

AMERICAN INTERNATIONAL COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2022

AMERICAN INTERNATIONAL COLLEGE

Financial Statements

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American International College (a Massachusetts not-for-profit organization) (the "College"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of American International College as of June 30 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the College's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 32-34 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 19, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.



**Certified Public Accountants
Braintree, Massachusetts**

October 19, 2022

AMERICAN INTERNATIONAL COLLEGE

Statements of Financial Position

June 30, 2022 and 2021

AMERICAN INTERNATIONAL COLLEGE

Statements of Financial Position

June 30,

Assets

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and equivalents	\$ 13,790,213	\$ 18,605,691
Accounts receivable, net	2,491,532	4,623,412
Pledges receivable, net	254,678	324,237
Investments	28,587,134	26,265,826
Prepaid expenses and other assets	1,471,083	796,000
Investments held in trust by others	781,214	991,645
Property and equipment, net	<u>44,002,742</u>	<u>46,370,319</u>
Total Assets	<u>\$ 91,378,596</u>	<u>\$ 97,977,130</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 3,255,319	\$ 3,551,978
Accrued expenses	2,189,471	2,471,442
Deferred revenues and student deposits	1,089,443	1,090,351
Line of credit	8,000,000	8,000,000
Capital lease obligations	117,215	143,468
Debt, net	16,169,665	18,109,292
Accrued pension obligations	768,905	1,121,277
Asset retirement obligations	<u>1,810,663</u>	<u>1,810,663</u>
Total Liabilities	<u>33,400,681</u>	<u>36,298,471</u>
Net Assets:		
Without donor restrictions	40,728,993	41,273,561
With donor restrictions	<u>17,248,922</u>	<u>20,405,098</u>
Total Net Assets	<u>57,977,915</u>	<u>61,678,659</u>
Total Liabilities and Net Assets	<u>\$ 91,378,596</u>	<u>\$ 97,977,130</u>

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, 2022
(with comparative totals for 2021)

	2022			2021
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating Activities:				
Revenues:				
Tuition and fees	\$ 63,112,729	\$ -	\$ 63,112,729	\$ 67,772,650
Residence and dining	11,386,522	-	11,386,522	8,024,507
Less: Scholarships and awards	<u>(34,075,741)</u>	<u>-</u>	<u>(34,075,741)</u>	<u>(32,538,586)</u>
Net tuition, fees, residence and dining	40,423,510	-	40,423,510	43,258,571
Private contributions and grants of financial assets	1,133,746	446,608	1,580,354	1,209,870
Federal and state grants	7,507,512	-	7,507,512	3,745,189
Auxiliary enterprises	104,918	-	104,918	166,100
Other income	1,465,289	-	1,465,289	736,498
Net assets released from restrictions	<u>663,554</u>	<u>(663,554)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>51,298,529</u>	<u>(216,946)</u>	<u>51,081,583</u>	<u>49,116,228</u>
Program Expenses:				
Instruction	12,960,812	-	12,960,812	13,129,425
Student services	16,900,256	-	16,900,256	12,524,848
Library	978,420	-	978,420	917,490
Auxiliary enterprises	<u>2,784,371</u>	<u>-</u>	<u>2,784,371</u>	<u>2,861,984</u>
Total Program Expenses	<u>33,623,859</u>	<u>-</u>	<u>33,623,859</u>	<u>29,433,747</u>
Supporting Service Expenses:				
Management and general	17,004,644	-	17,004,644	16,590,763
Fundraising	<u>689,322</u>	<u>-</u>	<u>689,322</u>	<u>591,374</u>
Total Supporting Service Expenses	<u>17,693,966</u>	<u>-</u>	<u>17,693,966</u>	<u>17,182,137</u>
Total Operating Expenses	<u>51,317,825</u>	<u>-</u>	<u>51,317,825</u>	<u>46,615,884</u>
Change in Net Assets from Operations	<u>(19,296)</u>	<u>(216,946)</u>	<u>(236,242)</u>	<u>2,500,344</u>
Nonoperating Activities:				
Forgiveness of Paycheck Protection Program loan	-	-	-	4,559,800
Investment return	(677,644)	(2,728,799)	(3,406,443)	5,648,335
Change in split interest agreements	-	(210,431)	(210,431)	203,809
Change in pension valuation	<u>152,372</u>	<u>-</u>	<u>152,372</u>	<u>1,439,183</u>
Change in Net Assets from Nonoperating Activities	<u>(525,272)</u>	<u>(2,939,230)</u>	<u>(3,464,502)</u>	<u>11,851,127</u>
Changes in Net Assets	(544,568)	(3,156,176)	(3,700,744)	14,351,471
Net Assets, Beginning of Year	<u>41,273,561</u>	<u>20,405,098</u>	<u>61,678,659</u>	<u>47,327,188</u>
Net Assets, End of Year	<u>\$ 40,728,993</u>	<u>\$ 17,248,922</u>	<u>\$ 57,977,915</u>	<u>\$ 61,678,659</u>

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

AMERICAN INTERNATIONAL COLLEGE

Statements of Functional Expenses

For the Year Ended June 30, 2022

(with comparative totals for 2021)

	2022						2021	
	Program Expenses							
	<u>Instruction</u>	<u>Student Services</u>	<u>Library</u>	<u>Auxiliary Enterprises</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses:								
Salaries and wages	\$ 9,395,381	\$ 4,938,389	\$ 354,742	\$ 627,752	\$ 4,673,099	\$ 420,436	\$ 20,409,799	\$ 19,048,832
Occupancy	257,444	150,375	58,499	692,852	3,998,195	10,848	5,168,213	4,820,412
Dining and catering	9,549	4,237,721	-	8,343	33,880	664	4,290,157	2,645,782
Depreciation and amortization	540,164	736,325	155,571	1,059,529	944,903	15,123	3,451,615	3,446,387
Employee benefits	1,165,593	579,278	44,369	77,882	716,222	49,776	2,633,120	3,008,805
Student aid expense	-	2,555,012	-	-	-	-	2,555,012	1,319,339
Consulting	74,638	11,780	-	-	1,696,747	31,196	1,814,361	1,702,030
Athletics	-	1,793,839	-	-	-	84	1,793,923	865,783
Payroll taxes	665,844	339,351	22,173	30,882	296,762	28,502	1,383,514	1,326,372
Miscellaneous	69,590	-	-	9,804	1,173,441	38,283	1,291,118	1,276,348
Maintenance	383	-	-	-	1,036,892	6,629	1,043,904	1,236,353
Bad debts	-	-	-	-	850,049	20,000	870,049	1,082,000
Dues and subscriptions	54,011	118,478	341,527	6,498	76,760	33,151	630,425	627,709
Interest	230,528	91,303	-	201,755	55,392	-	578,978	635,497
Insurance	-	8,869	-	-	562,747	-	571,616	487,840
Travel	11,800	443,346	-	-	52,074	26,860	534,080	196,922
Advertising and promotion	-	-	-	-	439,416	-	439,416	511,375
Office	177,535	155,470	877	46,389	26,413	6,413	413,097	712,750
Professional fees	-	-	-	-	315,512	-	315,512	348,842
Transportation services	-	305,448	-	-	-	-	305,448	296,047
Supplies and equipment	74,961	209,535	312	-	11,957	-	296,765	323,010
Rental	-	220,872	-	-	-	-	220,872	153,638
Information technology	91,107	3,325	-	603	43,658	-	138,693	159,821
Other fees	73,850	-	-	15,275	-	-	89,125	66,238
Commissions	40,419	-	-	-	-	-	40,419	299,153
Training	28,015	1,540	350	6,807	525	1,357	38,594	18,599
	<u>\$ 12,960,812</u>	<u>\$ 16,900,256</u>	<u>\$ 978,420</u>	<u>\$ 2,784,371</u>	<u>\$ 17,004,644</u>	<u>\$ 689,322</u>	<u>\$ 51,317,825</u>	<u>\$ 46,615,884</u>

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

AMERICAN INTERNATIONAL COLLEGE

Statements of Cash Flows

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ <u>(3,700,744)</u>	\$ <u>14,351,471</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(4,559,800)
Depreciation	3,451,615	3,446,387
Bond issue cost	10,350	10,350
Provision for doubtful accounts receivable	(239,044)	308,966
Provision for doubtful pledges receivable	20,000	(88,000)
Unrealized investment (gains) losses	3,958,566	(5,364,264)
Change in investments held in trust by others	210,431	(203,809)
Change in pension valuation	(152,372)	(1,439,183)
Changes in assets and liabilities:		
Accounts receivable	2,370,924	(2,496,241)
Pledges receivable	49,559	(13,930)
Prepaid expenses and other assets	(675,083)	566,285
Accounts payable and accrued expenses	(578,630)	1,271,969
Deferred revenues and student deposits	(908)	(63,527)
Accrued pension obligation	<u>(200,000)</u>	<u>(200,000)</u>
Net Adjustments	<u>8,225,408</u>	<u>(8,824,797)</u>
Net Cash Provided by Operating Activities	<u>4,524,664</u>	<u>5,526,674</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	525,564	179,750
Purchases of investments	(6,805,438)	-
Purchase of property and equipment	<u>(1,084,038)</u>	<u>(1,308,842)</u>
Net Cash Applied to Investing Activities	<u>(7,363,912)</u>	<u>(1,129,092)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit, net	-	2,000,000
Principal payments on debt	(1,949,977)	(1,752,043)
Principal payments on capital lease obligations	<u>(26,253)</u>	<u>(28,302)</u>
Net Cash Provided by (Applied to) Financing Activities	<u>(1,976,230)</u>	<u>219,655</u>
Net Increase (Decrease) in Cash and Equivalents	(4,815,478)	4,617,237
Cash and Equivalents, Beginning of Year	<u>18,605,691</u>	<u>13,988,454</u>
Cash and Equivalents, End of Year	\$ <u>13,790,213</u>	\$ <u>18,605,691</u>
Supplemental Disclosure:		
Equipment acquisition financed through capital leases	<u>\$ -</u>	<u>\$ 171,770</u>

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

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements

June 30, 2022 and 2021

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.

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis created volatility in the financial markets and uncertainty in the overall economy. The state of emergency affected the College’s operations. For the academic year 2020-2021, the College reduced the density in dormitories and classrooms by offering students the option of taking classes online, so maximum capacity decreased.

In response to the pandemic, the federal government provided to the College Higher Education Emergency Relief Funds (“HEERF”) 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 portion and institutional portion, and each Act requires a minimum amount to be spent on student aid. The student aid portion 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 portion 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 June 30, 2023.

As of June 30, 2022, the College has expended its entire CARES and CRRSAA awards. For the year ended June 30, 2022, the College expended \$2,555,012 for emergency grants to students and \$2,850,321 for institutional costs from the HEERF. For the year ended June 30, 2021, the College expended \$1,319,339 for emergency grants to students and \$985,439 for institutional costs from the HEERF. As of June 30, 2022 the College has \$3,200,688 of unexpended ARPA funds. Additionally, the College received an additional \$256,747 and \$238,747 for the years ended June 30, 2022 and 2021, respectively, under the Strengthening Institutions Program provision of the CARES Act.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

The College has been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid	Institutional	Strengthening	
	Award	Award	Institution	Total
			Program	
CARES	\$ 985,439	\$ 985,439	\$ 98,000	\$ 2,068,878
CRRSAA	985,439	2,267,786	140,747	3,393,972
ARPA	2,850,296	2,836,400	256,534	5,943,230
Total	\$ 4,821,174	\$ 6,089,625	\$ 495,281	\$ 11,406,080

The College has recognized the following funds within federal and state grants revenue for the years ended June 30, 2022 and 2021:

	For the Year Ended June 30, 2022				For the Year Ended June 30, 2021			
	Student Aid	Institutional	Strengthening		Student Aid	Institutional	Strengthening	
	Award	Award	Institution	Total	Award	Award	Program	Total
			Program					
CARES	\$ -	\$ -	\$ 98,000	\$ 98,000	\$ 985,439	\$ 985,439	\$ -	\$ 1,970,878
CRRSAA	651,539	2,267,786	140,747	3,060,072	333,900	-	-	333,900
ARPA	1,903,473	582,535	256,534	2,742,542	-	-	-	-
Total	\$ 2,555,012	\$ 2,850,321	\$ 495,281	\$ 5,900,614	\$ 1,319,339	\$ 985,439	\$ -	\$ 2,304,778

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").

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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 receivables are periodically evaluated for collectability based on past experience and history with students and an allowance for doubtful accounts is established as necessary.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. The College derives revenues primarily through tuition, fees, and auxiliary services, all of which are under arrangements that are aligned to an academic semester, which is less than one year in length.

Tuition, fees, and auxiliary enterprises revenue are recorded at established rates, net of institutional awards provided directly to students. 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 such as room and board. 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. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. 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.

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees, and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that on-behalf payments being made by the ED or others are subject to specific requirements within those programs as to when those funds are available. Students may withdraw from programs of study within certain time limits under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund near the start of classes, declining to no

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "net assets released from restriction" between the classes of net assets.

The statements of activities report the changes in net assets without donor restrictions from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's academic programs and auxiliary enterprises. This includes investment return appropriated for operations under the spending policy adopted by the Board. All other amounts are considered nonoperating.

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Unconditional promises to give, that will be paid by the donor's estate, are recorded when verifiably committed and are discounted using the remaining life expectancy of the donor.

Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. Pledge intentions are not recorded as revenue or as assets. Contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied. The College had no conditional contributions at June 30, 2022 and 2021.

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

The College's revenues and cash flows are correlated to the general conditions of the economy. Contract liabilities represent payments the College receives in advance of

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

the semester. Contract liabilities are presented in the Statements of Financial Position as deferred revenue.

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: <ul style="list-style-type: none">• 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

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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 has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

of June 30, 2022 and 2021, 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.

New Accounting Pronouncement

FASB issued ASU 2016-02, *Leases*, which is effective for periods beginning after December 15, 2021. The 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 is in the process of evaluating this pronouncement and has not yet determined its 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, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Accounts Receivable**

Accounts receivable consist of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Student receivables	\$ 3,236,399	\$ 5,348,582
Other receivables	<u>226,789</u>	<u>485,530</u>
	3,463,188	5,834,112
Less: allowance for doubtful accounts	<u>(971,656)</u>	<u>(1,210,700)</u>
	<u>\$ 2,491,532</u>	<u>\$ 4,623,412</u>

Note 4 - **Pledges Receivable**

Pledges receivable are as follows at June 30,:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 86,948	\$ 210,558
Due in one to five years	<u>223,051</u>	<u>149,000</u>
	309,999	359,558
Less: discount to net present value	<u>(6,406)</u>	<u>(6,406)</u>
	303,593	353,152
Less: allowance for doubtful accounts	<u>(48,915)</u>	<u>(28,915)</u>
	<u>\$ 254,678</u>	<u>\$ 324,237</u>

At June 30, 2022 and 2021, the long-term portion of unconditional promises to give is discounted at 2.1% and 1.9%, respectively.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments**

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

	<u>2022</u>	<u>2021</u>
Investments at fair market value:		
Long-term investments:		
Money market funds	\$ 6,684,265	\$ 1,499,476
Bond funds	3,268,273	3,375,735
Equity funds	6,233,528	6,578,529
Hybrid funds	<u>12,401,068</u>	<u>14,812,086</u>
	<u>\$ 28,587,134</u>	<u>\$ 26,265,826</u>

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, 2022 and 2021, all of the College's investments are classified as Level 1 in accordance with the fair value hierarchy.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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,:

	<u>2022</u>	<u>2021</u>
With donor restrictions:		
Scholarships and awards	\$ 414,154	\$ 528,523
Institutional support	<u>367,060</u>	<u>463,122</u>
	<u>\$ 781,214</u>	<u>\$ 991,645</u>

Note 7 - **Property and Equipment**

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

	<u>2022</u>	<u>2021</u>
Land	\$ 2,249,863	\$ 2,249,863
Land improvements	7,296,488	7,287,691
Buildings and building improvements	65,016,133	64,383,321
Furnishings and equipment	23,684,248	23,241,819
Asset retirement obligations	<u>2,758,700</u>	<u>2,758,700</u>
	101,005,432	99,921,394
Less: accumulated depreciation	<u>(57,002,690)</u>	<u>(53,551,075)</u>
	<u>\$ 44,002,742</u>	<u>\$ 46,370,319</u>

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 8 - **Paycheck Protection Program Loan**

In May 2020, the College received a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in the amount of \$4,559,800. The College used the entire funds from the loan in accordance with the provisions of the CARES Act. In June 2021, the Small Business Administration, acting on behalf of the federal government, forgave the entire loan.

Note 9 - **Line of Credit**

The College has available a \$8,000,000 revolving line of credit, renewable annually each November. The line of credit requires monthly interest-only payments at the prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively). The line of credit is collateralized by real estate owned by the College. At June 30, 2022 and 2021, the balance on the line of credit was \$8,000,000.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 10 - Debt

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

	<u>2022</u>	<u>2021</u>
<i>Bonds payable:</i>		
Bonds payable, due October 2038, requiring aggregate monthly principal and interest payments of \$56,957. Interest rate of 3.25%.	\$ 8,655,742	\$ 9,046,961
<i>Mortgages payable:</i>		
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%.	1,959,819	2,115,219
Mortgage payable, due September 2024, requiring monthly principal and interest payments of \$39,816. Interest rate of 4.375%.	1,005,737	1,422,027
<i>Notes payable:</i>		
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 five-year U.S. Treasury rate plus 2.00%.	2,249,981	2,375,542
Note payable, due June 2026, requiring monthly principal and interest payments of \$16,974. Interest rate of 4.10%.	750,254	919,397
Note payable, due November 2025, requiring monthly principal and interest payments of \$7,215. Interest rate of 2.75%.	281,849	359,391
Non-interest bearing note payable with a vendor, requiring monthly principal payments of \$49,898 through August 2024.	<u>1,297,331</u>	<u>1,912,153</u>
Total debt	16,200,713	18,150,690
Bond issuance costs, net of amortization	<u>(31,048)</u>	<u>(41,398)</u>
	<u>\$ 16,169,665</u>	<u>\$ 18,109,292</u>

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Future principal maturities of debt subsequent to June 30, 2022 are as follows:

Fiscal Year <u>Ended June 30,</u>	
2023	\$ 1,988,439
2024	2,044,906
2025	1,250,569
2026	1,008,841
2027	810,828
Thereafter	<u>9,097,130</u>
	<u>\$ 16,200,713</u>

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, 2022.

Capital Lease Obligations

The College entered into a capital lease agreement for copiers. The following is a summary of property held under capital lease as of June 30, 2022:

Copiers	\$ 176,970
Less: accumulated depreciation	<u>(120,759)</u>
	<u>\$ 56,211</u>

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Future minimum lease payments, subsequent to June 30, 2022 are as follows:

Fiscal Years <u>Ending June 30,</u>	
2023	\$ 42,816
2024	42,816
2025	42,816
2026	4,546
2027	<u>179</u>
Total minimum lease payments	133,173
Less: amount representing interest	<u>(15,958)</u>
Present Value of Minimum Lease Payments	<u>\$ 117,215</u>

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, 2022 and 2021, 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).

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Change in pension benefit obligation:		
Benefit obligation, beginning of year	\$ 9,817,468	\$ 11,556,939
Interest cost	242,320	265,693
Assumption changes	(1,323,575)	(235,764)
Actuarial change	67,912	166,790
Benefits paid	(430,824)	(460,400)
Settlement	<u>(1,063,308)</u>	<u>(1,475,790)</u>
Benefit obligation, end of year	<u>7,309,993</u>	<u>9,817,468</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	8,696,191	8,796,479
Actual return on plan assets	(860,971)	1,680,902
Employer contributions	200,000	200,000
Expenses	-	(45,000)
Benefits paid	(430,824)	(460,400)
Settlement	<u>(1,063,308)</u>	<u>(1,475,790)</u>
Fair value of plan assets, end of year	<u>6,541,088</u>	<u>8,696,191</u>
Funded status at end of year	<u>\$ (768,905)</u>	<u>\$ (1,121,277)</u>

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,:

	<u>2022</u>	<u>2021</u>
Net periodic benefit cost:		
Interest cost	\$ (242,320)	\$ (265,693)
Expected return on plan assets	548,717	579,928
Amortization of net actuarial change	(213,979)	(611,410)
Settlement charge	<u>(256,477)</u>	<u>(312,590)</u>
	(164,059)	(609,765)
Other changes in plan assets and benefit obligations:		
Net gain	<u>316,431</u>	<u>2,048,948</u>
	<u>\$ 152,372</u>	<u>\$ 1,439,183</u>

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

	<u>2022</u>	<u>2021</u>
Discount rate - benefit obligations	4.45%	2.55%
Discount rate - net periodic pension cost	2.55%	3.38%
Expected long-term return on plan assets	6.50%	7.00%
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, 2022:

Fiscal Years <u>Ending June 30,</u>	
2023	\$ 600,000
2024	610,000
2025	600,000
2026	590,000
2027	580,000
2028-2032	<u>2,780,000</u>
	\$ <u>5,760,000</u>

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

	<u>2022</u>	<u>2021</u>
Domestic equity securities	67%	83%
Foreign equity securities	7%	8%
Debt securities	26%	9%

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 \$658,774 and \$379,554 for the years ended June 30, 2022 and 2021, respectively.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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,:

	<u>2022</u>	<u>2021</u>
Asset retirement obligations, beginning of year	\$ 1,810,663	\$ 1,810,663
Determination of additional obligations	-	-
Obligations paid	<u>-</u>	<u>-</u>
Asset retirement obligations, end of year	<u>\$ 1,810,663</u>	<u>\$ 1,810,663</u>

Note 13 - 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,:

	<u>2022</u>	<u>2021</u>
Board designated funds	\$ 9,957,937	\$ 4,883,832
Undesignated	<u>31,139,844</u>	<u>36,389,729</u>
	<u>\$ 41,097,781</u>	<u>\$ 41,273,561</u>

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, 2022 and 2021

Net Assets With Restrictions

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

	<u>2022</u>	<u>2021</u>
Endowment (for perpetuity)	\$ 11,817,394	\$ 11,892,703
Scholarships and awards (for purpose)	3,231,883	5,402,502
Institutional support (for purpose)	1,862,992	2,670,218
Athletics (for purpose)	<u>336,653</u>	<u>439,675</u>
	<u>\$ 17,248,922</u>	<u>\$ 20,405,098</u>

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:

	<u>2022</u>	<u>2021</u>
Scholarships and awards	\$ 385,281	\$ 466,383
Institutional support	40,091	109,449
Athletics	<u>238,182</u>	<u>55,904</u>
	<u>\$ 663,554</u>	<u>\$ 631,736</u>

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 14 - **Endowment**

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

	2022		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Endowment net assets, beginning of year	\$ 6,130,847	\$ 19,439,199	\$ 25,570,046
Contributions	556,342	135,120	691,462
Transfers	5,681,706	-	5,681,706
Investment return	(607,601)	(2,939,229)	(3,546,830)
Amounts appropriated	<u>-</u>	<u>(372,398)</u>	<u>(372,398)</u>
Endowment net assets, end of year	<u>\$ 11,761,294</u>	<u>\$ 16,262,692</u>	<u>\$ 28,023,986</u>
	2021		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Endowment net assets, beginning of year	\$ 5,025,891	\$ 15,032,892	\$ 20,058,783
Contributions	71,828	229,211	301,039
Investment return	1,033,127	4,464,868	5,497,995
Amounts appropriated	<u>-</u>	<u>(287,772)</u>	<u>(287,772)</u>
Endowment net assets, end of year	<u>\$ 6,130,846</u>	<u>\$ 19,439,199</u>	<u>\$ 25,570,045</u>

Board-designated unrestricted funds are quasi-endowments. These funds do not have donor-imposed restrictions. The College's Board of Trustees has determined that these particular funds will be retained by the College as investments rather than expended for operational or other purposes. As of June of 2022, with the approval of the Board of Trustees, the College transferred \$5,681,706 of cash into the College's quasi-endowment investment fund.

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 15 - **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, 2022 and 2021, the College procured services from a related party approximating \$100,000 and \$80,000, respectively.

Note 16 - **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, 2022 and 2021, uninsured amounts totaled approximately \$14,474,000 and \$19,029,000, respectively.

Investments

The College invests in various investment securities. Investment securities are exposed to various risks 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 former 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 Trustees' Compensation Committee. The SERP becomes fully vested in 2023. Awarded amounts can also be vested upon the termination of the

AMERICAN INTERNATIONAL COLLEGE

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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 \$139,000 and \$108,000 as of June 30, 2022 and 2021, respectively. 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 2.5 and 3.0 for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021

Note 17 - **Availability and Liquidity**

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and equivalents	\$ 13,790,213	\$ 18,605,691
Accounts receivable	2,491,532	4,623,412
Pledges receivable (due in less than one year)	<u>86,948</u>	<u>210,558</u>
Financial assets available to meet general expenditures within one year	<u>\$ 16,368,693</u>	<u>\$ 23,439,661</u>

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. At June 30, 2022 and 2021, management believes that the College has no liquidity issues.

Note 18 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through October 19, 2022, 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, 2022, other than the events mentioned below, requiring additional disclosure in these financial statements.

Subsequent Events

In July 2022, the College's \$8,000,000 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, 2022

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 40,728,993
2	SFP	Net assets with donor restrictions	17,248,922
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	44,002,742
6	SD Line 3d	Property, plant and equipment pre-implementation	42,918,704
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	1,084,038
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	768,905
15	SD Lines 8d, 9a-c, 10	Long-term debt- for long term purposes - Total	16,169,665
16	SD Line 8d	Long- term debt- for long term purpose pre-implementation	16,169,665
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	117,215
20	SD Line 17	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)	143,468
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	11,817,394
		Total Expenses without Donor Restrictions and 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	51,317,825
28	SOA	Non-operating and Net Investment (loss)	-
29	SOA	Net Investment losses	-
30	SOA	Pension-related changes other than net periodic costs	152,372
Equity Ratio:			
		Modified Net Assets:	
31	SFP	Net assets without donor restrictions	40,728,993
32	SFP	Net assets with donor restrictions	17,248,922
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	91,378,596
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	(544,568)
		Total Revenue without Donor Restrictions and Gains without Donor Restrictions	
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains	51,298,529
45	SOA: Investment Return	Investments, net (operating and non-operating)	-

AMERICAN INTERNATIONAL COLLEGE

Financial Responsibility Supplemental Disclosures

Year Ended June 30, 2022

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	\$ 11,817,394
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	<u>\$ -</u>

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, 2021 financial statement)	46,370,319
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	<u>(3,451,615)</u>
d. Balance Pre-implementation property, plant and equipment, net	<u>42,918,704</u>
4 Debt Financed Post-Implementation property, plant and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2021:	
a. Equipment	-
b. Land Improvements	-
c. Building	<u>-</u>
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months	-
5 Construction in progress- acquired subsequent to June 30, 2021	-
6 Post-implementation property, plant and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2021	<u>1,084,038</u>
7 Total Property, Plant and Equipment, net- June 30, 2022	<u>\$ 44,002,742</u>

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, 2021)	\$ 18,109,292
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	<u>(1,939,627)</u>
d. Balance pre-implementation debt	<u>16,169,665</u>
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	<u>-</u>
	<u>\$ 16,169,665</u>

AMERICAN INTERNATIONAL COLLEGE

Financial Responsibility Supplemental Disclosures - Continued

Year Ended June 30, 2022

12 Term of current year debt additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts Equipment	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 30, 2022			-
14	Lease right-of-use assets- Pre-implementation			\$ -
	Right-of-use assets as of balance sheet date June 30, 2022 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 30, 2022 excluding leases entered into on or after Dec 15, 2018			-
16	Lease right-of-use liability			\$ -
	Lease liabilities as of balance sheet dated June 30, 2022			-
17	Lease right-of-use liability- Pre-implementation			\$ -
	Lease liabilities as of balance sheet dated June 30, 2022 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 30, 2022 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
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, 2022, 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 19, 2022.

Report on 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.

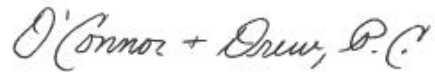
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during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

Report on 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.



**Certified Public Accountants
Braintree, Massachusetts**

October 19, 2022