BerryDunn

Unity College

FINANCIAL STATEMENTS

June 30, 2022 and 2021

With Independent Auditor's Report

FINANCIAL STATEMENTS

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Unity College

Opinion

We have audited the accompanying financial statements of Unity College (the College), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's 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 U.S. generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 U.S. GAAS 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.

The Board of Trustees
Unity College

In performing an audit in accordance with U.S. GAAS, 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.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 18, 2022

UNITY COLLEGE

Statements of Financial Position

June 30, 2022 and 2021

ASSETS

	2022	2021
Cash and cash equivalents (Notes 1 and 13)	**$ 8,559,725**	$ 10,751,530
Inventories and other assets	**474,351**	578,008
Accounts and interest receivable (net of allowance for doubtful accounts of $903,344 in 2022 and $539,971 in 2021) (Notes 1 and 13)	**2,055,653**	630,807
Contributions and grants receivable (Notes 1 and 13)	**1,656,512**	61,631
Intermediate-term investments (Notes 1, 2, and 11)	**3,408,455**	4,053,452
Gift of future interest	**65,834**	65,834
Federal funds and grants receivable (Note 13)	**2,889,620**	510
Land, buildings, and equipment, net of accumulated depreciation (Notes 1, 6, and 10)	**25,898,079**	22,249,358
Interest rate swaps (Notes 1 and 11)	**74,435**	-
Long-term investments (Notes 1, 2, 11, and 13)	**15,715,241**	18,671,070
Total assets	**$ 60,797,905**	$ 57,062,200

LIABILITIES AND NET ASSETS

	2022	2021
Liabilities		
Accounts payable and accrued expenses (Note 8)	**$ 3,740,520**	$ 1,232,931
Student deposits and deferred revenue (Note 1)	**632,062**	1,104,566
Asset retirement obligation and other liabilities (Note 10)	**173,617**	140,588
Interest rate swaps (Notes 1 and 11)	**-**	828,540
Long-term debt (Notes 1 and 5)	**12,156,655**	12,918,986
Total liabilities	**16,702,854**	16,225,611
Net assets		
Without donor restrictions (Note 1)	**26,259,046**	19,488,541
With donor restrictions (Notes 1 and 3)	**17,836,005**	21,348,048
Total net assets	**44,095,051**	40,836,589
Total liabilities and net assets	**$ 60,797,905**	$ 57,062,200

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

UNITY COLLEGE

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions		
Operating revenues, (losses) gains, and other support		
Tuition and fees (Note 1)	**$ 29,308,066**	$ 16,888,703
Auxiliary enterprises and other revenue (Note 1)	**879,358**	509,418
Investment (loss) return (Note 2)	**(313,136)**	166,466
Contributions and other (Note 1)	**2,845,023**	3,782,515
Net assets released from restrictions (Notes 1 and 4)	**3,603,071**	2,434,955
Total operating revenues, (losses) gains, and other support	**36,322,382**	23,782,057
Operating expenses (Note 1)		
Instructional	**4,701,612**	4,586,045
Academic support	**14,092,945**	7,080,746
Student services	**1,806,122**	1,655,868
Institutional support	**4,852,233**	2,826,305
Scholarships and fellowships	**1,206,255**	541,518
Auxiliary enterprises	**3,712,451**	3,084,310
Fundraising	**83,234**	153,340
Total operating expenses	**30,454,852**	19,928,132
Change in net assets from operations	**5,867,530**	3,853,925
Nonoperating activities		
Loss from defalcation	**-**	(27,188)
Change in value of interest rate swaps (Note 1)	**902,975**	548,466
Change in net assets without donor restrictions	**6,770,505**	4,375,203
Changes in net assets with donor restrictions		
Contributions (Note 1)	**2,177,004**	1,685,227
Investment (loss) return (Note 2)	**(2,085,975)**	3,969,222
Net assets released from restrictions (Notes 1 and 4)	**(3,603,071)**	(2,434,955)
Change in net assets with donor restrictions	**(3,512,042)**	3,219,494
Change in net assets	**3,258,463**	7,594,697
Net assets, beginning of year	**40,836,588**	33,241,891
Net assets, end of year	**$ 44,095,051**	$ 40,836,588

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

UNITY COLLEGE

Statement of Functional Expenses

Year Ended June 30, 2022

	Instructional	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Auxiliary Enterprises	Fundraising	Total
Salaries and benefits (Note 7)	$ 3,669,948	$ 3,730,024	$ 955,038	$ 2,773,742	$ -	$ 416,116	$ 68,205	$ 11,613,073
Facilities	208,627	78,985	292,899	171,233	-	647,430	1,610	1,400,784
Marketing	-	8,088,490	189,403	75,420	-	-	-	8,353,313
Professional fees	6,437	715,401	78,121	839,064	-	207,135	-	1,846,158
Insurance	14,165	-	-	84,823	-	27,736	-	126,724
Interest (Notes 5)	15,179	-	15,179	-	-	405,217	-	435,575
Other	381,642	1,423,763	150,166	634,875	1,206,255	894,383	13,419	4,704,503
Depreciation and amortization	405,614	56,282	125,316	273,076	-	1,114,434	-	1,974,722
Total	$ 4,701,612	$ 14,092,945	$ 1,806,122	$ 4,852,233	$ 1,206,255	$ 3,712,451	$ 83,234	$ 30,454,852

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

UNITY COLLEGE

Statement of Functional Expenses

Year Ended June 30, 2021

	Instructional	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Auxiliary Enterprises	Fundraising	Total
Salaries and benefits (Note 7)	$ 3,986,460	$ 3,380,325	$ 1,183,362	$ 1,261,364	$ -	$ 781,194	$ 133,332	$ 10,726,037
Facilities	72,382	27,404	101,619	59,408	-	224,619	558	485,990
Marketing	-	2,052,110	103,006	37,819	-	-	-	2,192,935
Professional fees	26,235	382,063	31,239	646,686	-	31,573	-	1,117,796
Insurance	-	-	-	176,011	-	28,239	-	204,250
Interest (Notes 5)	16,053	-	16,053	-	-	428,555	-	460,661
Other	36,682	1,174,783	82,666	385,954	541,518	380,669	19,450	2,621,722
Depreciation and amortization	448,233	64,061	137,923	259,063	-	1,209,461	-	2,118,741
Total	$ 4,586,045	$ 7,080,746	$ 1,655,868	$ 2,826,305	$ 541,518	$ 3,084,310	$ 153,340	$ 19,928,132

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

UNITY COLLEGE

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ 3,258,463**	$ 7,594,698
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**1,974,722**	2,118,741
Paycheck Protection Program note forgiveness	**-**	(3,024,200)
Gain on sale of land, buildings, and equipment	**-**	(200,484)
Net loss (gain) on investments	**2,741,607**	(3,830,092)
Decrease (increase) in		
Accounts and interest receivable	**(1,424,846)**	(389,107)
Inventories and other assets	**103,657**	(348,475)
Contributions and grants receivable	**(1,594,882)**	422,800
Federal funds and grants receivable	**(2,889,110)**	862,789
Increase (decrease) in		
Accounts payable for operating activities and accrued expenses	**2,540,618**	52,129
Student deposits and deferred revenue	**(472,504)**	769,639
Interest rate swaps	**(902,975)**	(548,466)
Net cash provided by operating activities	**3,334,750**	3,479,972
Cash flows from investing activities		
Proceeds from sale of land, buildings, and equipment	**-**	2,777,763
Purchase of land, buildings, and equipment	**(5,608,814)**	(507,894)
Purchase of investments	**(7,069,537)**	(10,532,485)
Proceeds from sale of investments	**7,928,756**	10,377,827
Net cash (used) provided by investing activities	**(4,749,595)**	2,115,211
Cash flows from financing activities		
Principal payments on long-term debt	**(776,960)**	(750,733)
Net cash used by financing activities	**(776,960)**	(750,733)
Net (decrease) increase in cash and cash equivalents	**(2,191,805)**	4,844,450
Cash and cash equivalents, beginning of year	**10,751,530**	5,907,080
Cash and cash equivalents, end of year	**$ 8,559,725**	$ 10,751,530
Supplemental disclosure		
Cash and cash equivalents	**$ 8,559,725**	$ 10,751,530
Intermediate-term investments	**3,408,455**	4,053,452
Total cash, cash equivalents, and intermediate-term investments per statements of financial position	**$ 11,968,180**	$ 14,804,982
Cash paid for interest	**$ 435,575**	$ 460,661

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

Nature of Activities

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

1. Summary of Significant Accounting Policies

Reporting Standard

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

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

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

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support With and Without Donor Restriction

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

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

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

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

Cash and Cash Equivalents

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

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

Land, Buildings, and Equipment

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

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

Investments

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

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

Interest Rate Swaps

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

Bond Issuance Costs

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

Functional Allocation of Expenses

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

Income Taxes

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

Accounts Receivable

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

	2022	2021
Balance, beginning of year	**$ 630,807**	$ 241,700
Net charges, payments and adjustments	**1,424,846**	389,107
Balance, end of year	**$ 2,055,653**	$ 630,807

Revenue Recognition

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

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

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

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

The College's contract liabilities are reported as student deposits and deferred revenue in the statement of financial position. Such amounts represent the excess of tuition, fees, and other student payments billed over amounts recognized as revenue in the statement of activities. The College's educational programs have starting and ending dates that differ from its fiscal year-end. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned. Student deposits and deferred revenue was $632,062, $1,104,566, and $334,927 at June 30, 2022, 2021, and 2020, respectively.

Uncertainties and Relief Funding

On March 13, 2020, the U.S. government declared a national state of emergency as a result of the global pandemic of COVID-19. Efforts were taken by national, state, and local governments to manage the spread of COVID-19 which included the temporary shutdown of businesses in many sectors and limitations on travel and the size and duration of group meetings. Most industry sectors are continuing to experience volatility in operations, investment returns, and philanthropic support as a result of the pandemic. Uncertainty still surrounds the potential economic ramifications and further government actions to mitigate them.

During the year ended June 30, 2022, the College was awarded Higher Education Emergency Relief Funds (HEERF) in the amount of $1,977,172. During the year ended June 30, 2021, $1,266,149 in HEERF funding was awarded to the College. Consistent with the terms of the HEERF grant agreements, a portion of the grant must be awarded to students enrolled at the time and a portion for institutional use as a result of the pandemic.

During 2022, the College determined it was eligible to file for an employee retention credit (ERC) under an Internal Revenue Service program based. The ERC is calculated at approximately $1 million and was recorded as contributions and grants receivables as of June 30, 2022 and contributions and other revenue for the year ended June 30, 2022.

During 2020, the College received a Paycheck Protection Program (PPP) loan from a program implemented by the U.S. Small Business Administration (SBA) in the amount of $3,024,200. The College applied for and was granted forgiveness during 2021, which is included in the statement of activities and represented 11% of total revenue for the College during the year ended June 30, 2021. Forgiveness is subject to audit by the SBA for six years from the date of forgiveness.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the College has considered transactions or events occurring through November 18, 2022, which was the date that the financial statements were available to be issued.

Subsequent to June 30, 2022, the College entered into contracts with vendors for student recruitment services, food services, and public safety. The College entered into contracts for student recruitment services for approximately $14,000,000 and food service costs of approximately $390,000. The public safety contract entered represents costs of hiring security guards and a supervisor for $195,000. These contracts were entered subsequent to year end as part of the regular course of business.

2. Investments

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

	2022	2021
Intermediate-term investments		
U.S. Government and agencies	**$ 771,500**	$ 205,625
Mutual funds	**1,219,735**	1,813,701
Certificates of deposit	**-**	403,767
Corporate bonds	**1,417,220**	1,630,359
	$ 3,408,455	$ 4,053,452
Long-term investments		
Cash and money market funds	**$ 442,492**	$ 356,322
U.S. equities	**7,385,451**	9,468,966
Fixed income funds	**3,996,489**	4,402,069
International equity funds	**3,417,777**	3,894,998
Commodities	**473,032**	548,715
	$ 15,715,241	$ 18,671,070

The composition of endowment net assets, reported as long-term investments, by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	**$ -**	**$ 15,175,721**	**$ 15,175,721**
Board-designated endowment funds	**539,520**	**-**	**539,520**
	$ 539,520	**$ 15,175,721**	**$ 15,715,241**

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ 631,991**	**$ 18,039,079**	**$18,671,070**
Investment loss, net	**(83,946)**	**(2,085,975)**	**(2,169,921)**
Transfers	**93,103**	**(93,103)**	**-**
Appropriation of endowment assets for expenditure	**(101,628)**	**(684,280)**	**(785,908)**
Endowment net assets, end of year	**$ 539,520**	**$ 15,175,721**	**$15,715,241**

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

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

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

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

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

The objective of the endowment fund is to preserve the real (inflation adjusted) purchasing power of assets and to provide relatively predictable and constant income for current use, in accordance with the spending policy. The intention of the spending policy is to maintain and grow the real value of the portfolio while funding any identified needs the Board of Trustees may specify. Absent extraordinary circumstances, the annual spending from the endowment asset base is limited to 4% of the three-year rolling average of the endowment's market value, calculated quarterly (5% for the year ended June 30, 2022 and a budgeted 6% for the year ending June 30, 2023) Management fees and other applicable expenses are not included with the spending allocation. The College has a policy that permits spending from underwater funds (those whose fair value is less than the historic amounts of the contributions) depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

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

3. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following:

	2022	2021
Purpose restricted		
Scholarships	$ 315,590	$ 644,428
Sky Lodge	1,653,146	1,665,141
Endeavor	-	35,000
Davis Family Foundation	-	51,068
Davis Educational Foundation Grant	-	89,600
Other programs	406,931	757,474
Time restricted until board appropriated - appreciation on perpetual endowment funds without purpose restrictions	3,625,543	6,270,541
	6,001,210	9,513,252
Investment in perpetuity, the income from which is expendable to support:		
Scholarships	970,875	970,875
Field of Dreams and Unity Centre for the Performing Arts	150,000	150,000
Any activities of the College	10,121,014	10,121,015
	11,241,889	11,241,890
Land held with perpetual restrictions (Note 6)	527,072	527,072
Other	65,834	65,834
Net assets held in perpetuity	11,834,795	11,834,796
Total net assets with donor restrictions	$ 17,836,005	$ 21,348,048

4. Net Assets Released From Restrictions

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

	2022	2021
Scholarship and fellowship disbursements	$ 348,208	$ 120,596
Davis Educational Foundation Grant	140,668	86
Library	186,145	-
Higher Education Emergency Relief Funds	1,974,447	1,276,517
Appropriation of endowed assets	684,280	737,024
Sky Lodge	13,995	273,002
Various other program expenses	255,328	27,730
	$ 3,603,071	$ 2,434,955

5. Borrowings

Long-term debt consists of the following:

	2022	2021
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.25% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of $28,932, including interest, with balance due December 2029; collateralized by substantially all assets (1)	**3,497,070**	3,719,597
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.74% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of $38,688, including interest, with balance due December 2028; collateralized by substantially all assets (2)	**4,320,854**	4,615,166
Finance Authority of Maine Revenue Obligation Securities Bond payable to bank; interest fixed at 3.12% (pursuant to interest rate swap), amortized over 20 years, due in monthly installments of $33,776, including interest, with balance due December 2030; collateralized by substantially all assets (3)	**4,447,880**	4,708,001
	12,265,804	13,042,764
Less bond issuance costs, net of amortization	**(109,149)**	(123,778)
Long-term debt, net	**$ 12,156,655**	$ 12,918,986

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

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

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

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

Year Ending	Amount
2023	$ 804,100
2023	831,200
2025	861,300
2026	891,400
2027	922,600

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

The College has available an unsecured line of credit in the amount of $750,000. The line bears interest at prime less 0.25%, with a floor of 4.50%, and expires in December 31, 2022. There were no advances under this line at June 30, 2022 or 2021.

The College has an available reducing revolver in the amount of $4,000,000. This revolver is collateralized by the College's investment portfolio, an assignment of $1,000,000 deposit account, and a security interest in all business assets. No amounts were extended on the revolver as of June 30, 2022.

6. Land, Buildings, and Equipment

Land, buildings, and equipment consist of:

	2022	2021
Land and improvements	**$ 3,213,045**	$ 3,213,045
Buildings and improvements	**36,924,701**	32,960,339
Furniture and equipment	**10,238,104**	9,687,547
Vehicles	**1,267,052**	1,267,052
Library collection	**799,671**	799,671
Other	**59,555**	59,555
Construction in progress	**1,299,272**	205,378
	53,801,400	48,192,587
Less accumulated depreciation	**27,903,321**	25,943,229
	$ 25,898,079	$ 22,249,358

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

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

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

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

7. Retirement Plans

The College has established a tax deferred annuity plan with TIAA and CREF. All regular full and part-time employees and faculty who work a minimum of 1,000 hours per year are eligible to participate in the plan on a voluntary basis. Contributions to the plan, provided contributions are made by participants at a minimum of 3% of gross wages, are made by the College at 6% of the participant's gross wages in 2022 and 2021. Contributions to the tax deferred annuity plan were $356,601 and $346,716 for 2022 and 2021, respectively.

The College sponsors a 457(b) deferred compensation retirement plan for the Executive Director. The plan assets and related plan liability are included in the statement of financial position as part of inventories and other assets and accounts payable and accrued expenses as of June 30, 2022 and 2021 for $207,511 and $171,299, respectively.

8. Commitments and Contingencies

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

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

9. Related Party Transactions

An officer of the College was employed by a firm the College has engaged to provide legal services. During 2022, the College incurred approximately $122,000 in legal expenditures with this firm.

10. Asset Retirement Obligation

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

11. Fair Value

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

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The College did not have any level 3 investments as of June 30, 2022 and 2021.

Assets measured at fair value on a recurring basis at June 30, 2022 are summarized below:

	Fair Value	Level 1	Level 2
Assets			
Cash and money market funds	$ 442,492	$ 442,492	$ -
U.S. Government and agencies	771,500	771,500	-
Corporate bonds	1,417,220	1,319,679	97,541
Fixed income funds	3,996,489	3,996,489	-
International equity funds	3,417,777	3,417,777	-
U.S. equities	7,385,451	7,385,451	-
Mutual funds	1,219,735	1,219,735	-
Commodities	473,032	473,032	-
Interest rate swaps	74,435	-	74,435

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

	Fair Value	Level 1	Level 2
Assets			
Cash and money market funds	$ 356,322	$ 356,322	$ -
U.S. Government and agencies	205,625	205,625	-
Corporate bonds	1,630,359	1,337,422	314,312
Fixed income funds	4,402,069	4,402,069	-
International equity funds	3,894,998	3,894,998	-
U.S. equities	9,468,966	9,468,966	-
Mutual funds	1,813,701	1,813,701	-
Commodities	548,715	548,715	-
Liabilities			
Interest rate swaps	823,540	-	823,540

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

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

12. Leases

The College leases office space under an operating lease expiring in 2046, with the option of two additional 60 month extensions at the end of the lease term. Future minimum lease payments under the operating lease as of June 30, 2022 are:

2023	$ 700,700
2023	693,500
2025	697,100
2026	700,900
2027	593,500
Thereafter	5,853,300
Total	$ 9,239,000

Total rent expense under all leases approximated $885,206 in 2022 and $65,955 in 2021. The College has a lease agreement that defers payment to future periods. Deferred rent payable under this agreement total $696,426 at June 30, 2022.

13. Available Resources and Liquidity

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

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

	2022	2021
Cash and cash equivalents	**$ 8,559,725**	$10,751,530
Accounts and interest receivable, net	**2,055,653**	630,807
Federal funds and grants receivable	**2,889,620**	510
Contributions for general expenditures due in one year or less	**1,656,512**	61,631
Payout on donor-restricted endowments for use over next 12 months	**1,003,204**	785,910
	$16,164,714	$12,230,388