

Fielding Graduate University

Financial Statements

June 30, 2020 and 2019

Fielding Graduate University

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Independent Auditors' Report

To the Board of Trustees
Fielding Graduate University

We have audited the accompanying financial statements of Fielding Graduate University (the University), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fielding Graduate University as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
October 15, 2020

Fielding Graduate UniversityStatements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 8,752,473	\$ 4,675,861
Cash held for restricted purposes	531,633	542,337
	<u>9,284,106</u>	<u>5,218,198</u>
Receivables:		
Student accounts, net of allowance for doubtful accounts of \$99,000 in 2020 and \$108,000 in 2019	871,162	858,853
Contributions, net	1,250,362	1,393,947
Other	45,235	146,770
Prepaid expenses	550,915	610,086
Deposits and other assets	21,619	21,619
Investments:		
Endowment	6,949,796	6,657,306
Other	7,173,400	9,423,591
	<u>14,123,196</u>	<u>16,080,897</u>
Property, plant and equipment, net	<u>4,946,099</u>	<u>4,945,097</u>
Total assets	<u>\$ 31,092,694</u>	<u>\$ 29,275,467</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 849,418	\$ 891,805
Deferred revenue	3,251,953	3,507,794
Long-term debt	4,402,675	2,343,318
Total liabilities	<u>8,504,046</u>	<u>6,742,917</u>
Net Assets		
Without donor restrictions	16,760,338	16,722,423
With donor restrictions	5,828,310	5,810,127
Total net assets	<u>22,588,648</u>	<u>22,532,550</u>
Total liabilities and net assets	<u>\$ 31,092,694</u>	<u>\$ 29,275,467</u>

See notes to financial statements

Fielding Graduate University

Statement of Activities

Year Ended June 30, 2020 With Comparative Totals for 2019

	2020			
	Without Donor Restrictions	With Donor Restrictions	2019 Total	
		Total		
Revenues, Gains and Other Support				
Tuition and fees, net of scholarships and fellowships of \$490,286 and \$435,131, respectively	\$ 19,697,712	\$ -	\$ 19,697,712	\$ 20,547,489
Contributions	105,387	287,718	393,105	1,187,413
Federal grants	1,025,386	-	1,025,386	592,628
Auxiliary	-	-	-	760
Other sources	100,404	-	100,404	29,358
Investment earnings:				
Dividends and interest	370,501	140,770	511,271	548,934
Realized and unrealized (loss) gain on investments	(37,613)	35,816	(1,797)	103,155
	<u>21,261,777</u>	<u>464,304</u>	<u>21,726,081</u>	<u>23,009,737</u>
Net assets released from restrictions	<u>446,121</u>	<u>(446,121)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>21,707,898</u>	<u>18,183</u>	<u>21,726,081</u>	<u>23,009,737</u>
Expenses				
Program expenses:				
Instruction	10,081,143	-	10,081,143	10,517,386
Research	1,073,310	-	1,073,310	849,211
Academic support	1,981,514	-	1,981,514	2,782,137
Student services	1,307,667	-	1,307,667	1,119,854
Auxiliary	-	-	-	2,089
Support expenses:				
Institutional support	<u>7,226,349</u>	<u>-</u>	<u>7,226,349</u>	<u>7,439,834</u>
Total expenses	<u>21,669,983</u>	<u>-</u>	<u>21,669,983</u>	<u>22,710,511</u>
Change in net assets	37,915	18,183	56,098	299,226
Net Assets, Beginning	<u>16,722,423</u>	<u>5,810,127</u>	<u>22,532,550</u>	<u>22,233,324</u>
Net Assets, Ending	<u>\$ 16,760,338</u>	<u>\$ 5,828,310</u>	<u>\$ 22,588,648</u>	<u>\$ 22,532,550</u>

See notes to financial statements

Fielding Graduate UniversityStatement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Tuition and fees, net of scholarships and fellowships of \$435,131	\$ 20,547,489	\$ -	\$ 20,547,489
Contributions	28,180	1,159,233	1,187,413
Federal grants	592,628	-	592,628
Auxiliary	760	-	760
Other sources	29,358	-	29,358
Investment earnings:			
Dividends and interest	387,842	161,092	548,934
Realized and unrealized gain on investments	<u>77,299</u>	<u>25,856</u>	<u>103,155</u>
	21,663,556	1,346,181	23,009,737
Net assets released from restrictions	<u>383,953</u>	<u>(383,953)</u>	<u>-</u>
Total revenues, gains and other support	<u>22,047,509</u>	<u>962,228</u>	<u>23,009,737</u>
Expenses			
Program expenses:			
Instruction	10,517,386	-	10,517,386
Research	849,211	-	849,211
Academic support	2,782,137	-	2,782,137
Student services	1,119,854	-	1,119,854
Auxiliary	2,089	-	2,089
Support expenses:			
Institutional support	<u>7,439,834</u>	<u>-</u>	<u>7,439,834</u>
Total expenses	<u>22,710,511</u>	<u>-</u>	<u>22,710,511</u>
Change in net assets	(663,002)	962,228	299,226
Net Assets, Beginning	<u>17,385,425</u>	<u>4,847,899</u>	<u>22,233,324</u>
Net Assets, Ending	<u>\$ 16,722,423</u>	<u>\$ 5,810,127</u>	<u>\$ 22,532,550</u>

See notes to financial statements

Fielding Graduate University

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 56,098	\$ 299,226
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	208,682	249,291
(Loss) gain on investments, net	1,797	(103,155)
Change in allowance for doubtful accounts	(9,000)	(13,000)
Changes in assets and liabilities:		
Student accounts receivable	(3,309)	51,684
Contributions receivable for operations	219,074	(750,904)
Other receivables	101,535	(144,838)
Prepaid expenses	59,171	(209,537)
Deposits and other	-	21,621
Accounts payable (operating) and accrued liabilities	(42,387)	39,298
Deferred revenue	(255,841)	(68,375)
Contributions restricted for permanent endowments	(134,647)	(72,825)
	<u>201,173</u>	<u>(701,514)</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Purchases of investments	(15,417,167)	(12,406,086)
Proceeds from sale of investments	17,373,071	12,157,528
Purchases of property, plant, and equipment	(209,684)	(40,315)
	<u>1,746,220</u>	<u>(288,873)</u>
Net cash flows from investing activities		
Cash Flows From Financing Activities		
Proceeds from long-term debt	2,157,045	-
Payments of principal on indebtedness	(97,688)	(96,457)
Contributions received restricted for permanent endowments	59,158	95,464
	<u>2,118,515</u>	<u>(993)</u>
Net cash flows from financing activities		
Change in cash, cash equivalents, and restricted cash	4,065,908	(991,380)
Cash, Cash Equivalents, and Restricted Cash, Beginning	<u>5,218,198</u>	<u>6,209,578</u>
Cash, Cash Equivalents, and Restricted Cash, Ending	<u>\$ 9,284,106</u>	<u>\$ 5,218,198</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 104,835</u>	<u>\$ 107,382</u>

See notes to financial statements

Fielding Graduate University

Notes to Financial Statements

June 30, 2020 and 2019

1. Significant Accounting Policies

Fielding Graduate University (the University), a California not-for-profit corporation, is an institution of higher education established in 1974, with headquarters located in Santa Barbara, California. The University is regionally accredited by the WASC Senior College and University Commission (WSCUC). The University offers a distributed learning model designed specifically for mid-career adults leading to doctoral and master's degrees and graduate certificates through two schools: Psychology and Leadership Studies. The University has students throughout the United States and in several foreign countries. The accounting policies of the University reflect practices common to universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

Net Asset Classifications

For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations, but can be designated by the Board of Trustees.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time or maintained permanently by the University. Generally, the donors of assets held in perpetuity permit the University to use all or part of the income earned on related investments for general or specific purposes.

Releases From Restrictions

Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and the law allows the release of the restriction) are reported on the statement of activities as net assets released from restrictions. Occasionally, donor restrictions related to net assets may be clarified or changed, at which time they are reflected as reclassifications of prior year net assets on the statement of activities.

Revenue Recognition

The timing and classification of revenue are summarized below:

Tuition and Fees Revenue

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered (i.e. when the performance obligation is satisfied) as increases in net assets without donor restrictions. Financial assistance in the form of scholarships and grants that cover a portion of tuition and fees are reflected as a reduction of tuition and fees revenue. The University offers institutional grants to students in the form of merit-based scholarships and need-based grants at the University's discretion. In addition, withdrawals that occur during the semester are calculated based upon the University's published refund policy. Payments for tuition are due approximately one week prior to the start of each academic term. The University applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the fiscal 2020-21 academic year. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided relating to institutional scholarships in accordance with the University's policies.

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Deferred revenue represents payments received for tuition prior to the academic programs being delivered. The following table notes the activity within the deferred revenue accounts relating to tuition.

<u>Balance June 30, 2019</u>	<u>Refunds issued</u>	<u>Revenue recognized included in June 30, 2019 balance</u>	<u>Cash received in advance of performance</u>	<u>Balance June 30, 2020</u>
<u>\$ 3,507,794</u>	<u>\$ (14,588)</u>	<u>\$ 3,493,206</u>	<u>\$ 3,251,953</u>	<u>\$ 3,251,953</u>

Government Grant Revenue

A portion of the University's revenue is derived from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue without donor restrictions when the University has incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as deferred revenue in the statement of financial position. The University was awarded cost-reimbursable grants of approximately \$1,499,000 that have not been recognized as revenue at June 30, 2020 because qualifying expenditures have not yet been incurred.

During the year ended June 30, 2020, the University was awarded a total grant of \$231,198 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through the Higher Education Emergency Relief Fund (HEERF). As a condition of the CARES HEERF grants, funds in the amount of \$115,599 are to be directly awarded as emergency aid to students. The University released \$118,800 directly to students prior to June 30, 2020, including \$3,201 of the institutional portion of the funding. The expenses of these awards have been classified under the student services category and grant revenue recognition is reflected under federal grants in the statement of activities.

The University expects to expend the remaining institutional funds in fiscal year 2021 to offset additional costs related to COVID-19 and any changes in instruction that may occur as a result of the continued pandemic.

Contribution Revenue

Unconditional contributions, including unconditional promises to give, are recognized as revenue when the donor's irrevocable commitments are received, as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Gifts of assets other than cash are recorded at their estimated fair value at the date of the gift.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues with donor restrictions, and a release to net assets without donor restrictions is made to reflect the expiration of such restrictions.

The University reports contributions of depreciable assets, or of cash and other assets to be used to acquire them, as donor restricted revenue. The restriction on the related net assets are released when the assets are placed in service.

Contracts and Exchange Transactions

Revenue from contract and exchange transactions are recognized as performance obligations are satisfied and reported as increases in net assets without donor restrictions.

Investment Gains and Losses

Gains and losses on investments and other assets or 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.

Income and net gains on investments of endowment and similar funds are reported in the statement of activities as follows:

- as increases in net assets without donor restrictions for board-designated endowment funds;
- as increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require that they be added to the principal of a permanent endowment fund;
- as increases in net assets with donor restrictions in all other cases.

Losses from investments on donor-restricted endowment funds are reported as decreases in net assets with donor restrictions. Losses on board-designated endowment funds are reported as decreases in net assets without donor restrictions.

Cash Equivalents and Restricted Cash

The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents. Cash held for donor-restricted purposes are shown separately on the statements of financial position.

Receivables

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 identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured.

A student account receivable is considered to be delinquent if not paid by the due date. A monthly fee is charged on delinquent accounts.

Deposits and Other Assets

Deposits and other assets include security deposits and inventories. Student store inventories are valued at cost using the first-in, first-out method. All other inventories are valued at the lower of cost (first-in, first-out) or market.

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Notes to Financial Statements

June 30, 2020 and 2019

Property, Plant and Equipment

Physical plant assets are stated at cost less accumulated depreciation. The University depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 40 years, improvements 5 years to life of the building, equipment 5 to 10 years and software 3 to 5 years. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes additions to buildings and equipment in excess of \$5,000 and software in excess of \$25,000.

Impairment of Long-Lived Assets

The University reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses recorded.

Advertising Expense

Advertising expenses totaled approximately \$295,000 and \$381,000 for the years ended June 30, 2020 and 2019, respectively. The University expenses advertising costs at the time incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Retirement Plan

Retirement benefits are provided for the University's eligible staff through a defined contribution 403(b) plan for which the University and JPMorgan Chase Bank are the trustees. Teachers Insurance and Annuity Association (TIAA) is the custodian. Under this arrangement, the University and plan participants make contributions to the plan. The University's share of the cost of these benefits was approximately \$735,000 and \$729,000 in 2020 and 2019, respectively.

Income Tax Status

The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the University is not subject to federal income taxes except to the extent it derives income from certain activities not substantially related to its tax-exempt purposes (unrelated trade or business activities). The University is also exempt from state income tax. At June 30, 2020 and 2019, the University had no obligation for unrelated business income tax.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2020 and 2019. The University's tax returns are subject to review and examination by federal and state authorities.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

Grants to Specified Students

Amounts received from federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amounts of such loans and grants were approximately \$17,861,000 and \$18,711,000, respectively, for the years ended June 30, 2020 and 2019.

New Accounting Pronouncements Not Yet Effective

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2016-02, *Leases*. ASU 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 (fiscal year 2023). Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The University is assessing the impact this standard will have on its financial statements.

New Accounting Pronouncements Adopted in Current Year

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that creates a single source of revenue guidance for all companies in all industries. The model is more principles-based than historical guidance, and is primarily based on recognizing revenue at an amount that reflects consideration to which the entity expects to be entitled to in exchange for transferring goods or services to a customer. The University adopted this guidance beginning July 1, 2019 utilizing the modified retrospective method of adoption. The adoption of this standard did not have a material impact on the University's business practices, financial condition, or results of operations during the fiscal year ended June 30, 2020. The University has provided expanded disclosures pertaining to revenue recognition within Note 1.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The University adopted this guidance beginning July 1, 2019, which was applied retrospectively with transition provisions, to all periods presented in these financial statements. The adoption of this standard did not have a material impact on the University's business practices, financial condition, or results of operations during the fiscal year ended June 30, 2020.

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Notes to Financial Statements

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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provided clarity and improved accounting guidance for contributions received and contributions made. The University adopted this guidance beginning July 1, 2019, utilizing the prospective method of adoption. The adoption of this standard did not have a material impact on the University's business practices, financial condition, or results of operations during the fiscal year ended June 30, 2020.

Reclassifications

Certain amounts appearing in the 2019 financial statements have been reclassified to conform to the 2020 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

2. Net Assets

The University's net assets without donor restrictions were allocated as follows at June 30:

	<u>2020</u>	<u>2019</u>
Operations	\$ 13,856,857	\$ 13,938,964
Quasi endowment funds	<u>2,903,481</u>	<u>2,783,459</u>
Total net assets without donor restrictions	<u>\$ 16,760,338</u>	<u>\$ 16,722,423</u>

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

	<u>2020</u>	<u>2019</u>
Purpose and time restricted:		
Gifts and other unexpended revenues and gains available for:		
Scholarships and awards	\$ 612,769	\$ 600,633
Education and research programs	<u>1,173,368</u>	<u>1,082,893</u>
	1,786,137	1,683,526
Contributions receivable	<u>1,155,012</u>	<u>1,374,087</u>
Total purpose and time restricted	<u>2,941,149</u>	<u>3,057,613</u>
Held in perpetuity:		
General endowment funds	822,033	822,033
Scholarship	1,241,150	1,210,548
Education and research programs	<u>728,628</u>	<u>700,073</u>
	2,791,811	2,732,654
Contributions receivable	<u>95,350</u>	<u>19,860</u>
Total held in perpetuity	<u>2,887,161</u>	<u>2,752,514</u>
Total net assets with donor restrictions	<u>\$ 5,828,310</u>	<u>\$ 5,810,127</u>

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Notes to Financial Statements

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3. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 120,762	\$ 92,344
Education and research programs	27,529	12,520
Time restrictions	<u>297,830</u>	<u>279,089</u>
Total	<u>\$ 446,121</u>	<u>\$ 383,953</u>

4. Contributions Receivable, Net

Contributions receivable include the following unconditional promises to give at June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 311,504	\$ 256,165
One to five years	296,000	530,924
More than five years	<u>1,036,000</u>	<u>1,000,000</u>
Gross contributions receivable	1,643,504	1,787,089
Less unamortized discount	<u>(393,142)</u>	<u>(393,142)</u>
Net contributions receivable	<u>\$ 1,250,362</u>	<u>\$ 1,393,947</u>

Contributions receivable have the following donor-imposed restrictions at June 30:

	<u>2020</u>	<u>2019</u>
Operations in future periods	\$ 642,858	\$ 606,858
Education and research programs	<u>607,504</u>	<u>787,089</u>
Total	<u>\$ 1,250,362</u>	<u>\$ 1,393,947</u>

Significant promises due in more than one year were discounted at historical rates of approximately 4 percent at June 30, 2020 and 2019. Smaller promises due in more than one year were not discounted.

As of June 30, 2020 and 2019, the portion of the University's contributions receivable due from its largest donor was 40 percent and 54 percent, respectively.

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Notes to Financial Statements

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5. Property, Plant and Equipment, Net

Property, plant and equipment consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,603,972	\$ 2,603,972
Buildings and improvements	4,368,549	4,335,989
Automobiles	23,578	23,578
Office equipment	679,539	679,539
Computer equipment	604,658	604,658
Computer software	2,911,908	2,734,784
	<u>11,192,204</u>	<u>10,982,520</u>
Less accumulated depreciation	<u>(6,246,105)</u>	<u>(6,037,423)</u>
Total property, plant and equipment	<u>\$ 4,946,099</u>	<u>\$ 4,945,097</u>

Depreciation expense was \$208,682 and \$249,291 for the years ended June 30, 2020 and 2019, respectively. Certain property has been pledged as collateral for the University's long-term debt. See Note 9 for more information.

6. Investments

The following summarizes the University's investments at June 30:

	<u>2020</u>	<u>2019</u>
Investments		
Money market funds	\$ 12,180	\$ 51,006
Certificates of deposit	885,269	151,314
Investments at cost	<u>897,449</u>	<u>202,320</u>
Mutual funds	6,937,616	6,624,695
Fixed income securities	6,288,131	9,253,882
Investments at fair value (see Note 7)	<u>13,225,747</u>	<u>15,878,577</u>
Total investments	<u>\$ 14,123,196</u>	<u>\$ 16,080,897</u>

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Certain investments have been pledged as collateral for the University's long-term debt. See Note 9 for more information.

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7. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 - assets include mutual funds for which quoted prices are readily available.

Level 2 - assets include investments in fixed income securities, comprised of corporate and government obligations. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

There have been no changes in the techniques and inputs used at June 30, 2020 and 2019.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2020 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 6,937,616	\$ 6,937,616	\$ -	\$ -
Fixed income securities:				
Government obligations	1,429,964	-	1,429,964	-
Corporate fixed income	4,858,167	-	4,858,167	-
Total	<u>\$ 13,225,747</u>	<u>\$ 6,937,616</u>	<u>\$ 6,288,131</u>	<u>\$ -</u>

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The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2019 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 6,624,695	\$ 6,624,695	\$ -	\$ -
Fixed income securities:				
Government obligations	4,465,986	-	4,465,986	-
Corporate fixed income	4,787,896	-	4,787,896	-
Total	<u>\$ 15,878,577</u>	<u>\$ 6,624,695</u>	<u>\$ 9,253,882</u>	<u>\$ -</u>

8. Endowment

The University's endowment consists of approximately 30 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University's governing board has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The University's governing board has determined it is prudent to preserve the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. See Note 1 for further information on net asset classifications.

The remaining portion of the donor-restricted endowment fund that is not classified as donor-restricted net assets held in perpetuity is classified as donor-restricted net assets subject to purpose and time restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

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June 30, 2020 and 2019

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total as of June 30, 2020
		Original Gift	Accumulated Gains	Total	
Board-designated funds	\$ 2,903,481	\$ -	\$ -	\$ -	\$ 2,903,481
Donor-restricted funds	-	2,887,161	1,193,195	4,080,356	4,080,356
Total	<u>\$ 2,903,481</u>	<u>\$ 2,887,161</u>	<u>\$ 1,193,195</u>	<u>\$ 4,080,356</u>	<u>\$ 6,983,837</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions			Total as of June 30, 2019
		Original Gift	Accumulated Gains	Total	
Board-designated funds	\$ 2,783,459	\$ -	\$ -	\$ -	\$ 2,783,459
Donor-restricted funds	-	2,752,514	1,106,280	3,858,794	3,858,794
Total	<u>\$ 2,783,459</u>	<u>\$ 2,752,514</u>	<u>\$ 1,106,280</u>	<u>\$ 3,858,794</u>	<u>\$ 6,642,253</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 2,783,459	\$ 3,858,794	\$ 6,642,253
Investment return:			
Investment income	101,379	140,770	242,149
Net appreciation, realized and unrealized	18,643	35,816	54,459
Total investment return	120,022	176,586	296,608
Contributions	-	143,094	143,094
Appropriation of endowment assets for expenditure (spending rate)	-	(98,118)	(98,118)
Endowment net assets, June 30, 2020	<u>\$ 2,903,481</u>	<u>\$ 4,080,356</u>	<u>\$ 6,983,837</u>

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June 30, 2020 and 2019

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 2,652,563	\$ 3,687,791	\$ 6,340,354
Investment return:			
Investment income	115,598	161,092	276,690
Net appreciation, realized and unrealized	<u>15,298</u>	<u>25,856</u>	<u>41,154</u>
Total investment return	130,896	186,948	317,844
Contributions	-	74,228	74,228
Transfers	-	6,000	6,000
Appropriation of endowment assets for expenditure (spending rate)	<u>-</u>	<u>(96,173)</u>	<u>(96,173)</u>
Endowment net assets, June 30, 2019	<u>\$ 2,783,459</u>	<u>\$ 3,858,794</u>	<u>\$ 6,642,253</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature that existed as of June 30, 2020 and 2019. These deficiencies can generally result from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the long-term minimum need of the endowment is to exceed a total return averaging at least the annual spending rate plus inflation, fees and costs. Actual returns in any year may vary from this amount. The long-term objective is to build endowment value over time by achieving incremental returns in excess of need while appropriately managing portfolio risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Notes to Financial Statements

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Spending Policy and how the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year up to a maximum of 4 percent of its endowment fund's average fair value using the prior twelve quarters as of June 30. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the Consumer Price Index plus 4 percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

9. Long-Term Debt

	<u>Original Amount</u>	<u>2020</u>	<u>2019</u>
Bank line of credit	\$ 1,222,987	\$ 396,296	\$ 432,296
Bank note payable	1,000,000	665,764	679,930
Bank note payable	1,725,000	1,183,570	1,231,092
Bank note payable	2,157,045	2,157,045	-
Total		<u>\$ 4,402,675</u>	<u>\$ 2,343,318</u>

Terms for each of the loans outstanding are as follows:

Line of credit with a bank providing for borrowings of \$1,222,987, interest at the prime rate minus 1.00 percent (never less than 2.25 percent), requiring monthly payments of interest only, maturing August 1, 2022 and collateralized by certain investment accounts equal to the outstanding balance of the line of credit. Interest rates at June 30, 2020 and 2019 were 2.25 percent and 4.50 percent, respectively.

Note payable to a bank for \$1,000,000, payable in monthly principal and interest installments of \$3,463, bearing interest fixed at 4.00 percent; with final payment due April 1, 2026, collateralized by real estate in Santa Barbara which has a net book value of \$1,543,243.

Note payable to a bank for \$1,725,000, payable in monthly principal and interest installments of \$8,569, bearing interest at the weekly average yield on United States Treasury securities plus 2.75 percent; (but not greater than 11.50 percent), with final payment due April 1, 2036, collateralized by real estate in Santa Barbara which has a net book value of \$1,926,432. Interest rates at June 30, 2020 and 2019 were 4.25 percent and 5.25 percent, respectively.

The University participated in and received funds under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 in the amount of \$2,157,045. Loans under the PPP are administered by the Small Business Administration (SBA) and are designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans can be forgiven to the extent that employee levels are maintained and the loan principal is used for eligible expenses. Any portion of the loan balance that is not forgiven will carry interest at 1.00 percent and will be payable in monthly principal and interest installments of \$121,391, with final payment due April 27, 2022. The University is in the process of applying for loan forgiveness through the lender and the SBA, and the University is expecting to meet all the conditions and have the amount fully forgiven.

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Annual maturities of all long-term debt at June 30, 2020 are as follows:

Years ending June 30:	
2021	\$ 1,064,311
2022	1,305,216
2023	399,075
2024	77,976
2025	81,390
Thereafter	<u>1,474,707</u>
Total	<u>\$ 4,402,675</u>

Total interest expense for the years ended June 30, 2020 and 2019 was \$104,929 and \$107,206, respectively.

10. Line of Credit

The University has a \$1,000,000 line of credit with a bank which is collateralized by all assets of the University. The agreement expires on November 15, 2020 and is payable at an interest rate equal to the prime rate plus 1.00 percent. The interest rate will never be less than 4.50 percent. At June 30, 2020 and 2019, the University had no borrowings outstanding under this agreement.

11. Operating Leases

The University has operating leases for copier and computer equipment. Rental expense associated with these leases totaled approximately \$40,000 and \$26,000 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments on long-term leases in effect on June 30, 2020 are as follows:

Year ending June 30:	
2021	\$ 40,709
2022	<u>40,709</u>
Total	<u>\$ 81,418</u>

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12. Expenses by Both Nature and Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. These expenses include depreciation, interest and facilities operations and maintenance. These costs are allocated based on the salaries of staff.

	2020				
	Academic and Student Programs	Administrative Support and Auxiliary	Operations and Maintenance	Fundraising	Total Expenses
Salaries and wages	\$ 8,899,810	\$ 2,701,537	\$ 71,661	\$ 143,394	\$ 11,816,402
Employee benefits	2,901,799	931,744	17,873	86,266	3,937,682
Services, supplies and other	2,406,834	2,924,972	26,936	46,765	5,405,507
Occupancy, utilities and maintenance	7,162	81,736	107,883	-	196,781
Depreciation	102,463	101,078	1,713	3,428	208,682
Interest	19,544	83,809	525	1,051	104,929
	14,337,612	6,824,876	226,591	280,904	21,669,983
Operation and maintenance	106,022	114,866	(226,591)	5,703	-
Total expenses	<u>\$ 14,443,634</u>	<u>\$ 6,939,742</u>	<u>\$ -</u>	<u>\$ 286,607</u>	<u>\$ 21,669,983</u>
	2019				
	Academic and Student Programs	Administrative Support and Auxiliary	Operations and Maintenance	Fundraising	Total Expenses
Salaries and wages	\$ 9,192,474	\$ 2,728,747	\$ 70,829	\$ 144,312	\$ 12,136,362
Employee benefits	3,232,295	906,686	17,769	71,611	4,228,361
Services, supplies and other	2,538,376	3,180,731	28,376	56,371	5,803,854
Occupancy, utilities and maintenance	5,473	79,381	100,584	-	185,438
Depreciation	147,800	101,490	-	-	249,290
Interest	27,203	80,003	-	-	107,206
	15,143,621	7,077,038	217,558	272,294	22,710,511
Operation and maintenance	124,967	92,591	(217,558)	-	-
Total expenses	<u>\$ 15,268,588</u>	<u>\$ 7,169,629</u>	<u>\$ -</u>	<u>\$ 272,294</u>	<u>\$ 22,710,511</u>

13. Concentrations

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. Cash, cash equivalents and investment holdings are concentrated in a limited number of financial institutions and amounts in excess of FDIC and similar coverages are subject to the usual risks of balances in excess of those limits. Investments are diversified in order to reduce credit risk.

The University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

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Notes to Financial Statements

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14. Related-Party Transactions

As of June 30, 2020 and 2019, contribution revenue included approximately \$261,000 and \$67,000, respectively, and contributions receivable included approximately \$110,000 and \$18,000 as of June 30, 2020 and 2019, respectively, from members of the Board of Trustees and employees of the University. No compensation is paid to members of the Board of Trustees for their service on the Board. The Board of Trustees includes employees and members of the faculty who are compensated for their work in those respective roles.

15. Regulatory Matters

Fielding Graduate University has been accredited by the WASC Senior College and University Commission (WSCUC) since 1982. In June 2018, WSCUC took action to reaffirm the University's accreditation through the next review visit, which will occur in the spring of 2026. The University's doctoral program in Clinical Psychology has been accredited by the American Psychological Association (APA) since 1991. In August 2018, the APA changed the Clinical Psychology program's accreditation status to "accredited, on probation" effective on September 22, 2018. In October 2019, the APA acted to restore accreditation of the University's doctoral program through the next review, which will occur in 2021.

16. Liquidity and Availability

The following reflects the University's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

As of June 30, 2020 and 2019, the following financial assets could readily be available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 9,284,106	\$ 5,218,198
Student accounts receivable	871,162	858,853
Contributions receivable	1,250,362	1,393,947
Other receivables	45,235	146,770
Investments:		
Endowment	6,949,796	6,657,306
Short-term	7,173,400	9,423,591
	<u>25,574,061</u>	<u>23,698,665</u>
Less amounts not available to meet general expenditure within one year:		
Cash held for restricted purposes	531,633	542,337
Restricted by donors for use in future period	938,858	1,137,782
Board designated endowment	2,903,481	2,783,459
Future expendable donor-restricted endowment	1,261,391	1,148,591
Portion of donor-restricted endowment to be retained in perpetuity	2,784,924	2,725,255
	<u>2,784,924</u>	<u>2,725,255</u>
Financial assets available to meet general expenditure within one year	<u>\$ 17,153,774</u>	<u>\$ 15,361,241</u>

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As of June 30, 2020 and 2019, the University had liquid assets on hand to cover 264 and 244 days of subsequent fiscal year operating expenses, respectively. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The University is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The Board requires that all operating funds be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board periodically provides the investment advisor with an estimate of expected net cash flow. The Board notifies the advisor in a timely manner, to allow sufficient time to build up necessary liquid reserves. In the event of an unanticipated liquidity need, the University also could draw upon an available \$1,000,000 line of credit (as further discussed in Note 10) or its quasi-endowment fund.

17. Contingencies

The University is subject to asserted and unasserted claims encountered in the normal course of business. In the opinion of management, disposition of these matters will not have a material effect on the University's financial condition or results of operations.

18. Subsequent Events

The University has evaluated subsequent events through October 15, 2020, which is the date that the financial statements were available to be issued.