total Revenues and Other Support** | **51,346,427** | **359,503** | **51,705,930** | 54,214,697 |
| **Program Expenses:** | | | | |
| Instruction | **16,847,241** | **-** | **16,847,241** | 18,394,925 |
| Student services | **12,122,177** | **-** | **12,122,177** | 14,564,299 |
| Library | **860,290** | **-** | **860,290** | 1,057,010 |
| Auxiliary enterprises | **2,898,589** | **-** | **2,898,589** | 2,808,527 |
| **Total Program Expenses** | **32,728,297** | **-** | **32,728,297** | 36,824,761 |
| **Supporting Service Expenses:** | | | | |
| Management and general | **17,516,390** | **-** | **17,516,390** | 17,153,285 |
| Fundraising | **648,707** | **-** | **648,707** | 731,898 |
| **Total Supporting Service Expenses** | **18,165,097** | **-** | **18,165,097** | 17,885,183 |
| **Total Operating Expenses** | **50,893,394** | **-** | **50,893,394** | 54,709,944 |
| **Change in Net Assets from Operations** | **453,033** | **359,503** | **812,536** | (495,247) |
| **Nonoperating Activities:** | | | | |
| Investment return | **20,611** | **659,932** | **680,543** | 701,367 |
| Change in split interest agreements | **-** | **(7,964)** | **(7,964)** | (7,087) |
| Change in pension valuation | **(1,038,983)** | **-** | **(1,038,983)** | (632,654) |
| **Change in Net Assets from Nonoperating Activities** | **(1,018,372)** | **651,968** | **(366,404)** | 61,626 |
| **Change in Net Assets** | **(565,339)** | **1,011,471** | **446,132** | (433,621) |
| Net Assets, Beginning of Year | **31,890,944** | **14,990,112** | **46,881,056** | 47,314,677 |
| **Net Assets, End of Year** | **$ 31,325,605** | **$ 16,001,583** | **$ 47,327,188** | $ 46,881,056 |

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

# AMERICAN INTERNATIONAL COLLEGE

## Statements of Functional Expenses

## For the Year Ended June 30, 2020
## (with comparative totals for 2019)

| | 2020 | | | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|
| | Program Expenses | | | | | | | |
| | Instruction | Student Services | Library | Auxiliary Enterprises | Management and General | Fundraising | Total | Total |
| **Expenses:** | | | | | | | | |
| Salaries and wages | $ 11,215,815 | $ 4,206,563 | $ 287,351 | $ 734,344 | $ 4,270,310 | $ 386,526 | $ 21,100,909 | $ 23,066,407 |
| Occupancy | 214,331 | 145,776 | 66,576 | 632,864 | 3,691,789 | 8,247 | 4,759,583 | 5,729,585 |
| Employee benefits | 1,663,475 | 621,821 | 42,998 | 108,241 | 1,294,104 | 54,384 | 3,785,023 | 3,320,420 |
| Depreciation and amortization | 588,616 | 739,721 | 168,069 | 1,076,516 | 1,021,828 | 21,756 | 3,616,506 | 3,622,386 |
| Dining and catering | 13,910 | 3,355,286 | - | 11,944 | 57,348 | 2,399 | 3,440,887 | 3,504,890 |
| Consulting | 141,254 | 13,780 | - | - | 1,742,729 | 1,500 | 1,899,263 | 2,169,348 |
| Commissions | 1,503,811 | - | - | - | - | - | 1,503,811 | 2,079,757 |
| Athletics | - | 1,373,415 | - | - | - | 3,103 | 1,376,518 | 937,936 |
| Miscellaneous | 47,079 | - | - | 5,989 | 1,264,520 | 33,673 | 1,351,261 | 1,016,875 |
| Payroll taxes | 592,972 | 305,850 | 18,452 | 41,996 | 253,367 | 26,957 | 1,239,594 | 1,733,621 |
| Maintenance | 4,187 | - | - | - | 1,026,833 | 25,621 | 1,056,641 | 900,209 |
| Bad debts | - | - | - | - | 950,000 | 20,000 | 970,000 | 481,523 |
| Advertising and promotion | - | - | - | - | 732,857 | | 732,857 | 846,898 |
| Interest | 249,846 | 100,849 | - | 263,288 | 63,438 | - | 677,421 | 667,395 |
| Dues and subscriptions | 46,559 | 124,583 | 270,762 | 7,595 | 71,260 | 4,541 | 525,300 | 589,050 |
| Insurance | - | 5,237 | - | - | 508,850 | - | 514,087 | 605,909 |
| Travel | 59,073 | 301,959 | - | 642 | 46,789 | 26,354 | 434,817 | 739,216 |
| Office | 146,375 | 79,885 | 378 | 2,231 | 146,548 | 8,601 | 384,018 | 333,886 |
| Rental | 122,067 | 191,431 | - | - | - | - | 313,498 | 497,470 |
| Information technology | 101,343 | 14,260 | 5,704 | 2,212 | 67,051 | 24,588 | 215,158 | 483,727 |
| Supplies and equipment | 34,012 | 288,613 | - | - | 18,304 | - | 340,929 | 399,503 |
| Professional fees | - | - | - | - | 288,389 | - | 288,389 | 296,062 |
| Transportation services | - | 250,395 | - | - | - | - | 250,395 | 274,984 |
| Other fees | 73,638 | - | - | 858 | - | - | 74,496 | 353,170 |
| Training | 28,878 | 2,753 | - | 9,869 | 76 | 457 | 42,033 | 59,717 |
| | $ 16,847,241 | $ 12,122,177 | $ 860,290 | $ 2,898,589 | $ 17,516,390 | $ 648,707 | $ 50,893,394 | $ 54,709,944 |

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

# AMERICAN INTERNATIONAL COLLEGE

## Statements of Cash Flows

## For the Years Ended June 30,

| | 2020 | 2019 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Change in net assets | **$ 446,132** | $ (433,621) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | **3,595,808** | 3,622,386 |
| Bond premium amortization | **20,698** | - |
| Provision for doubtful accounts receivable | **369,537** | 281,523 |
| Provision for doubtful pledges receivable | **(249)** | (17,003) |
| Unrealized investment gains | **(354,205)** | (271,090) |
| Change in investments held in trust by others | **7,964** | 7,087 |
| Change in pension valuation | **1,038,983** | 632,654 |
| Changes in assets and liabilities: | | |
| Accounts receivable | **(1,136,543)** | (809,238) |
| Pledges receivable | **83,828** | (155,977) |
| Prepaid expenses and other assets | **(679,716)** | 74,222 |
| Accounts payable and accrued expenses | **53,294** | (2,175,448) |
| Deferred revenues and student deposits | **(346,172)** | 370,734 |
| Accrued pension obligation | **(200,000)** | (200,000) |
| Net Adjustments | **2,453,227** | 1,359,850 |
| Net Cash Provided by Operating Activities | **2,899,359** | 926,229 |
| **Cash Flows from Investing Activities:** | | |
| Purchases of investments | **(849,335)** | (909,156) |
| Purchase of property and equipment | **(734,760)** | (3,430,531) |
| Net Cash Applied to Investing Activities | **(1,584,095)** | (4,339,687) |
| **Cash Flows from Financing Activities:** | | |
| Proceeds from the issuance of debt | - | 10,427,554 |
| Proceeds from Paycheck Protection Program loan | **4,559,800** | - |
| Proceeds from line of credit, net | **2,000,000** | 300,000 |
| Principal payments on debt | **(2,088,272)** | (2,021,326) |
| Principal payments on capital lease obligations | **-** | (198,972) |
| Net Cash Provided by Financing Activities | **4,471,528** | 8,507,256 |
| **Net Increase in Cash and Equivalents** | **5,786,792** | 5,093,798 |
| Cash and Equivalents, Beginning of Year | **8,201,662** | 3,107,864 |
| **Cash and Equivalents, End of Year** | **$ 13,988,454** | $ 8,201,662 |

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

Note 1 - **Organization**

American International College (the "College"), located in Springfield, Massachusetts, is an independent, not-for-profit, coeducational institution that is accredited by the New England Commission of Higher Education. The College's mission is to prepare students for personal fulfillment, professional achievement, and civic engagement through educational experiences that transform lives.

The College participates in federal student financial aid programs sponsored by the United States of America Department of Education, which facilitates the payment of tuition and other expenses for students.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 25, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online.

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 College was awarded $1,970,878, of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is available for the College 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 College did not recognize any expenditures for HEERF funds for emergency grants to students or for institutional costs. During fiscal year 2020, the College incurred eligible institutional costs although was unable to recognize such costs as the College did not satisfy the prerequisite distributions to students.

Note 2 - **Summary of Significant Accounting Policies**

*Basis of Presentation*
The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America which require the College to report information regarding its financial position and activities according to the following net asset classifications:

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

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

*Measure of Operations*

The statements of activities and changes in net assets report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the College's ongoing purpose and the return earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

*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 receivable, pledges receivable, accrued pension obligation, and asset retirement obligations as well as estimating depreciation.

*Cash and Equivalents*

Cash and equivalents include bank deposits and money market funds as well as highly liquid debt instruments with original maturities of three months or less. Cash and equivalents held by the College’s investment managers are considered investments.

*Allowance for Doubtful Accounts*

Student accounts, pledges and other receivable are periodically evaluated for collectability based on past experience and history with students and an allowance for doubtful accounts is established as necessary.

*Pledges Receivable*
Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue.

*Investments*
Investments are initially reported at cost, if purchased, or at fair value, if donated. Therefore, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities and changes in net assets.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

*Investments Held in Trust by Others*
The College is named as the beneficiary of several charitable remainder trusts, all of which are administered by third parties. Investments held in trust by others represents the fair market value of the College’s right to split interest agreements. The trusts are reported in temporarily restricted net assets at the present value of the estimated future benefit to be received when the assets are distributed. Investments consist primarily of corporate equities and fixed income instruments. When investment vehicles are directed or restricted by the donor(s), the College is not involved in the investment choices and thus gains or losses, whether realized or unrealized, incurred on these investments, are applied to the applicable donor-restricted net assets classification.

*Property and Equipment*
Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seventy-five years. The College's policy is to capitalize property and equipment acquired and expense normal repairs and maintenance as incurred. The College's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may be not recovered.

*Deferred Revenues and Student Deposits*
Deferred revenues represent unearned income related to academic courses and programs that transcend the fiscal year-end. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized ratably as revenues upon the students' matriculation.

*Compensated Absences*
Employees earn the right to be compensated during absences for sick and vacation time. Accrued sick and vacation time is the amount earned by all eligible employees through the conclusion of the reporting period. The College's policy is to expense compensated absences when earned.

*Tuition and Fees*
Tuition and fees are recognized as revenue when earned and are recorded at the College's established rates, net of financial aid and endowment scholarships provided directly by the College to students.

*Contributions and Grants*
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 and changes in net assets 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.

*Advertising and Promotion*
The College charges the cost of advertising and promotion to expense as incurred.

*Functional Allocation of Expenses*
Expenses are categorized by program services, management and general, or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques are used such as time and effort and square footage.

*Fair Value Measurements*
Promulgations of the Financial Accounting Standards Board ("FASB") have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 — Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management establishes the fair value measurement valuation policies for the valuation of all investments and assets held in trust by others. Annually, at a minimum, management reviews the continuing viability of the valuation techniques used to establish fair value measurements and evaluates and adjusts, as necessary, the unobservable inputs used in the fair value measurements based on current market condition and other third-party information.

*Endowment Funds*
Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as temporarily restricted net assets until approved for expenditure by the organization. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as temporarily restricted net assets until approved for expenditure by the organization.

The College's endowment funds are primarily for the awarding of scholarships. The goal of the College's endowment spending and distribution policy is to preserve the purchasing power of the endowment and provide predictable support of operations and scholarships.

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 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 College did not have endowment funds below the amount of the donor-required levels.

*Income Taxes*

The College 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 College may, however, be subject to tax on unrelated business income.

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 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.

*Adoption of New Accounting Pronouncement*

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange (within the scope of Topic 958) or exchange (within the scope of Topic 606) and determining whether contributions are conditional. The College adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2019. Therefore, it is applied to any remaining portion of existing agreements not yet recognized as of July 1. 2019, in addition to all new agreements entered into after that date. The adoption of this pronouncement did not have a material effect on these financial statements. The College will adopt the provisions for contributions made on July 1, 2020 and does not expect a significant impact on its financial statements.

*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 College to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition.

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 the impact on the financial statements.

*Comparative Information*
The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

*Reclassifications*
Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Note 3 - **Accounts Receivable**

Accounts receivable consists of the following at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Student receivables | **3,165,727** | $ 1,963,881 |
| Other receivables | **172,144** | 237,447 |
| | **3,337,871** | 2,201,328 |
| Less: allowance for doubtful accounts | **(901,734)** | (532,197) |
| | **$ 2,436,137** | $ 1,669,131 |

Note 4 - **Pledges Receivable**

Pledges receivable are as follows at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Due is less than one year | **$ 60,628** | $ 31,333 |
| Due in one to five years | **285,000** | 398,123 |
| | **345,628** | 429,456 |
| Less: discount to net present value | **(6,406)** | (6,406) |
| | **339,222** | 423,050 |
| Less: allowance for doubtful accounts | **(116,915)** | (117,164) |
| | **$ 222,307** | $ 305,886 |

At June 30, 2020 and 2019, the long-term portion of unconditional promises to give is discounted at 1.9% and 1.5%, respectively.

Note 5 - **Investments**

The following is a summary of the College's investments at June 30,:

| | 2020 | 2019 |
|---|---|---|
| **Investments at fair market value:** | | |
| Long-term investments: | | |
| Money market funds | **$ 1,337,041** | $ 788,692 |
| Bond funds | **3,357,504** | 3,167,350 |
| Equity funds | **4,737,310** | 4,788,304 |
| Hybrid funds | **11,649,457** | 11,133,426 |
| | **$ 21,081,312** | $ 19,877,772 |

The following is a description of the College's investments:

Money market funds: A type of fixed income mutual fund that invests in debt securities characterized by their short maturities and minimal credit risk. Valued at net asset value of the shares held at fiscal year-end; money market funds maintain a net asset value of $1.00 per share as any excess earnings generated through interest are distributed to shareholders.

Bond funds: Also referred to as debt funds, invest primarily in government, municipal, corporate, and convertible bonds as well as other debt instruments with the primary goal of generating income in the form of interest and dividends. Valued at net asset value of the shares held at fiscal year-end.

Equity funds: Also referred to as stock funds, invest primarily in domestic and foreign publicly traded companies. Valued at net asset value of the shares held at fiscal year-end.

Hybrid funds: Mutual funds or exchange-traded funds (ETFs) that invest in more than one type of security, such as stocks and bonds, which allows investors to own a combination of underlying investment asset classes. Valued at net asset value of the shares held at fiscal year-end. Valued at net asset value of the shares held at fiscal year-end.

The College does not hold funds requiring redemption at prescribed times.

As of June 30, 2020 and 2019, all of the College's investments are classified as Level 1 in accordance with the fair value hierarchy.

Note 6 - **Investments Held in Trust by Others**

Fair value of investments held in trust by others from the beneficial interest in charitable remainder trusts is measured either at net asset value or quoted market value of the shares held at fiscal year-end. Investments held in trust by others are classified as Level 1 in accordance with the fair value hierarchy.

The following represents a summary of the restrictions on these assets at June 30,:

| | **2020** | 2019 |
|---|---|---|
| With donor restrictions: | | |
| Scholarships and awards | **$ 419,163** | $ 425,723 |
| Institutional support | **368,673** | 370,077 |
| | **$ 787,836** | $ 795,800 |

Note 7 - **Property and Equipment**

A summary of the major components of property and equipment at June 30, is as follows:

| | **2020** | 2019 |
|---|---|---|
| Land | **$ 2,249,863** | $ 2,249,863 |
| Land improvements | **6,882,239** | 6,798,947 |
| Buildings and building improvements | **64,210,436** | 63,962,312 |
| Furnishings and equipment | **22,511,314** | 22,107,970 |
| Asset retirement obligations | **2,758,700** | 2,758,700 |
| | **98,612,552** | 97,877,792 |
| Less: accumulated depreciation | **(50,104,688)** | (46,508,880) |
| | **$ 48,507,864** | $ 51,368,912 |

Note 8 - **Paycheck Protection Program Loan**

In May 2020, the College received a Payroll Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the amount of $4,559,800. The loan will be forgiven based upon the College using the proceeds on eligible expenses over a twenty-four-week period ("covered period") from the time the loan was obtained. Eligible expenses include payroll and related benefits, utilities, and rent/mortgage interest. Loan forgiveness may be reduced based on the difference between full-time equivalent employees ("FTEs") and wages-paid levels during the covered period versus the number of FTEs and wages paid during a look-back period. Fewer FTEs and/or wages reduced by more than 25% during the covered period will reduce the amount of the loan that can be forgiven. Management anticipates a reduction in loan forgiveness due to a decrease in FTEs during the covered period versus the look-back period. It is the intent of management to use the funds from the loan in accordance with the provisions of the CARES Act and thus it is anticipated a significant portion of the loan will be forgiven.

Any portion of the loan that is not forgiven will become a two-year term loan with an interest rate of 1% per year. The interest on any unforgiven portion of the loan will be deferred for the first six months of the loan. Management intends to reduce the debt in full, or a portion thereon, and reflect that reduction as nonoperating revenue when a portion of the loan is forgiven.

Principal maturities of the PPP loan subsequent to June 30, 2020, if no portion of the loan is forgiven, is as follows for the years ending June 30:

| | |
|---|---|
| 2021 | $ 1,320,317 |
| 2022 | 2,281,915 |
| 2023 | 957,568 |
| | $ 4,559,800 |

Note 9 - **Line of Credit**

The College has available a $6,000,000 revolving line of credit, renewable annually each November. The line of credit requires monthly interest-only payments at the prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively). The line of credit is collateralized by real estate owned by the College. At June 30, 2020 and 2019, the balance on the line of credit was $6,000,000 and $4,000,000, respectively.

Note 10 - **Debt**

Bonds, mortgages and notes payable consist of the following at June 30,:

| | 2020 | 2019 |
|---|---|---|
| *Bonds payable:* | | |
| Bonds payable, due October 2038, requiring aggregate monthly principal and interest payments of $56,957. Interest rate of 3.25%. | **$ 9,425,520** | $ 9,790,979 |
| *Mortgages payable:* | | |
| Mortgage payable, due June 2032, presently requiring monthly principal and interest payments of $19,935. Interest rate of 4.10% through May 2022 and then adjusted to a fixed rate equal to the then prevailing FHLB rate plus 2.00%. | **2,264,387** | $ 2,407,573 |
| Mortgage payable, due September 2024, requiring monthly principal and interest payments of $39,816. Interest rate of 4.375%. | **1,820,652** | 2,202,125 |
| *Notes payable:* | | |
| Note payable, due October 2035, presently requiring monthly principal and interest payments of $18,072. Interest rate of 3.875% through October 2025 and then adjusted to a fixed rate equal to the then prevailing prevailing five-year U.S. Treasury rate plus 2.00%. | **2,496,478** | 2,612,494 |
| Note payable, due June 2026, requiring monthly principal and interest payments of $16,974. Interest rate of 4.10%. | **1,081,756** | 1,237,605 |
| Note payable, due November 2025, requiring monthly principal and interest payments of $7,215. Interest rate of 2.75%. | **434,805** | 508,111 |
| Note payable, due August 2020, requiring monthly principal and interest payments of $20,081. Interest rate of 3.55%. | **39,984** | 294,200 |
| Non-interest bearing note payable with a vendor, requiring monthly principal payments of $49,898 through August 2024. | **2,510,921** | 3,109,688 |
| Total debt | **20,074,503** | 22,162,775 |
| Bond issuance costs, net of amortization | **(51,748)** | (72,446) |
| | **$ 20,022,755** | $ 22,090,329 |

Future principal maturities of debt subsequent to June 30, 2020 are as follows:

| Fiscal Year Ended June 30, | |
|---|---|
| 2021 | $ 1,921,787 |
| 2022 | 1,934,029 |
| 2023 | 1,988,439 |
| 2024 | 2,044,906 |
| 2025 | 1,268,769 |
| 2026-2030 | 4,442,577 |
| 2031-2035 | 4,254,984 |
| 2036-2039 | 2,167,264 |
| | $ 20,022,755 |

All bonds, mortgages, and notes payable, except the non-interest-bearing note payable, are under obligation with one financial institution constituting a master loan and security agreement. These bonds, mortgages and notes payable are collateralized by an interest in all assets of the College, including the products and proceeds thereof. The master loan and security agreement contains covenants regarding certain operating activities and financial statements amounts and ratios of the College. The College is in compliance with covenants at June 30, 2020.

Note 11 - **Retirement Plans**

*Defined Benefit Plan*

The College maintains a contributory defined benefit pension plan covering certain College employees. The amount contributed to the plan by the College is based upon the expected benefit as defined in the plan. Effective February 1, 2006, the College amended the defined benefit pension plan and all accrued benefits have been frozen.

The measurement dates used to determine the pension assets and benefit obligations were June 30, 2020 and 2019, respectively. The plan's investment funding vehicle is a pension funding contract (no reserve for retired employees and immediate recognition of experience gains or losses).

The following is the plan's funded status at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Change in pension benefit obligation: | | |
| Benefit obligation, beginning of year | **$ 10,807,341** | $ 10,071,036 |
| Interest cost | **349,852** | 409,320 |
| Assumption changes | **943,306** | 792,077 |
| Actuarial loss | **154,862** | 63,367 |
| Benefits paid | **(698,422)** | (528,459) |
| Benefit obligation, end of year | **11,556,939** | 10,807,341 |
| Change in plan assets: | | |
| Fair value of plan assets, beginning of year | **8,885,864** | 8,582,213 |
| Actual return on plan assets | **454,037** | 677,110 |
| Employer contributions | **200,000** | 200,000 |
| Expenses | **(45,000)** | (45,000) |
| Benefits paid | **(698,422)** | (528,459) |
| Fair value of plan assets, end of year | **8,796,479** | 8,885,864 |
| Funded status at end of year | **$ (2,760,460)** | $ (1,921,477) |

The following represents the net periodic benefit cost and other changes in plan assets and benefit obligations recognized as the change in pension valuation in the statements of activities and changes in net assets at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Net periodic benefit cost: | | |
| Interest cost | **$ 349,852** | $ 409,320 |
| Expected return on plan assets | **(605,445)** | (608,164) |
| Amortization of net loss | **469,015** | 389,786 |
| | **213,422** | 190,942 |
| Other changes in plan assets and benefit obligations: | | |
| Net loss | **825,561** | 441,712 |
| | **$ 1,038,983** | $ 632,654 |

The plan’s weighted average assumptions are as follows at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Discount rate - benefit obligations | **2.38%** | 3.31% |
| Discount rate - net periodic pension cost | **3.31%** | 4.16% |
| Expected long-term return on plan assets | **7.00%** | 7.25% |
| Rate of compensation increase (see below) | **N/A** | N/A |

The actuarial cost method is the projected unit credit method (as defined in ASC 715). Under the projected unit credit method, current salaries are projected to the retirement date using a salary growth scale.

The following plan benefit payments (assumes 50% lump-sum distributions) are expected to be paid to retirees subsequent to June 30, 2020:

| Fiscal Years Ending June 30, | |
|---|---|
| 2021 | $ 702,061 |
| 2022 | 724,435 |
| 2023 | 740,758 |
| 2024 | 758,369 |
| 2025 | 752,045 |
| 2026-2023 | 3,592,234 |
| | $ 7,269,902 |

The plan’s assets are allocated as follows at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Domestic equity securities | **81%** | 81% |
| Foreign equity securities | **7%** | 7% |
| Debt securities | **12%** | 12% |

*Defined Contribution Plan*

The College participates in a defined contribution 403(b) plan covering all eligible employees of the College. Employer contributions to the plan amounted to $706,428 and $630,281 for the years ended June 30, 2020 and 2019, respectively.

Note 12 - **Asset Retirement Obligations**

In accordance with promulgations of the FASB, the College has recorded conditional asset retirement obligations that relate to certain asbestos remediation, removal of oil and gas tanks, and other environmental indemnifications. The asset retirement obligations are based on management's estimate of the College's potential obligations. It is possible that new or additional information may warrant changes to this estimate.

The following is a summary of the aggregate conditional asset retirement obligations associated with the College's asbestos remediation, removal of oil and gas tanks, and other environmental indemnifications at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Asset retirement obligations, beginning of year | **$ 1,810,663** | $ 1,810,663 |
| Determination of additional obligations | **-** | - |
| Obligations paid | **-** | - |
| Asset retirement obligations, end of year | **$ 1,810,663** | $ 1,810,663 |

Note 14 - **Net Assets**

*Net Assets Without Restrictions*
Net assets without donor restrictions comprise the receipt of funds related to activities the College engages in that are not restricted in nature, and gains on certain endowed net assets. Net assets without restrictions consist of the follow at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Board designated funds | **$ 3,850,704** | $ 3,811,124 |
| Undesignated | **27,474,901** | 28,079,820 |
| | **$ 31,325,605** | $ 31,890,944 |

The Board of Trustees established a fund to provide for the long-term financial stability of the College and to enhance its ability to respond to extraordinary emergency needs. The purpose of this fund is to provide a mechanism for the Board to set aside and invest certain funds.

# AMERICAN INTERNATIONAL COLLEGE

## Notes to the Financial Statements - Continued

## June 30, 2020

*Net Assets With Restrictions*

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

| | **2020** | 2019 |
|---|---|---|
| Endowment (for perpetuity) | **$ 11,459,655** | $ 11,178,271 |
| Scholarships and awards (for purpose) | **2,843,214** | 2,606,052 |
| Institutional support (for purpose) | **1,295,199** | 742,721 |
| Athletics (for purpose) | **403,515** | 463,068 |
| | **$ 16,001,583** | $ 14,990,112 |

*Net Assets Released from Restrictions*

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purposes specified by donors for the years ended June 30, as follows:

| | **2020** | 2019 |
|---|---|---|
| Scholarships and awards | **$ 297,074** | $ 354,525 |
| Institutional support | **407,795** | 159,330 |
| Athletics | **121,978** | - |
| | **$ 826,847** | $ 513,855 |

Note 15 - **Endowment**

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

| | **2020** | | |
|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
| Endowment net assets, beginning of year | **$ 4,535,098** | **$ 14,312,734** | **$ 18,847,832** |
| Contributions | **451,213** | **289,348** | **740,561** |
| Investment return | **39,580** | **651,968** | **691,548** |
| Amounts appropriated | **-** | **(221,158)** | **(221,158)** |
| Endowment net assets, end of year | **$ 5,025,891** | **$ 15,032,892** | **$ 20,058,783** |

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 4,213,589 | $ 13,973,104 | $ 18,186,693 |
| Contributions | 161,035 | 131,266 | 292,301 |
| Investment return | 160,474 | 492,912 | 653,386 |
| Amounts appropriated | - | (284,548) | (284,548) |
| Endowment net assets, end of year | $ 4,535,098 | $ 14,312,734 | $ 18,847,832 |

Board-designated unrestricted funds are quasi-endowments. These funds do not have donor-imposed restrictions. The College's Board of Trustees have determined that these particular funds will be retained by the College as investments rather than expended for operational or other purposes.

Note 16 - **Related Parties**

Members of the College's Board of Trustees may, from time to time, be associated, either directly or indirectly, with entities doing business with the College. The College's conflict of interest policy requires, among other things, that no Board member can participate in any decision in which he or she (or an immediate family member) has a material financial interest.

The College requires that management and the Board complete an annual disclosure of significant financial interest in, or employment or consulting relationships with, entities doing business with the College. When such relationships are identified, measures are taken to address the actual or perceived conflict to protect the best interest of the College and ensure compliance with applicable conflict of interest policies. The College takes measures to mitigate any actual or perceived conflict, including requiring that any related party transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to, and in the best interest of, the College.

During the years ended June 30, 2020 and 2019, the College procured services from a related party approximating $144,000 and $44,000, respectively.

Note 17 - **Commitments, Contingencies and Uncertainties**

*Cash*

The College maintains deposits at financial institutions, and at times during the year, these balances may exceed the federally insured limit. Management monitors the financial condition of these financial institutions, along with its cash balances, to keep this potential risk at a minimum. At June 30, 2020 and 2019, uninsured amounts totaled approximately $13,974,000 and $8,568,000, respectively.

*Investments*

The College invests in various investment securities. Investment securities are exposed to various risk such as interest rate, market, and credit risks.

*Supplemental Executive Retirement Plans*

The College has a supplemental executive retirement plan ("SERP") agreement with the College's president. The agreement is intended to comply with all nonqualified deferred compensation rules, including those under Internal Revenue Code Sections 409A and 457A. The College has agreed to award the president, on an annual basis, an amount ranging from $25,000 to $125,000, as determined annually by the Board of Trustee's Compensation Committee. The SERP becomes fully vested in 2023. Awarded amounts can also be vested upon the termination of the employment relationship as a result of the death, permanent disability, or termination without cause.

Management has recorded the total contingent liability and related expense associated with the supplemental executive retirement plan to date in the amount of approximately $85,000 as of June 30, 2020. This contingent liability is included in accrued expenses in the statements of financial position.

*Third-Party Agreement*

The College has a contract with a third-party vendor expiring in 2024 for the provision of food services. The agreement gives the provider exclusive rights to provide food services on the campus. Annual costs to the College are dependent upon the number of students served.

*Federal and State Grants*

All funds expended by the College in connection with government grants and contracts are subject to review or audit by governmental agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

*Composite Score*

As a condition of eligibility to participate in Federal Student Financial Assistance programs, the College is required to demonstrate financial responsibility, as defined by U.S. Department of Education regulations, by maintaining a Composite Score of at least 1.5. The regulations also establish a Composite Score zone between 1.0 and 1.4; institutions falling within this zone are allowed up to three consecutive years to improve their financial condition without requiring surety.

The College has calculated a Composite Score of 2.1 for both of the years ended June 30, 2020 and 2019.

*Contingency*

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 have been no settlements or court decisions on this matter. The College 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 College.

*Litigation*

In the ordinary course of business, the College is involved in a number of litigation matters. In the opinion of management, these matters will not have a significant effect on the financial statements of the College.

# AMERICAN INTERNATIONAL COLLEGE

## Notes to the Financial Statements - Continued

## June 30, 2020

Note 18 - **Availability and Liquidity**

The following represents the College's financial assets available to meet general expenditures within one year at June 30,:

| | **2020** | 2019 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and equivalents | **$ 13,988,454** | $ 8,201,662 |
| Accounts receivable | **2,436,137** | 1,669,131 |
| Pledges receivable | **222,307** | 305,886 |
| Investments | **21,081,312** | 19,877,772 |
| | **37,728,210** | 30,054,451 |
| Less: amounts not available to be used within one year: | | |
| Net assets with donor restrictions | **(16,001,583)** | (14,990,112) |
| Board designated net assets | **(3,850,704)** | (3,811,124) |
| Pledges receivable, net (due in one to five years) | **(181,694)** | (280,243) |
| | **(20,033,981)** | (19,081,479) |
| Financial assets available to meet general expenditures within one year: | **$ 17,694,229** | $ 10,972,972 |

The College reviews its cash position on a regular basis to ensure that adequate funds are available to meet expenses. If funds are needed for expenses, management can liquidate investments, request the Board to undesignate previously designated assets, or access its line of credit ($-0- and $2,000,000 of available credit at June 30, 2020 and 2019, respectively). At June 30, 2020 and 2019, management believes that the College has no liquidity issues.

Note 19 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through October 22, 2020, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2020, other than the events mentioned below, requiring additional disclosure in these financial statements.

*Subsequent Events*
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 College's finances and operations cannot be determined. As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester. In addition, capacity of residence hall occupancy has been reduced to meet social distancing guidelines.

In July 2020, the College's $6,000,000 outstanding line of credit was repaid in full to the financial institution.

# SUPPLEMENTARY INFORMATION

# AMERICAN INTERNATIONAL COLLEGE

## Financial Responsibility Supplemental Schedule

## Year Ended June 30, 2020

| | | | | |
|---|---|---|---|---|
| **Primary Reserve Ratio:** | | | | |
| | | **Expendable Net Assets:** | | |
| 1 | Statement of Financial Position (SFP) | Net assets without donor restrictions | | 31,325,605 |
| 2 | SFP | Net assets with donor restrictions | | 16,001,583 |
| 3 | Not applicable | **Secured and Unsecured related party receivable - Total** | - | |
| 4 | Not applicable | Unsecured related party receivables | | - |
| 5 | SD Line 7 | **Property, Plant and Equipment, net (includes Construction in progress) - Total** | 48,507,864 | |
| 6 | SD Line 3d | Property, plant and equipment pre-implementation | | 47,773,104 |
| 7 | SD Line 4d | 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 | | 734,760 |
| 9 | SD Line 5 | Construction in progress | | - |
| 10 | SFP | **Lease right-of-use asset, net - Total** | - | |
| 11 | SD Line 14 | Lease right-of-use, pre-implementation (grandfather of leases option not chosen) | | - |
| 12 | SD Line 15. Lease right-of-use of asset liability | Lease right-of-use asset, post-implementation | | - |
| 13 | SFP | Intangible assets | | - |
| 14 | SFP | Post-employment and pension liabilities | | 2,760,460 |
| 15 | SD Lines 8d, 9a-c, 10 | **Long-term debt- for long term purposes - Total** | 20,022,755 | |
| 16 | SD Line 8d | Long- term debt- for long term purpose pre-implementation | | 20,022,755 |
| 17 | SD Lines 9a-c | Long-term debt- for long term purposes post-implementation | | - |
| 18 | SD Line 10 | Line of Credit for Construction in progress | | - |
| 19 | SFP | **Lease right-of-use asset liability - Total** | - | |
| 20 | SD Line 17 | Pre-implementation right-of-use asset liability (grandfather of leases option not chosen) | | - |
| 21 | SD Line 18 | Post-implementation right-of-use asset liability | | - |
| 22 | SD Line 2d | **Annuities, term endowment and life income with donor restrictions - Total** | - | |
| 23 | SD Line 2a | Annuities with donor restrictions | | - |
| 24 | SD Line 2b | Term Endowments with donor restrictions | | - |
| 25 | SD Line 2c | Life income funds with donor restrictions | | - |
| 26 | SD Line 1 | Net Assets with donor restrictions - restricted in perpetuity | | 11,459,655 |
| | | **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 | | 50,893,394 |
| 28 | SOA | Non-operating and Net Investment (loss) | | - |
| 29 | SOA | Net Investment losses | | - |
| 30 | SOA | Pension-related changes other than net periodic costs | | (1,038,983) |
| **Equity Ratio:** | | | | |
| | | **Modified Net Assets:** | | |
| 31 | SFP | Net assets without donor restrictions | | 31,325,605 |
| 32 | SFP | Net assets with donor restrictions | | 16,001,583 |
| 33 | SFP | Intangible Assets | | - |
| 34 | SFP | Intangible Assets- Goodwill | | - |
| 35 | Not applicable | **Secured and unsecured related party receivables- Total** | - | |
| 36 | Not applicable | Unsecured related party receivables | | - |
| | | **Modified Assets:** | | |
| 37 | SFP | Total Assets | | 88,386,195 |
| 38 | SD Line 13 | Lease right-of-use asset pre-implementation | | - |
| 39 | SD Line 14 | Pre-implementation right-of-use asset liability | | - |
| 40 | SFP | 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 | | (565,339) |
| | | **Total Revenue without Donor Restrictions & Gains without Donor Restrictions** | | |
| 44 | SOA: Total Revenue, Gains and Other Support (Not including Investments) | Total Revenues and Gains | | 51,346,427 |
| 45 | SOA: Investment Return | Investments, net (operating and non-operating) | | 20,611 |

# AMERICAN INTERNATIONAL COLLEGE

## Financial Responsibility Supplemental Disclosures

## 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 | $ | 11,459,655 |
| 2 Other net assets with donor restrictions (not perpetually restricted): | | |
| a. Annuities with donor restrictions | | - |
| b. Term Endowments | | - |
| c. Life income funds (trusts) | | - |
| d. Total annuities, term endowment and life income funds with donor restrictions | $ | - |
| **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) | $ | 51,368,912 |
| b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 lease standards | | - |
| c. Less subsequent depreciation and disposals | | (3,595,808) |
| d. Balance Pre-implementation property, plant and equipment, net | | 47,773,104 |
| 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 | | - |
| 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 | | 734,760 |
| 7 Total Property, Plant and Equipment, net- June 30, 2020 | $ | 48,507,864 |
| **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) | $ | 22,090,329 |
| 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 | | (2,067,574) |
| d. Balance pre-implementation debt | | 20,022,755 |
| 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 | | - |
| | $ | 20,022,755 |

# AMERICAN INTERNATIONAL COLLEGE

## Financial Responsibility Supplemental Disclosures - Continued

## Year Ended June 30, 2020

12 Term of current year debt additions:

| | Issue Date | Maturity Date | Nature of Capitalized Amounts | Amount Capitalized |
|---|---|---|---|---|
| a. | Not applicable | Not applicable | Not applicable | Not applicable |

**Lease right-of-use assets and liabilities**

| | | |
|---|---|---|
| 13 Lease right-of-use assets | | |
| Right of use assets as of balance sheet date June 20, 2020 | $ | - |
| 14 Lease right-of-use assets- Pre-implementation | | |
| Right of use assets as of balance sheet date June 20, 2020 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, 2020 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, 2020 | $ | - |
| 17 Lease right-of-use liability- Pre-implementation | | |
| Lease liabilities as of balance sheet dated June 20, 2020 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, 2020 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*

O'Connor & Drew P.C.
Certified Public Accountants

# 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
American International College
Springfield, Massachusetts

We have audited, 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, the financial statements of American International College (the "College"), which comprise the statements 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, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 22, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College'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 over financial reporting 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.

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**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether the College'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor + Drew, P.C.

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

October 22, 2020