

Sattler College – FYE21 Financial Statement Summary

Per Mass. General Laws c.69 § 31B(f), new requirements for private institutions of higher education state that “Each institution shall post on its website a copy of the institution’s annual financial report or statement, required pursuant to section 8F of chapter 12 and a summary of the report, however termed, that is written in terms that are understandable by the general public.” As such, Sattler College provides the following summary report of the College’s Fiscal Year Ending 2021 Financial Statements, and the accompanying Sattler College Financial Statements.

Note from Sattler College management regarding our Fiscal Year 2021 Financial Statements audit:

We have fulfilled our responsibilities, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S GAAP.

Key Results of the Sattler College Financial Statements Audit:

Key Items of Note:

- Sattler College, like many other institutions of higher education, has faced significant challenges during the COVID-19 pandemic. Declining enrollment, the need for increased medical and social distancing protocol and limited financial resources have each played their part in defining Sattler’s journey especially through 2020 and 2021. Extraordinary costs incurred by virtue of needing to lease additional dorm space and establishing systematic COVID testing and quarantining protocol were each responsible for cutting deeply into Sattler’s otherwise robust cashflow. Student housing and medical costs alone increased by over \$1.4M, totaling \$2.3M in FYE 2021 compared to \$856K in 2020.
- Despite these significant hurdles of the past couple of years, the leadership of Sattler College has taken serious measures to continue strong in the higher education marketplace. We continue to maintain our commitment to providing a sterling education while simultaneously making significant cost cuts and renegotiating contracts. While facing a decline of over \$2.3M in net assets, Sattler College remains free from any current debts or financial liabilities. Long-term liabilities continue to be amortized as initially scheduled.
- The 2022 financial plan of Sattler College and moving forward is to focus on increasing our enrollment by at least 25% year over year. This increase in revenue will also be complemented with a decrease in our fixed operating costs without affecting the quality of our educational offerings. We have successfully renegotiated our student housing contract to allow for a 37% reduction in those costs for the second half of FYE 2022. Beginning with fiscal year 2022-23, the costs will be just over 50% of the former contract, effectively cutting our student housing cost in half moving forward.
- Considering that Sattler is primarily funded by donors, the next significant step in Sattler’s financial plan is to implement a balanced 2022-23 budget. This will allow Sattler to secure commitment for all necessary funds from donors before the beginning of each fiscal year. The budget together with a rolling 12-month projection of operating cash will allow Sattler to function with the financial stability necessary for its long-term success.
- While FYE21 cash flow shows a significant shortfall (-\$2.3M) of the actual expenses incurred during the fiscal year, this downward trend was successfully reversed in the following year with committed revenue that promises to end the year with a healthy reserve of cash.

Auditors' Opinion on Financial Statements:

- Fairly stated in all material respects.
- Considered a “clean” or “unmodified” report. An auditor gives an unmodified opinion if the financial statements present a true and fair view. Additionally, Sattler College had no “audit findings” in their FY20 Financial Statements. With no findings, Sattler College’s audit is significant in the auditors’ assessment of its accuracy.

SATTLER COLLEGE, INC.

Audited Financial Statements
Years Ended June 30, 2021 and 2020

Sattler College, Inc.

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Net Assets	4
Statements of Functional Expenses	5-8
Statements of Cash Flows	9
Notes to Financial Statements	10-20



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, 2021 and 2020, 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note B to the financial statements, during the year ended June 30, 2021, the Organization adopted ASU 2018-13, *Fair Value Measurement (Topic) 820: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* as amended. Our opinion is not modified with respect to this matter.

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, 2021 and 2020, 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.

Stafford, Gaudet & Associates, LLC

STAFFORD, GAUDET & ASSOCIATES, LLC

Chelmsford, MA

March 29, 2022

Sattler College, Inc.
Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 587,186	\$ 2,660,009
Cash and cash equivalents, restricted	3,000	-
Accounts receivable, net of allowance for doubtful accounts of \$15,000	106,833	51,749
Due from employees	-	51
Prepaid expenses	59,904	113,767
Total Current Assets	756,923	2,825,576
Property and Equipment, net	977,830	1,066,267
Other Assets		
Security deposit	1,604,409	1,654,748
Total Other Assets	1,604,409	1,654,748
Total Assets	\$ 3,339,162	\$ 5,546,591
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 196,270	\$ 45,190
Accrued expenses	31,266	7,946
Student deposits	2,900	11,150
Total Current Liabilities	230,436	64,286
Due to landlord	-	54,533
Due to affiliate	685,256	685,256
Deferred rent	514,471	509,329
Total Liabilities	1,430,163	1,313,404
Net Assets		
Net assets without donor restriction	1,905,999	4,233,187
Net assets with donor restriction	3,000	-
Total Net Assets	1,908,999	4,233,187
Total Liabilities and Net Assets	\$ 3,339,162	\$ 5,546,591

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statements of Activities and Net Assets

<i>Years Ended June 30,</i>	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Support:			
Contributions and pledges	\$ 4,402,625	\$ 3,000	\$ 4,405,625
In-kind gifts	70,106	-	70,106
Total Support	4,472,731	3,000	4,475,731
Revenues:			
Tuition and fees	1,852,058	-	1,852,058
Room and board	882,859	-	882,859
Programs	50,835	-	50,835
Total Revenues	2,785,752	-	2,785,752
Total Support and Revenues	7,258,483	3,000	7,261,483
Expenses			
Program services	8,645,330	-	8,645,330
Management and general	940,341	-	940,341
Total Expenses	9,585,671	-	9,585,671
Change in Net Assets	(2,327,188)	3,000	(2,324,188)
Net Assets, Beginning of Year	4,233,187	-	4,233,187
Net Assets, End of Year	\$ 1,905,999	\$ 3,000	\$ 1,908,999

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Activities and Net Assets

<i>Years Ended June 30,</i>	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Support:			
Contributions and pledges	\$ 5,803,469	\$ -	\$ 5,803,469
Total Support	5,803,469	-	5,803,469
Revenues:			
Tuition and fees	333,720	-	333,720
Room and board	249,850	-	249,850
Programs	18,597	-	18,597
Total Revenues	602,167	-	602,167
Total Support and Revenues	6,405,636	-	6,405,636
Expenses			
Program services	4,023,321	-	4,023,321
Management and general	799,883	-	799,883
Total Expenses	4,823,204	-	4,823,204
Change in Net Assets	1,582,432	-	1,582,432
Net Assets, Beginning of Year	2,650,755	-	2,650,755
Net Assets, End of Year	\$ 4,233,187	\$ -	\$ 4,233,187

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

	Program Services					Total	Management and General	Total
	Student		Student		Total			
	Educational	Housing	Activity	Work Study				
	\$	\$	\$	\$	\$	\$	\$	
Housing	-	2,269,648	-	-	2,269,648	-	2,269,648	
Scholarships	2,119,800	-	-	-	2,119,800	-	2,119,800	
Salaries and wages	1,307,680	-	-	78,531	1,386,211	394,658	1,780,869	
Rent	1,484,415	-	-	-	1,484,415	88,207	1,572,622	
Employee benefits	206,628	-	-	-	206,628	64,429	271,057	
Utilities	133,871	-	-	-	133,871	13,240	147,111	
Professional services	41,042	-	-	-	41,042	103,813	144,855	
Payroll taxes	95,353	-	-	16,518	111,871	31,794	143,665	
Clubs and activities	-	-	140,898	-	140,898	-	140,898	
External courses	121,327	-	-	-	121,327	-	121,327	
Depreciation	105,392	-	-	-	105,392	10,423	115,815	
Marketing	-	-	-	-	-	110,354	110,354	
In-kind gifts	-	68,780	-	-	68,780	1,326	70,106	
Amortization	55,990	-	-	-	55,990	5,537	61,527	
Professional development	59,663	-	-	-	59,663	-	59,663	
Dues, licenses and fees	21,689	-	-	3,198	24,887	29,138	54,025	
Library	50,324	-	-	-	50,324	-	50,324	
Bad debt	-	41,216	-	-	41,216	-	41,216	
Food service	-	-	38,153	-	38,153	-	38,153	
Public relations	-	-	-	-	-	36,023	36,023	
Accreditation	29,811	-	-	-	29,811	-	29,811	
Software and technology	28,546	-	-	-	28,546	-	28,546	
Real estate taxes	25,744	-	-	-	25,744	-	25,744	
Faculty housing	21,100	-	-	-	21,100	-	21,100	
Sub-total	\$ 5,908,375	\$ 2,379,644	\$ 179,051	\$ 98,247	\$ 8,565,317	\$ 888,942	\$ 9,454,259	

Year Ended June 30

2021

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

Year Ended June 30	Program Services						2021
	Educational	Student Housing	Student Activity	Work Study	Total	Management and General	
Sub-total	\$ 5,908,375	\$ 2,379,644	\$ 179,051	\$ 98,247	\$ 8,565,317	\$ 888,942	\$ 9,454,259
Travel and meetings	19,860	-	-	-	19,860	-	19,860
Meals and entertainment	7,660	-	10,861	-	18,521	-	18,521
Insurance	-	-	11	669	680	13,146	13,826
Supplies	12,692	-	-	-	12,692	-	12,692
Office supplies	-	-	-	-	-	11,113	11,113
Computer supplies	-	-	-	-	-	10,501	10,501
Admissions	-	-	-	-	-	9,728	9,728
Counseling	-	-	9,450	-	9,450	-	9,450
Repair and maintenance	5,747	-	-	-	5,747	-	5,747
Student supplies	3,579	-	-	-	3,579	-	3,579
Medical	-	-	3,390	-	3,390	-	3,390
Printing and copying	-	-	-	-	-	3,350	3,350
Advertising	-	-	-	-	-	2,450	2,450
Equipment rental	2,220	-	-	-	2,220	-	2,220
Graduation	-	-	1,914	-	1,914	-	1,914
Gifts	-	-	1,200	-	1,200	111	1,311
Postage	-	-	-	-	-	1,000	1,000
Studio	420	-	-	-	420	-	420
Health insurance	-	-	250	-	250	-	250
Work study program	-	-	-	90	90	-	90
Total Expenses	\$ 5,960,553	\$ 2,379,644	\$ 206,127	\$ 99,006	\$ 8,645,330	\$ 940,341	\$ 9,585,671

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statement of Functional Expenses

	Program Services						Total	Management and General	Total
	Educational	Student Housing	Student Activity	Work Study	Total	Management and General			
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		
Scholarship	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		
Admissions	-	-	-	-	-	14,497	14,497		
Sub-total	\$ 2,813,379	\$ 855,471	\$ 92,980	\$ 228,216	\$ 3,990,046	\$ 766,070	\$ 4,756,116		

Year Ended June 30

2020

Sattler College, Inc.

Statement of Functional Expenses

Year Ended June 30

2020

	Program Services					Total	Management and General	Total
	Educational	Student Housing	Student Activity	Work Study	Total			
Sub-total	\$ 2,813,379	\$ 855,471	\$ 92,980	\$ 228,216	\$ 3,990,046	\$ 766,070	\$ 4,756,116	
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	
Lodging	1,370	-	-	-	1,370	1,416	2,786	
Counseling	-	-	1,120	-	1,120	-	1,120	
Medical	-	-	883	-	883	-	883	
Gifts	-	-	150	-	150	238	388	
Work study program	-	-	-	88	88	-	88	
Total Expenses	\$ 2,836,548	\$ 861,071	\$ 97,398	\$ 228,304	\$ 4,023,321	\$ 799,883	\$ 4,823,204	

See accompanying notes and independent auditors' report.

Sattler College, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2021	2020
Operating Activities		
Increase in net assets	\$ (2,324,188)	\$ 1,582,432
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	177,342	144,527
(Increase) decrease in assets:		
Accounts receivable, net	(55,084)	(37,299)
Due from employees	51	(51)
Prepaid expenses	53,863	(97,777)
Security deposit	50,339	30,508
Increase (decrease) in liabilities:		
Accounts payable	151,080	14,658
Accrued expenses	23,320	(6,264)
Due to landlord	(54,533)	54,533
Student deposits	(8,250)	4,050
Deferred rent	5,142	11,061
Net Cash Provided (Used) by Operating Activities	(1,980,918)	1,700,378
Investing Activities		
Acquisition of property and equipment	(88,905)	(289,107)
Net Cash Used by Investing Activities	(88,905)	(289,107)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,069,823)	1,411,271
Cash and Cash Equivalents, Beginning of Year	2,660,009	1,248,738
Cash and Cash Equivalents, End of Year	\$ 590,186	\$ 2,660,009
Cash and cash equivalents, end of year	\$ 587,186	\$ 2,660,009
Cash and cash equivalents (restricted), end of year	3,000	-
	\$ 590,186	\$ 2,660,009

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 Standard

The Organization has adopted ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this ASU is to provide financial statement users with information about assets and liabilities measured at fair value in the statement of financial position or disclosed in the notes to the financial statements regarding (1) the valuation techniques and inputs used to develop fair value measurements, including the related judgments and assumptions made, (2) the uncertainty in the fair value measurements as of the reporting date, and (3) how changes in the measurements impact the performance and cash flows of the organization. The Organization implemented ASU 2018-13 for its 2021 fiscal year end and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact to cash and cash equivalents, prepaid expenses, accrued expenses, deferred revenue and reserves.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. 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 and Restricted 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. Amounts included in restricted cash represent those required to be set aside by donor restrictions. Cash is held in bank demand deposit accounts which may, at times, exceed federally insured limits. The College 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. Cash and cash equivalents as shown on the statements of cash flows as of June 30, 2021 and 2020 were \$587,186 and \$2,660,009, respectively. Restricted cash and cash equivalents as shown on the statements of cash flows as of June 30, 2021 and 2020 were \$3,000 and \$0, respectively.

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:

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment- continued

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

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. The College received in-kind donations of \$70,106 for rent and student housing for the year ended June 30, 2021.

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,

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition - continued

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, 2021 and 2020 were \$2,119,800 and \$277,323, 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 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, 2021 and 2020 were \$2,450 and \$7,505, 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.

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 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, and accrued liabilities approximate their fair values because of the relatively short maturity of these instruments.

Sattler College, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE D – CONCENTRATIONS

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, 2021 and 2020 were \$161,123 and \$2,273,289, respectively.

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, 2021 and 2020 were approximately 99.8% and 99.7%, respectively.

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30,

	<u>2021</u>	<u>2020</u>
Room and board	\$ 102,250	\$ 57,016
Student deposit	-	1,750
Tuition	18,826	7,983
Tutoring	282	-
Parking	475	-
Allowance for doubtful accounts	<u>(15,000)</u>	<u>(15,000)</u>
Accounts receivable, net	<u>\$ 106,833</u>	<u>\$ 51,749</u>

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, 2021 and 2020 were \$59,904 and \$113,767, respectively.

NOTE G – 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.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE G – SECURITY DEPOSITS - continued

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, 2021 was \$50,339. The remainder of the security deposit will be credited as follows:

<u>Year</u>	<u>Credit Amount</u>
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
	\$ 919,153

Security deposits for the years ended June 30, 2021 and 2020 were \$1,604,409 and \$1,654,748, respectively.

The College requires a \$250 deposit from each student for housing for each school year. Student deposits for the years ended June 30, 2021 and 2020, were \$2,900 and \$11,150, respectively.

NOTE H – PROPERTY AND EQUIPMENT

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

Furniture and fixtures	\$ 564,897	\$ 536,212
Audio and visual system	135,133	123,998
Computer and equipment	93,764	73,089
Leasehold improvements	648,616	620,205
	1,442,410	1,353,504
Less accumulated depreciation and amortization	464,580	287,237
	\$ 977,830	\$ 1,066,267

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE H – PROPERTY AND EQUIPMENT - continued

Depreciation expense for the years ended June 30, 2021 and 2020 was \$115,815 and \$85,460, respectively. Amortization expense for the years ended June 30, 2021 and 2020 was \$61,527 and \$59,067, respectively.

NOTE I – ACCRUED EXPENSES

Accrued expenses consist of the following at June 30,

	<u>2021</u>	<u>2020</u>
Electricity	\$ 10,364	\$ 6,424
Professional services	7,869	225
Accreditation	4,982	-
Work study salaries	3,281	795
Marketing	3,000	377
Salaries and wages	1,316	-
Travel	464	-
Software	213	-
Repairs and maintenance	144	-
Printing and copying	33	13
Graduation	(400)	-
Supplies	-	112
	<u>\$ 31,266</u>	<u>\$ 7,946</u>

NOTE J – 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, 2021 and 2020, the amount of the security deposit was \$685,256.

NOTE K – 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 \$148,406 was calculated based on the total cost of the lease over the total months of occupancy. Deferred rent for the years ended June 30, 2021 and 2020, was \$514,471 and \$509,329, respectively.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE K – NET ASSEST WITH DONOR RESTRICTIONS

The College’s restricted net assets are available for the following purposes at June 30,

	<u>2021</u>	<u>2020</u>
Human traffic and sexual abuse ministry	\$ <u>3,000</u>	\$ <u>-</u>

NOTE L – OPERATING LEASES AND CONTRACTS

Student Housing Contract

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.

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

Year Ending June 30,	Amount
2022	\$ 2,441,644
2023	3,276,855
2024	4,072,835
2025	4,285,424
	<u>\$ 14,076,758</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.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE L- OPERATING LEASES AND CONTRACTS – continued

Building Lease- continued

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 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.

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 area 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,

	<u>Building Lease</u>	<u>First Amendment</u>	<u>Total</u>
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
	<u>\$ 3,982,483</u>	<u>\$ 3,332,201</u>	<u>\$ 7,314,684</u>

Rent expense for the years ending June 30, 2021 and 2020 was \$1,572,622, and \$953,054, respectively.

Sattler College, Inc.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021 and 2020

NOTE L– OPERATING LEASES AND CONTRACTS – continued

Academic Volume License Agreement

On August 27, 2020, the College entered into a license agreement with Faithlife, LLC, where currently enrolled students and active academic faculty or staff members of the College are authorized users of the Faithlife products and/or services included in their custom library. The College purchased 250 licenses at a price of \$337 per license. An initial payment of \$25,275 was due upon signing of the agreement.

Estimated future net obligations under the College’s academic volume license agreement for the next three years are as follows:

Year ending June 30,	
2022	\$ 16,850
2023	16,850
2024	<u>16,850</u>
	<u>\$ 50,550</u>

NOTE M – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The College’s primary source of support and revenues was from contributions, tuition and fees, student housing and other programs for the year ended June 30, 2021.

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,

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 590,186	\$ 2,660,010
Less restricted cash and cash equivalents	3,000	-
Accounts receivable, net	<u>106,833</u>	<u>51,749</u>
	<u>\$ 694,019</u>	<u>\$ 2,711,759</u>

NOTE N - 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>
2022	\$ 2,400,000
2023	2,400,000
2024	2,400,000 adjusted for inflation
	<u>\$ 7,200,000</u>

NOTE O – 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, 2021 and 2020 was \$8,153 and \$2,852, respectively. David is a Board member at Sattler College and disclosed his relationship on a signed conflict of interest.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 29, 2022, which represents the date the financial statements were available to be issued.

The First Amendment to Housing Contract (“Amendment Effective Date” being January 1, 2022) was entered into on February 1, 2022 with American Dormitory Inc. This amendment amends the Housing Contract dated March 18, 2019. Total future minimum payments under the amended contract are \$4,732,296.

Subsequent events after that date have not been evaluated.