

SATTLER COLLEGE, INC.

Audited Financial Statements
Years Ended June 30, 2020 and 2019

Sattler College, Inc.

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STAFFORD, GAUDET & ASSOCIATES, LLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees of
Sattler College, Inc.
Cambridge, MA 02238

We have audited the accompanying financial statements of Sattler College, Inc., (a Massachusetts nonprofit corporation) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 audit 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 auditor's judgement, 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 Sattler College, Inc. as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter**Change in Accounting Principles**

As discussed in Note B to the financial statements, during the year ended June 30, 2020, the Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. As a result, the standards were retroactively applied to the financial statements for the year ending June 30, 2020. Our opinion is not modified with respect to these matters.

Stafford, Gaudet & Associates, LLC

STAFFORD, GAUDET & ASSOCIATES, LLC
Chelmsford, MA
October 6, 2020

Sattler College, Inc.

Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,660,009	\$ 1,248,738
Accounts receivable, net of allowance for doubtful accounts of \$15,000	51,749	14,450
Due from employees	51	-
Prepaid expenses	113,767	15,990
Total Current Assets	2,825,576	1,279,178
Property and Equipment, net	1,066,267	921,687
Other Assets		
Security deposit	1,654,748	1,685,256
Total Other Assets	1,654,748	1,685,256
Total Assets	\$ 5,546,591	\$ 3,886,121
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 45,190	\$ 30,532
Accrued expenses	7,946	14,210
Student deposits	11,150	7,100
Total Current Liabilities	64,286	51,842
Due to landlord	54,533	-
Due to affiliate	685,256	685,256
Deferred rent	509,329	498,268
Total Liabilities	1,313,404	1,235,366
Net Assets		
Without donor restriction	4,233,187	2,650,755
With donor restriction	-	-
Total Net Assets	4,233,187	2,650,755
Total Liabilities and Net Assets	\$ 5,546,591	\$ 3,886,121

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statements of Activities and Net Assets

<i>Years Ended June 30,</i>	2020	2019
Change in Net Assets Without Donor Restrictions		
Support and Revenues		
Support:		
Contributions and pledges	\$ 5,803,469	\$ 4,031,145
Total Support	5,803,469	4,031,145
Revenues:		
Tuition and fees	333,720	-
Room and board	249,850	222,550
Programs	18,597	263
Total Revenues	602,167	222,813
Total Support and Revenues	6,405,636	4,253,958
Expenses		
Program services	3,967,782	2,302,593
Management and general	855,422	550,109
Total Expenses	4,823,204	2,852,702
Change in Net Assets Without Donor Restrictions	1,582,432	1,401,256
Net Assets, Beginning of Year	2,650,755	1,249,499
Net Assets, End of Year	\$ 4,233,187	\$ 2,650,755

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

Year Ended June 30	Program Services							2020
	Educational	Student Housing	Student Activity	Work Study	Total	Management and General	Total	
Salaries and wages	\$ 897,924	\$ -	-	\$ 208,988	\$ 1,106,912	\$ 387,554	\$ 1,494,466	
Rent	867,279	-	-	-	867,279	85,775	953,054	
Student housing	-	855,471	-	-	855,471	-	855,471	
Scholarships	277,323	-	-	-	277,323	-	277,323	
Employee benefit	206,621	-	-	-	206,621	-	206,621	
Professional services	70,103	-	-	-	70,103	97,730	167,833	
Payroll taxes	64,221	-	-	16,518	80,739	31,266	112,005	
Utilities	88,117	-	-	-	88,117	8,715	96,832	
Depreciation	77,769	-	-	-	77,769	7,691	85,460	
Marketing	-	-	-	-	-	84,648	84,648	
Clubs and activities	-	-	76,297	-	76,297	-	76,297	
Amortization	53,751	-	-	-	53,751	5,316	59,067	
External courses	47,198	-	-	-	47,198	-	47,198	
Professional development	41,057	-	-	-	41,057	-	41,057	
Dues, licenses and fees	19,928	-	-	2,710	22,638	15,839	38,477	
Library	29,504	-	-	-	29,504	-	29,504	
Public relations	-	-	-	-	-	27,039	27,039	
Supplies	21,239	-	-	-	21,239	-	21,239	
Accreditation	21,000	-	-	-	21,000	-	21,000	
Food service	-	-	16,683	-	16,683	-	16,683	
Travel and meetings	15,206	-	-	-	15,206	-	15,206	
Software and technology	15,139	-	-	-	15,139	-	15,139	

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

Year Ended June 30	Program Services						2020
	Educational	Student Housing	Student Activity	Work Study	Total	Management and General	Total
Admissions	-	-	-	-	-	14,497	14,497
Meals and entertainment	10,348	-	673	-	11,021	-	11,021
Office supplies	-	-	-	-	-	10,008	10,008
Advertising	-	-	-	-	-	7,505	7,505
Printing and copying	-	-	-	-	-	6,654	6,654
Bad debt	-	5,600	-	-	5,600	-	5,600
Student supplies	4,529	-	-	-	4,529	-	4,529
Insurance	-	-	-	-	-	4,497	4,497
Computer supplies	-	-	-	-	-	3,495	3,495
Studio	2,549	-	-	-	2,549	-	2,549
Repair and maintenance	2,289	-	-	-	2,289	-	2,289
Equipment rental	2,084	-	-	-	2,084	-	2,084
Health insurance	-	-	1,592	-	1,592	-	1,592
Postage	-	-	-	-	-	1,416	1,416
Lodging	1,370	-	-	-	1,370	-	1,370
Counseling	-	-	1,120	-	1,120	-	1,120
Medical	-	-	883	-	883	-	883
Gifts	-	-	150	-	150	238	388
Work study program	-	-	-	88	88	-	88
Total Expenses	\$ 2,781,009	\$ 861,071	\$ 97,398	\$ 228,304	\$ 3,967,782	\$ 855,422	\$ 4,823,204

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

	Program Services					Management and General	Total
	Educational	Student Activity	Student Activity	Work Study	Total		
Rent	\$ 864,996	\$ -	\$ -	\$ -	\$ 864,996	\$ 85,549	\$ 950,545
Salaries and wages	357,796	-	-	87,942	445,738	232,021	677,759
Student housing	-	520,900	-	-	520,900	-	520,900
Professional services	7,712	-	-	-	7,712	105,267	112,979
Depreciation	59,704	-	-	-	59,704	5,905	65,609
Amortization	53,751	-	-	-	53,751	5,316	59,067
Utilities	51,447	-	-	-	51,447	5,088	56,535
Employee benefit	28,274	-	-	-	28,274	28,019	56,293
External courses	52,260	-	-	-	52,260	-	52,260
Payroll taxes	26,247	-	-	6,777	33,024	17,020	50,044
Dues, licenses and fees	11,343	-	-	2,276	13,619	17,264	30,883
Clubs and activities	-	-	29,623	-	29,623	-	29,623
Travel and meetings	18,691	-	9,356	-	28,047	-	28,047
Software and technology	25,938	-	-	-	25,938	-	25,938
Marketing	-	-	-	-	-	21,523	21,523
Supplies	16,692	-	-	-	16,692	-	16,692
Library	13,516	-	-	-	13,516	-	13,516
Meals and entertainment	5,988	-	6,214	65	12,267	-	12,267
Bad debt	-	12,000	-	-	12,000	-	12,000
Student supplies	9,882	-	-	-	9,882	-	9,882

Year Ended June 30

2019

Sattler College, Inc.

Statement of Functional Expenses

Year Ended June 30	Program Services						2019
	Educational	Student Activity	Student Activity	Work Study	Total	Management and General	
Advertising	-	-	-	-	-	9,265	9,265
Professional development	6,655	-	-	-	6,655	-	6,655
Office supplies	-	-	-	-	-	5,654	5,654
Insurance	-	-	-	737	737	4,701	5,438
Lodging	729	-	4,504	-	5,233	-	5,233
Work study program	-	-	-	4,751	4,751	-	4,751
Computer supplies	-	-	-	-	-	3,050	3,050
Public relations	-	-	-	-	-	3,031	3,031
Equipment rental	2,107	-	-	-	2,107	-	2,107
Studio	1,422	-	-	-	1,422	-	1,422
Repair and maintenance	1,224	-	-	-	1,224	-	1,224
Accreditation	974	-	-	-	974	-	974
Postage	-	-	-	-	-	929	929
Printing and copying	-	-	-	-	-	423	423
Gifts	-	-	100	-	100	84	184
Total Expenses	\$ 1,617,348	\$ 532,900	\$ 49,797	\$ 102,548	2,302,593	\$ 550,109	\$ 2,852,702

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
Operating Activities		
Increase in net assets	\$ 1,582,432	\$ 1,401,256
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	144,527	124,676
(Increase) decrease in assets:		
Accounts receivable, net	(37,299)	(14,450)
Due from employees	(51)	-
Prepaid expenses	(97,777)	4,949
Security deposit	30,508	(871,520)
Increase (decrease) in liabilities:		
Accounts payable	14,658	(27,775)
Accrued expenses	(6,264)	11,744
Due to landlord	54,533	-
Student deposits	4,050	1,850
Deferred rent	11,061	329,282
Net Cash Provided by Operating Activities	1,700,378	960,012
Investing Activities		
Acquisition of property and equipment	(289,107)	(30,368)
Net Cash Used by Investing Activities	(289,107)	(30,368)
Net Increase in Cash and Cash Equivalents	1,411,271	929,644
Cash and Cash Equivalents, Beginning of Year	1,248,738	319,094
Cash and Cash Equivalents, End of Year	\$ 2,660,009	\$ 1,248,738

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Sattler College, Inc. (the “College”) is a Massachusetts nonprofit corporation, incorporated in February 2017. The College is organized and shall be operated exclusively for charitable, religious, and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or corresponding provisions of any subsequent federal tax laws (the “Internal Revenue Code”) to establish and administer a college that shall: a) confer the following degrees:

1. Bachelor of Science in Human Biology
2. Bachelor of Science in Computer Science
3. Bachelor of Science in Business
4. Bachelor of Arts in Biblical and Religious Studies
5. Bachelor of Arts in History

and offer any and all courses relating or incidental thereto; and b) promote and advance the precepts and values of the historic Christian faith.

The College commenced its principal operations in September 2018. Tuition and fees, room and board, and program activity fees paid by students are the majority of sources of revenue earned by the College. The College continues to operate with funds from contributions and pledges from one donor who is committed to a six-year funding stream.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

The Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis as a result of the adoption of these standards. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Basis of Presentation

The financial statements of the College have been prepared in accordance with generally accepted accounting principles in the United States of America on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

The College reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

The College considers all highly liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents. Cash is held in bank demand deposit accounts which may, at times, exceed federally insured limits. The Collage believes it is not exposed to any significant credit risk with respect to cash and cash equivalents and has not experienced any losses in such accounts.

Accounts Receivable

The College recognizes an allowance for accounts receivable in an amount equal to the estimated doubtful accounts. The allowance is based on an analysis of historical experience, age of receivables and expected future write-offs as well as assessments of specific identifiable accounts considered to be at risk or uncollectible. The expense associated with the allowance is recognized as a program expense. Recoveries of accounts receivable previously written off are recorded when received. The valuation allowance for accounts receivable for the years ended Jun 30, 2020 and 2019, was \$15,000 and \$12,000, respectively.

Property and Equipment

Equipment, furniture and fixtures, and leasehold improvements are stated at cost if purchased or fair value at the date of contribution if contributed. The cost or repairs and maintenance are charged to expense when incurred. The capitalization policy is to capitalize property and equipment exceeding \$500. Depreciation and amortization are provided using the straight-line method over the estimated useful lives as follows:

Computer equipment and technology	5 years
Audio/visual system	7 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of lease term or useful life

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Support Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with net assets with donor restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues and as net assets with donor restrictions when they are received. A reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as net assets without donor restrictions. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues and as net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues and as net assets with donor restrictions, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses without donor stipulations at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the College if they had not been provided by individuals with those skills. Contributions of materials to be used in program operations are reported as revenues and expenses of the net assets without donor restrictions category at the time the materials are received.

Revenue Recognition

The College derives its revenue primarily from tuition and fees, room and board, and program activity fees and are recognized in the period classes and services are provided. Tuition and fees, room and board, and program activity fees collected for future period are reported as student deposits. Discounts in the form of scholarships are reported as a reduction of student revenues. Scholarships awarded to students for the years ending June 30, 2020 and 2019 were \$277,323 and \$0, respectively.

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, liabilities, and disclosure of contingent

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates - continued

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.

Advertising

The College expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 were \$7,505 and \$9,265, respectively.

Income Taxes

The College is exempt from federal and state income taxes for general purpose operations under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation; therefore, no provision for income taxes has been made in these financial statements. The College's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of these returns.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Functional Allocation of Expenses

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

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30,

	<u>2020</u>	<u>2019</u>
Room & Board Receivable	\$ 57,016	\$ 26,450
Student Deposit Receivable	1,750	-
Tuition Receivable	7,983	-
Allowance for doubtful accounts	<u>(15,000)</u>	<u>(12,000)</u>
Accounts receivable, net	<u>\$ 51,749</u>	<u>\$ 14,450</u>

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE D – CONCENTRATION OF CREDIT RISK

The College maintains its cash balances at several financial institutions and the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. The balances that exceeded FDIC limits for the years ended June 30, 2020 and 2019 were \$2,273,289 and \$945,164, respectively.

NOTE E – CONCENTRATION OF CONTRIBUTIONS

The College’s primary source of contributions was provided by one donor. Contributions percentages received by the single donor for the years ended June 30, 2020 and 2019 were approximately 99.7% and 99.8%, respectively.

NOTE F – PREPAID EXPENSES

The College recognizes expenses in the year in which they are incurred. Costs relating to various programs and other support activities for the following year are included in prepaid expenses. Prepaid expenses for the years ended June 30, 2020 and 2019 were \$113,767 and \$15,990, respectively.

NOTE G– PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 536,212	\$ 261,665
Audio and visual system	123,998	123,998
Computer and equipment	73,089	58,529
Leasehold improvements	620,205	620,205
	<u>1,353,504</u>	<u>1,064,397</u>
Less accumulated depreciation and amortization	287,237	142,710
	<u>\$ 1,066,267</u>	<u>\$ 921,687</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$85,460 and \$65,609, respectively. Amortization expense for the years ended June 30, 2020 and 2019 was \$59,067 and \$59,067, respectively.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE H – SECURITY DEPOSITS

Building Lease

During the year ended June 30, 2018, the College entered into a ten-year lease agreement requiring an agreed upon deposit amount of \$685,256 for the College’s facilities. Notwithstanding, provided the College is not in default of the lease agreement, the security deposit shall be reduced after the fourth and fifth anniversary of the commencement date, to \$456,837 and \$228,419, respectively.

Student Housing

During the year ended June 30, 2019, the College entered into a ten-year lease agreement requiring an initial deposit amount of \$1,000,000 for student housing. The security deposit will be credited against the annual lease payments on the first day of each of the twelve-calendar months. The amount credited for the year ended June 30, 2020 was \$30,509. The remainder of the security deposit will be credited as follows:

<u>Year</u>	<u>Credit Amount</u>
20/21	50,339
21/22	71,186
22/23	94,271
23/24	116,519
24/25	120,015
25/26	123,615
26/27	127,324
27/28	131,144
28/29	135,079
	\$ 969,492

Security deposits for the years ended June 30, 2020 and 2019 were \$1,654,748 and \$1,685,256, respectively.

NOTE I –STUDENT DEPOSITS

The College requires a \$250 deposit from each student for housing for each school year. Student deposits for the years ended June 30, 2020 and 2019, were \$11,150 and \$7,100, respectively.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE J – ACCRUED EXPENSES

Accrued expenses consist of the following at June 30,

	<u>2020</u>	<u>2019</u>
Employee reimbursements	\$ -	\$ 1,557
Work study salaries	795	12,587
Student activities	-	66
Utilities - Electricity	6,424	-
Professional Services	225	-
Marketing	377	-
Printing & Copying	13	-
Supplies	112	-
	<u>\$ 7,946</u>	<u>\$ 14,210</u>

NOTE K – DUE TO AFFILIATE

As part of a commitment to help establish Sattler College, Anchor-Cross Ministries provided funding for the College's security deposit for a ten-year lease agreement located at the 100 Cambridge Street, Boston, Massachusetts. At the end of the lease agreement, the deposit will be returned to the Anchor-Cross Ministries. For the years ended June 30, 2020 and 2019, the amount of the security deposit was \$685,256.

NOTE L– DEFERRED RENT

The College received six free months of rent, upon exercising its fully executed 10-year term lease agreement for its facility. The average monthly rent expense of \$79,212 was calculated based on the total cost of the lease over the total months of occupancy. Deferred rent for the years ended June 30, 2020 and 2019, was \$509,329 and \$498,268, respectively.

NOTE M– OPERATING LEASES AND CONTRACTS

Student Housing Contract

On February 28, 2018, the College signed a housing contract whereby agreeing to license the exclusive right to utilize 22 beds in shared rooms at 237 Beacon Street, Boston, Massachusetts. The term of the contract was for one-year, commencing on September 1, 2018 through August 31, 2019. In the event any bed remains occupied past the termination date, the College is responsible for a fee of \$64 per bed per day. The monthly fee under the contract was \$42,826.

NOTE M- OPERATING LEASES AND CONTRACTS

Student Housing Contract- continued

On March 18, 2019, the College signed a contract for ten-year housing contract, commencing on September 1, 2019 through August 31, 2029, whereby agreeing to license the exclusive rights to utilize 45 beds in shared rooms during the first year of the agreement with annual incremental increases of up to 240 beds after the fifth year of the agreement and for the duration of the housing contract in shared rooms. The student housing facilities are located at various locations in Boston, Massachusetts. The \$1,000,000 deposit collected from the College will be credited against the monthly fee throughout the life of the lease (See Note H – Security Deposits). The College may terminate this agreement at any time without cause by written notice to the lessor. The net monthly fee for the first year of the contract is \$79,582.63.

Estimated future net obligations under the student housing contract for the next five years are as follows:

Year Ending June 30,	<u>Amount</u>
2021	\$ 1,962,665
2022	2,441,644
2023	3,276,855
2024	4,072,835
2025	<u>4,285,424</u>
	<u>\$ 16,039,423</u>

Building Lease

The College leases space at the 100 Cambridge Street building for its administrative offices and classrooms in Boston, Massachusetts. On October 12, 2017, the College signed a lease for 15,486 square feet on the 17th floor of the building for the period April 27, 2018 through October 31, 2028. The College has a one-time option to extend the lease for five years. In order to exercise this option, the College must notify the lessor no less than twelve months prior to the date the term is scheduled to expire.

Improvements to the facility are capitalized as leasehold improvements and amortized over the remaining extended lease period or the improvements useful life, whichever is shorter. The lessor shall provide to the College a tenant work allowance of up to \$67.50 per square foot of the College’s rentable floor area. Up to 15% of the tenant work allowance may be used for soft costs and up to 15% of any unused portion may be credited to rent due under the lease with a

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE M- OPERATING LEASES AND CONTRACTS - continued

Building Lease-continued

threshold amount of \$50,000. Rental payments under the lease for the first six months is \$59 per square foot, for the next six months is \$61 per square foot, and an annual adjustment of \$1 per square foot thereafter for the remainder of the lease term. Rent expense for the years ending June 30, 2020 and 2019 was \$953,054, and \$950,545, respectively.

First Amendment to Building Lease

On December 3, 2018, the College signed an expansion premises lease for an additional 12,815 square feet on the 17th floor of the building for the periods October 1, 2020 through October 31, 2028. Commencing on the effective date, the lease term with respect to the expansion premises lease shall commence and continue thereafter so as to run coterminous with the term of the lease for the current premises and expire on the expiration date, as the same may be extended in accordance with the terms and condition of the lease.

In connection with the amendment, the landlord shall provide to the College an additional tenant work allowance of up to \$75 per net rentable are of the expansion premises, or \$961,125, to be used by the College to pay for hard and soft costs associated with improvements to the current premises and expansion premises.

Estimated future obligations under these leases and contract for the next five years are as follows:

Year ending June 30,	Building Lease	First Amendment	Total
2021	\$ 954,970	\$ 800,938	\$ 1,755,908
2022	970,456	813,752	1,784,208
2023	985,942	826,868	1,812,810
2024	1,001,428	839,383	1,840,811
2025	1,024,657	852,198	1,876,855
	\$ 4,937,453	\$ 4,133,139	\$ 9,070,592

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The College’s primary source of support and revenues was from contributions and student housing for the year ended June 30, 2020.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of June 30,

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - continued

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,660,010	1,248,738
Accounts receivable, net	<u>51,749</u>	<u>14,450</u>
	<u>\$ 2,711,759</u>	<u>\$ 1,263,188</u>

In addition to financial assets available, the College anticipates collecting \$792,000 of tuition during the year ending June 30, 2021.

NOTE O – CONDITIONAL PROMISES TO GIVE

To create and sustain the College, Dr. Kuruvilla is pledging conditional funds from his donor-advised fund at an independent 501(c)(3) foundation, the National Christian Foundation, and from the National Christian Foundation to the College. The contributions shall be limited on an annual basis from Dr. Kuruvilla's financial interest of his donor-advised fund. The College also expects to seek additional funds from new sources as it evolves, for which each annual contribution from Dr. Kuruvilla may be reduced by an amount equal to half of the total revenue (other than net tuition and fees) received by the College from other sources that year (which reductions would occur in the following year).

The amount of funding that Dr. Kuruvilla has conditionally pledged is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 1,980,000
2022	2,400,000
2023	2,400,000
2024	<u>2,400,000</u> adjusted for inflation
	<u>\$ 9,180,000</u>

NOTE P – RELATED PARTY TRANSACTIONS

The College uses TheHistoricFaith.com, a subscription-based service that provides lessons in historic Christian faith. The service is based on research and development by David Bercot, for which he receives a 20% royalty commission paid monthly. Total paid for year ended June 30, 2020 was \$2,852. David is a Board member at Sattler College and disclosed his relationship on a signed conflict of interest.

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NOTE Q – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 6, 2020, which represents the date the financial statements were available to be issued.

In December 2019, there was an outbreak of the Coronavirus (COVID-19) which has spread to many countries, including the United States of America. On March 11, 2020, the World Health Organization characterized the virus as a pandemic, for which the U.S. responded by declaring a state of emergency. It is anticipated that the impacts from this pandemic will continue for some time and its future effects are unknown.

Subsequent events after that date have not been evaluated.