Financial Statements and
Report of Independent Certified Public Accountants

EMERSON COLLEGE

June 30, 2020 and 2019

EMERSON COLLEGE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Emerson College

We have audited the accompanying financial statements of Emerson College (the "College"), 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.

Auditor's 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 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 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 College'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 College'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.

Grant Thornton

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

Grant Thornton LLP

Boston, Massachusetts
November 12, 2020

EMERSON COLLEGE
Statements of Financial Position
As of June 30, 2020 and 2019
(Dollars in thousands)

	2020	2019
ASSETS		
Cash and short-term investments	$ 73,706	$ 69,438
Student, contributions, and other receivables, net (Note 4)	9,313	10,211
Loans receivable, net (Note 5)	1,669	2,054
Other assets	5,209	4,658
Funds held by bond trustee (Note 6)	63	19,255
Investments (Notes 6 and 7)	183,878	181,074
Land, buildings and equipment, net (Note 8)	773,972	763,427
Total assets	$ 1,047,810	$ 1,050,117
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 29,620	$ 35,632
Student deposits and deferred revenues (Note 9)	19,614	16,475
Tenant capital improvements liability (Note 2)	12,112	12,439
Bonds payable, net (Note 10)	533,719	542,098
Refundable advances - U.S. government grants (Note 5)	1,254	1,637
Total liabilities	596,319	608,281
Commitments (Notes 10 and 14)		
Net assets		
Without donor restrictions (Note 11)	406,303	398,710
With donor restrictions (Note 11)	45,188	43,126
Total net assets	451,491	441,836
Total liabilities and net assets	$ 1,047,810	$ 1,050,117

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

EMERSON COLLEGE
Statement of Activities
For the year ended June 30, 2020 with summarized totals for the year ended June 30, 2019
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating				
Revenues				
Tuition and fees, net (Note 2)	$ 163,967	$ -	$ 163,967	$ 152,181
Government grants and appropriations	2,426	-	2,426	2,745
Contributions	3,133	1,677	4,810	5,832
Investment income available for operations (Notes 6 and 7)	3,653	1,090	4,743	4,595
Other interest income	1,732	-	1,732	2,726
Other sources	3,049	-	3,049	3,282
Auxiliary enterprises	43,112	-	43,112	38,154
Total revenues	221,072	2,767	223,839	209,515
Net assets released from restrictions (Note 12)	2,020	(2,020)	-	-
Total revenues and other support	223,092	747	223,839	209,515
Expenses (Note 13)				
Educational and general				
Instruction	58,979	-	58,979	60,569
Academic support	26,967	-	26,967	24,103
Student services	28,822	-	28,822	25,496
Institutional support	42,159	-	42,159	40,870
Research	1,480	-	1,480	2,778
Auxiliary enterprises	60,001	-	60,001	55,334
Total expenses	218,408	-	218,408	209,150
Change in net assets from operating activities	4,684	747	5,431	365
Nonoperating				
Reinvested investment gain (Notes 6 and 7)	(16)	(3)	(19)	5,573
Perpetual restricted contributions	-	1,318	1,318	1,257
Other sources	321	-	321	345
Royalty revenue	2,604	-	2,604	2,604
Change in net assets from nonoperating activities	2,909	1,315	4,224	9,779
Change in net assets	7,593	2,062	9,655	10,144
Net assets, beginning of year	398,710	43,126	441,836	431,692
Net assets, end of year	$ 406,303	$ 45,188	$ 451,491	$ 441,836

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

EMERSON COLLEGE
Statement of Activities
For the year ended June 30, 2019
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Operating			
Revenues			
Tuition and fees, net (Note 2)	$ 152,181	$ -	$ 152,181
Government grants and appropriations	2,745	-	2,745
Contributions	2,734	3,098	5,832
Investment income available for operations (Notes 6 and 7)	3,623	972	4,595
Other interest income	2,726	-	2,726
Other sources	3,282	-	3,282
Auxiliary enterprises	38,154	-	38,154
Total revenues	205,445	4,070	209,515
Net assets released from restrictions (Note 12)	1,907	(1,907)	-
Total revenues and other support	207,352	2,163	209,515
Expenses (Note 13)			
Educational and general			
Instruction	60,569	-	60,569
Academic support	24,103	-	24,103
Student services	25,496	-	25,496
Institutional support	40,870	-	40,870
Research	2,778	-	2,778
Auxiliary enterprises	55,334	-	55,334
Total expenses	209,150	-	209,150
Change in net assets from operating activities	(1,798)	2,163	365
Nonoperating			
Reinvested investment gain (Notes 6 and 7)	4,384	1,189	5,573
Perpetual restricted contributions	-	1,257	1,257
Other sources	345	-	345
Royalty revenue	2,604	-	2,604
Change in net assets from nonoperating activities	7,333	2,446	9,779
Change in net assets	5,535	4,609	10,144
Net assets, beginning of year	393,175	38,517	431,692
Net assets, end of year	$ 398,710	$ 43,126	$ 441,836

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

EMERSON COLLEGE
Statements of Cash Flows
June 30, 2020 and 2019
(Dollars in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 9,655	$ 10,144
Adjustments to reconcile change in net assets to net cash and short-term investments provided by operations		
Depreciation and amortization	18,382	19,996
Contributions to permanently restricted net assets and building improvements	(488)	(1,018)
Net realized and unrealized gain on investments	(4,724)	(10,168)
Proceeds from sales of donated securities	715	356
Change in student accounts and contributions receivable reserve	69	(1,393)
Change in student, other and contributions receivable	829	(939)
Change in other assets	(551)	(14)
Change in accounts payable and accrued expenses	(6,012)	4,198
Change in student deposits and deferred revenue	3,139	153
Net cash and short-term investments provided by operating activities	21,014	21,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(14,906)	(35,424)
Sales and maturities of investments	16,128	36,319
Purchases of land, buildings and equipment	(30,840)	(122,586)
Loan payments received	385	361
Net cash and short-term investments used in investing activities	(29,233)	(121,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Use of funds held by bond trustee	19,192	113,822
Repayment of bonds payable	(6,810)	(11,510)
Repayment of refundable advances	(383)	-
Contributions to permanently restricted net assets and building improvements	488	1,018
Net cash and short-term investments provided by financing activities	12,487	103,330
Increase in cash and short-term investments	4,268	3,315
Cash and short-term investments at beginning of year	69,438	66,123
Cash and short-term investments at end of year	$ 73,706	$ 69,438
Supplemental disclosure:		
Interest paid	$ 25,062	$ 25,176
Noncash investment activity:		
Land, buildings and equipment costs in accounts payable at fiscal year end	$ 2,062	$ 7,403
Fair value of donated securities	$ 715	$ 356
Non-cash capital improvements paid by tenant	$ -	$ 12,753

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

1. ORGANIZATION

Emerson College (the "College") is a private not-for-profit college with approximately 3,800 undergraduate and 650 graduate students located in the Midtown Cultural District of Boston. Established in 1880 as a small, regional school of oratory, the College has evolved into a diverse, coeducational, and multifaceted degree-granting institution with a liberal arts orientation. The College is a four year degree granting institution in the United States devoted exclusively to communication and the performing arts. The College is organized into two schools, each of which offers both undergraduate and graduate degree programs: the School of the Arts and the School of Communication. The College has an increasingly diverse and international student population and maintains campuses in Los Angeles, California and Kasteel Well, The Netherlands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions

Net assets not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Within this categorization, undesignated net assets are net assets not subject to board or donor-imposed stipulations, which the College may use at its discretion.

Net Assets with Donor Restrictions

Net assets subject to donor imposed stipulations include assets to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. Also included are net assets whose use is restricted by state law or subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to these stipulations or that expire by the passage of time. Within this categorization, time or purpose restricted net assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the College and/or the passage of time. Also within this categorization, donors of perpetually restricted net assets permit the College to use all or part of the income earned, and realized and unrealized gains, if any, on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. 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 stipulations or law. Expirations of temporary restrictions on net assets, that is, when the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and investment earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as revenue without donor restrictions. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and are released to net assets without donor restrictions when the purpose and/or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year(s) in which the promise is expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

The College reports contributions of land, buildings, or equipment as operating revenue without donor restrictions unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as operating revenue without donor restrictions provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as contributions within net assets with donor restrictions until the assets are acquired and placed in service.

Dividends, interest and net gains on investments are reported as follows:

- As increases in net assets with donor restrictions if the terms of the contribution require that they be added to the corpus of an endowment fund restricted in perpetuity, or if the terms of the contribution or relevant state law impose restrictions on the current use of the income or net gains; or

- As increases in net assets without donor restrictions in all other cases.

The College releases the restrictions on net assets with donor restrictions upon incurrence of an expense when both net assets with and without donor restrictions are available for that purpose.

Operating and Nonoperating Activities

The statements of activities report the change in net assets without donor restrictions from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's academic programs or research conducted by the academic departments. Other sources of revenue includes rent revenue, underwriting income, and other income streams. Auxiliary enterprises includes room and board revenue, as well as revenue generated by theater activities. Income and gains on the College's investments over the amount appropriated under the College's spending plan, as discussed in Note 7, royalty revenues, and other revenue sources not driven by College functions described above are reported as nonoperating.

Expenses associated with the operation and maintenance of the College's land, buildings, and equipment, including interest and depreciation, are allocated on the basis of square footage utilized by functional categories. All other expenses are directly attributed to the respective functional category.

Tuition and Fees Revenue

For both the campus and online programs, tuition revenue is recognized in the reporting period in which the academic programs are delivered. Campus-based programs are delivered in the Fall (September to December) and Spring (January to May) academic terms, as well as two summer terms described below. Online courses are generally delivered in seven-week intervals, with instruction periods typically beginning in September, October, January, March, May and June.

Need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Scholarships awarded to students were $52,131 and $47,992 during the years ended June 30, 2020 and 2019, respectively. Payments for tuition are due approximately one month prior to the start of the campus or online session.

The College offers two summer terms: Summer Session 1, which starts mid-May and ends around June 30th, and Summer Session 2, which begins in July and ends in mid-August. Revenue for each is recognized ratably over the summer terms, with the unearned portion of tuition and fees recorded as deferred revenue at June 30th.

First-year students secure their enrollment and housing in the campus-based programs by paying nonrefundable deposits by May 1 for the following Fall academic term, though the deposit deadline for enrollment for Fall 2020 was moved to June 1. In limited circumstances, students can defer enrollment and housing by one or two semesters without forfeiting their deposit. The deposits are applied against the charges for the academic and residential programs. Enrollment and housing deposits for the past two years were $500.

Auxiliary Enterprises Revenue

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary services revenue includes activities for student housing, food service, and theater operations. Payments for housing and dining services are due approximately one month prior to the start of the academic term. Housing and dining plans are not offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

Cash and Short-Term Investments

For purposes of the statements of cash flows, the College generally considers investments with maturities at date of purchase of three months or less and certain short-term investments classified as Level 1 investments in the fair value hierarchy as defined in Note 6 with maturities greater than three months to be cash equivalents. Cash and short-term investments representing endowment assets are included in the Investments caption in the statement of financial position. All are stated at cost, which approximates fair value.

The College's banking activity, including cash and short-term investments, is maintained at multiple large financial institutions and exceeds federal insurance limits. It is the College's practice to monitor the banks' financial strength on an ongoing basis.

Investments

The College's investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted daily market prices.

The College also holds shares or units in nonmarketable securities including alternative investments. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information. Because of the inherent uncertainty of valuations for these investments, the estimate of fair values may differ from the values that would have been used had ready markets existed.

Land, Buildings, and Equipment

Constructed and purchased property and equipment are carried at cost. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives.

Student Deposits and Deferred Revenue

Student deposits, along with advance payments for tuition, room, and board related to the next semester, have been deferred and will be reported as revenue without donor restrictions as performance obligations are met.

Tenant Capital Improvements Liability

The tenant capital improvements liability represents the unamortized amount of capital improvement costs incurred by a lessee based on the terms of the contract. This liability is amortized based on the term of the lease in accordance with the contract.

Bond Premium/Discount and Debt Issuance Costs

Bond premium/discount and issuance costs, included in bonds payable, are amortized over the life of the associated bond issue.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The current economic environment increases the uncertainty in those estimates. Significant estimates recorded in these financial statements at June 30, 2020 and 2019 include the valuation of certain investments, reserves for student, other and contributions receivable, the determination of the useful lives of buildings and equipment, self-insured medical claims, and allocated costs to functional expense categories as discussed in Note 13.

For the fiscal year ended June 30, 2020, the College updated the duration of estimated useful lives of buildings. These assets, which were previously depreciated on a straight-line basis over 40 years, will be depreciated on a straight-line basis over 55 years. This reflects a prospective change in an accounting estimate and has been applied prospectively, effective July 1, 2019. Refer to Note 8 for further information regarding depreciation.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Fundraising

Expenses associated with fundraising activities of the College were $5,961 and $6,667 during the fiscal years ended June 30, 2020 and 2019, respectively, and are included in institutional support expense in the statements of activities.

Implementation of Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires that most leased assets be recognized on the statement of financial position as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. An entity is required to apply the amendments in the standard under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to be recognized on the statement of financial position as leased assets and liabilities for operating leases at each reporting date. The College is currently evaluating the impact of this standard on the financial statements.

Prior Period Revisions

For the year ended June 30, 2019, $4,150 of expenses previously classified as instruction expenses have been reclassified as institutional support expenses. The resulting totals for instruction and institutional support expenses are $60,569 and $40,870 for the year ended June 30, 2019, respectively.

(Dollars in thousands)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The College's financial assets available for use within one year of June 30 for general expenditure are as follows:

	2020	2019
Financial assets available within 12 months:		
Cash and short term investments	$ 73,706	$ 69,438
Student accounts receivable, net	5,155	2,247
Grants and other accounts receivable, net	948	3,643
Contributions receivable to be collected within one year, net	1,390	1,510
Loans receivable expected to be collected within one year, net	1,669	2,054
Board designated endowment funds	143,045	141,986
	225,913	220,878
Liquidity resources:		
Lines of credit	30,000	30,000
Financial assets and liquidity resources available at year end for current use	$ 255,913	$ 250,878

As part of the College'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. In addition, the College invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the College has committed lines of credit in the amount of $30,000, which it could draw upon. No funds have been drawn on these lines of credit as of June 30, 2020 and 2019, respectively. Although the College does not intend to spend from its board-designated endowment funds disclosed above other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment funds and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 6 for disclosures about investments). Refer to Note 7 for disclosures regarding the College's spending policy.

Impact of the COVID-19 Pandemic

On March 10, 2020, Commonwealth of Massachusetts governor Charlie Baker declared a state of emergency in response to the COVID-19 Coronavirus ("COVID-19") pandemic. As a result of the COVID-19 outbreak, the College closed its dormitories on March 20, 2020 and issued refunds and future statement credits to students on a prorated basis totaling $8,615. The College incurred other pandemic-related costs for cleaning, personal protective equipment, other campus readiness initiatives as well.

Also, as a result of the pandemic, the College was awarded $2,734 from the Higher Education Emergency Relief Fund ("HEERF"). Of this amount, $1,367 was awarded for emergency financial aid grants to students under the 18004(a)(1) Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Of the amount awarded, $521 of funds were provided to students in accordance with the grant during the year ended June 30, 2020. The additional $1,367 of funds were awarded as part of the CARES Act to support institutional expenditures and lost revenue resulting from the pandemic, of which $521 of funds were used for these purposes during the year ended June 30, 2020.

(Dollars in thousands)

4. STUDENT, CONTRIBUTIONS, AND OTHER RECEIVABLES

Accounts and contributions receivable consisted of the following as of June 30:

	2020	2019
Student accounts receivable	$ 8,249	$ 3,625
Less allowance for doubtful accounts	(3,094)	(1,378)
Student accounts receivable, net	5,155	2,247
Other accounts receivable		
Grants and other accounts receivable	948	3,643
Contributions receivable		
Unconditional promises expected to be collected in		
Less than one year	1,490	2,329
One to five years	1,986	3,337
Greater than five years	750	1,318
Less discount and allowance for uncollectible contributions	(1,016)	(2,663)
Contributions receivable, net	3,210	4,321
Student, other, and contributions receivable, net	$ 9,313	$ 10,211

Contributions receivable have been discounted at rates ranging from 0.18% to 0.66%.

5. LOANS RECEIVABLE AND REFUNDABLE ADVANCES

Loans receivable include funds advanced to the College by the U.S. government under the Federal Perkins Loan Program (the "Program"). Such funds are reloaned by the College after collection, but in the event that the College no longer participates in the Program, the amounts are generally refundable to the U.S. government. Loans receivable under the Program are subject to significant restrictions.

At June 30, the following amounts were past due under student loan programs:

June 30,	Current	1 - 365 days past due	365 days - 2 years past due	2 years - 5 years past due	Greater than 5 years	Total past due	Total outstanding, gross
2020	$ 1,276	$ 179	$ 127	$ 56	$ 156	$ 518	$ 1,794
2019	$ 1,700	$ 289	$ 23	$ 57	$ 139	$ 508	$ 2,208

(Dollars in thousands)

Student loans receivable consisted of the following as of June 30:

	2020	2019
Student loans receivable	$ 1,794	$ 2,208
Less allowance for doubtful accounts	(125)	(154)
Student loans receivable, net	$ 1,669	$ 2,054

6. INVESTMENTS AND FAIR VALUE

The overall financial objective of the College is to maintain the real value of the endowment in perpetuity through a diversified, volatility-managed portfolio, capable of supporting spending needs. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

In addition to traditional stocks and fixed-income securities, the College may also hold shares or units in alternative investment funds involving hedged strategies, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interests in alternative investment funds are generally reported at the net asset value ("NAV") reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the College had no plans or intentions to sell investments at amounts different from NAV.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - quoted prices in active markets for identical assets or liabilities that the College has the ability to access at measurement date;

Level 2 - inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities; and

Level 3 - inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions that are not observable in the market, and significant judgment in determining the fair value assigned to such assets or liabilities.

(Dollars in thousands)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the years ended June 30, 2020 and 2019, the College did not hold any Level 2 or Level 3 financial assets or liabilities.

The following tables summarize the College's investments by major category in the fair value hierarchy as of June 30:

	June 30, 2020				
	Level 1	Assets Valued at NAV	Total	Redemption Frequency	Days Notice
Long-term investment strategies					
Fixed income funds					
Domestic fixed income	$ 37,129	$ 9,560	$ 46,689	Daily/Monthly	1 - 30
Equity funds					
Domestic equity	43,888	-	43,888	Daily	1
International equity	27,529	10,944	38,473	Daily	1
Total	71,417	10,944	82,361		
Hedge equity funds of funds					
Multiple strategies	-	53,228	53,228	Daily/Monthly/ Qtrly/Annually	5 - 90
Cash and short-term investments	1,600	-	1,600	Daily	1
Total long-term investments	$ 110,146	$ 73,732	$ 183,878		
Other assets					
Funds held by bond trustee	$ 63	$ -	$ 63	Daily	1

(Dollars in thousands)

	June 30, 2019				
	Level 1	**Assets Valued at NAV**	**Total**	**Redemption Frequency**	**Days Notice**
Long-term investment strategies					
Fixed income funds					
Domestic fixed income	$ 40,066	$ 9,457	$ 49,523	Daily/Monthly	1 - 30
Equity funds					
Domestic equity	41,313	-	41,313	Daily	1
International equity	25,198	10,858	36,056	Daily	1
Total	66,511	10,858	77,369		
Hedge equity funds of funds					
Multiple strategies	-	50,680	50,680	Daily/Monthly/ Qtrly/Annually	5 - 90
Cash and short-term investments	3,502	-	3,502	Daily	1
Total long-term investments	$ 110,079	$ 70,995	$ 181,074		
Other assets					
Funds held by bond trustee	$ 19,255	$ -	$ 19,255	Daily	1

For years ended June 30, 2020 and 2019, the College had no unfunded investment commitments.

The following summarizes the total investment activity from all sources for the years ended June 30:

	2020	**2019**
Investment return (loss)		
Interest and dividends, net of fees	$ 5,600	$ 6,896
Net realized and unrealized gains (losses)	(876)	3,272
Total investment return	4,724	10,168
Long-term investment income available for operations	(4,743)	(4,595)
Investment return (loss) gain less amount available for operations	$ (19)	$ 5,573

7. ENDOWMENT

The College's endowment consists of approximately 150 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At its discretion, the Board of Trustees may designate certain institutional funds to be moved into the endowment with spending policy amounts for Board-specified purposes.

Relevant Law

Effective June 30, 2009, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was adopted by the Commonwealth of Massachusetts. Under UPMIFA, the governing board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and, 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be used on a temporary basis.

The College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively, these amounts are referred to as the historic dollar value of the fund.

(Dollars in thousands)

Endowment net asset composition, not including pledges, by type of fund consists of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 40,350	$ 40,350
Board-designated endowment funds	143,045	-	143,045
Underwater endowments	-	(99)	(99)
Total endowed net assets	$ 143,045	$ 40,251	$ 183,296

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, July 1, 2019	$ 141,986	$ 38,523	$ 180,509
Investment return			
Investment income, net	4,387	1,213	5,600
Net losses	(675)	(201)	(876)
Total investment return	3,712	1,012	4,724
Contributions	-	1,806	1,806
Transfers from operations	1,000	-	1,000
Appropriation of endowment earnings for expenditure	(3,653)	(1,090)	(4,743)
Endowment net assets, June 30, 2020	$ 143,045	$ 40,251	$ 183,296

(Dollars in thousands)

Endowment net asset composition, not including pledges, by type of fund consists of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 38,599	$ 38,599
Board-designated endowment funds	141,986	-	141,986
Underwater endowments	-	(76)	(76)
Total endowed net assets	$ 141,986	$ 38,523	$ 180,509

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ 137,302	$ 34,332	$ 171,634
Investment return			
Investment income, net	4,756	2,195	6,951
Net gains	2,551	747	3,298
Total investment return	7,307	2,942	10,249
Contributions	-	2,221	2,221
Transfers from operations	1,000	-	1,000
Appropriation of endowment earnings for expenditure	(3,623)	(972)	(4,595)
Endowment net assets, June 30, 2019	$ 141,986	$ 38,523	$ 180,509

Return Objectives and Risk Parameters

The College 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 College must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board and the Finance Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk, reduce portfolio risk through asset allocation and diversification, and outperform each of the capital markets in which assets are invested, measured over five years or a complete market cycle, whichever is longer.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College 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 Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board and the Investment Committee have the broadest flexibility as to the selection of investments for the endowment fund.

The College targets a diversified asset allocation that places emphasis on investments in equities and fixed income securities that conform to the College's ethical and social justice guidelines. The asset allocation on a fully invested target is 35% domestic equity, 15% developed international equity, 5% emerging markets equity, 20% alternative investments, 5% credit, 5% inflation hedging, and 15% fixed income and cash. The Finance Committee formally reviews the policy portfolio's asset allocation at least once a year for possible rebalancing.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the College's investment spending policy applicable for the year ended June 30, 2020, which is within the guidelines specified under state law, the College generally spends up to 3% of the average market value of the qualifying endowment investment pool at the end of the previous five calendar years. The Board of Trustees may authorize higher amounts for certain endowments and can increase the spending rate up to 5%. The total amount spent was $4,743 and $4,595 June 30, 2020 and 2019, respectively.

In establishing these policies, the College considered the intent of the donor restricted endowment, the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return or other additions.

(Dollars in thousands)

8. LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of the College's land, buildings, and equipment as of June 30:

	Estimated Useful Lives	2020	2019
Land	N/A	$ 76,843	$ 76,843
Buildings, including improvements	7 - 55	914,910	701,476
Furnishings and equipment	3 - 10	34,158	30,141
Construction in progress	N/A	11,397	198,099
		1,037,308	1,006,559
Less accumulated depreciation		(263,336)	(243,132)
Land, buildings, and equipment, net		$ 773,972	$ 763,427

Depreciation expense was $20,295 and $22,005 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the College capitalized interest of $1,251 and $8,401, respectively.

In August 2019, the College placed the newly renovated Little Building dormitory located at the corner of Boylston and Tremont Streets in Boston, MA into service. The facility will provide housing for approximately 1,020 students.

9. DEFERRED REVENUES

As outlined in Note 2, the activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table:

	Tuition and Deposits	Sponsored Research	Auxiliary and Other	Total
Balance at June 30, 2018	$ 6,736	$ 2,081	$ 7,505	$ 16,322
Revenue recognized	(6,736)	(1,313)	(2,952)	(11,001)
Payments received for future performance obligations	7,955	200	2,999	11,154
Balance at June 30, 2019	7,955	968	7,552	16,475
Revenue recognized	(7,955)	(968)	(2,706)	(11,629)
Payments received for future performance obligations	10,602	451	3,715	14,768
Balance at June 30, 2020	$ 10,602	$ 451	$ 8,561	$ 19,614

(Dollars in thousands)

10. BONDS PAYABLE

Bonds payable consisted of the following as of June 30:

Creditor/Issue	Security/ Collateral	Interest Rate(s)	2020	2019
California Municipal Finance Authority, Higher Education Revenue Bonds, Emerson College issue Series 2011, due through January 1, 2042	General obligation	5.00% - 6.00%	1,685	1,685
Massachusetts Development Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College issue Series 2015, due through January 1, 2045	General obligation	5.00%	125,165	129,145
Massachusetts Development Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College issue Series 2016A, due through January 1, 2047	General obligation	5.00% - 5.25%	194,080	194,080
Massachusetts Development Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College issue Series 2016B, due through January 1, 2021	General obligation	2.96%-3.54%	2,925	5,755
Massachusetts Development Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College issue Series 2017A, due through January 1, 2040	General obligation	5.00%	96,520	96,520
California Municipal Finance Authority, Higher Education Revenue Bonds, Emerson College issue Series 2017B, due through January 1, 2042	General obligation	5.00%	52,915	52,915
Massachusetts Development Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College issue Series 2018, due through January 1, 2040	General obligation	5.00%	21,865	21,865
			495,155	501,965
Bond premium, discount, and issuance costs, net			38,564	40,133
			$ 533,719	$ 542,098

Scheduled maturities for years ending June 30 are as follows:

2021	$ 7,105
2022	7,325
2023	7,690
2024	11,040
2025	11,700
Thereafter	450,295
	$ 495,155

(Dollars in thousands)

The College's bond agreements contain a covenant requiring the maintenance of a specific liquidity ratio. The College was in compliance with this covenant as of June 30, 2020 and 2019.

At June 30, 2020 and 2019, the College had two available lines of credit in the amounts of $15,000 each for a total of $30,000. At June 30, 2020 and 2019, there were no outstanding balances on these facilities. All lines of credit are unsecured with variable interest rates.

11. NET ASSETS

Net assets without donor restrictions consisted of the following as of June 30:

	2020	2019
Board-designated endowment funds	$ 143,045	$ 141,986
Net investment in plant	240,316	240,584
Undesignated	22,942	16,140
Total net assets without donor restriction	$ 406,303	$ 398,710

Net assets with donor restrictions consisted of the following as of June 30, 2020:

	Time or Purpose Restricted	Perpetually Restricted	Total
Contributions receivable	$ 712	$ 2,485	$ 3,197
Purpose restrictions			
Instruction	708	5,848	6,556
Academic support	719	1,529	2,248
Student aid	1,758	15,556	17,314
General institutional and other	3,731	6,702	10,433
Unappropriated investment gains	5,440	-	5,440
	$ 13,068	$ 32,120	$ 45,188

(Dollars in thousands)

Net assets with donor restrictions consisted of the following as of June 30, 2019:

	Time or Purpose Restricted	Perpetually Restricted	Total
Contributions receivable	$ 1,355	$ 2,973	$ 4,328
Purpose restrictions			
Instruction	540	5,794	6,334
Academic support	2,063	1,707	3,770
Student aid	1,638	13,678	15,316
General institutional and other	1,115	6,748	7,863
Unappropriated investment gains	5,515	-	5,515
	$ 12,226	$ 30,900	$ 43,126

12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors including amounts appropriated in accordance with the College's spending policy were as follows for the year ended June 30:

	2020	2019
Time and purpose restrictions		
Student aid	$ 581	$ 703
Instruction	225	315
Academic support	112	409
Other	1,102	480
	$ 2,020	$ 1,907

13. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

Expenses are presented by functional classification on the Statement of Activities. Each functional classification includes all expenses related to the underlying operations by natural classification. The costs of operations and maintenance of plant, depreciation, and interest expense have been allocated across the functional expense categories based on percentage of square footage to reflect the full cost of those activities. All other expenses are directly attributed to the respective functional category.

(Dollars in thousands)

The following summarizes the allocation of functional expenses as of June 30, 2020:

	Instruction	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Operations and Maintenance of Plant	Total
Compensation	$ 35,558	$ 12,329	$ 12,300	$ 18,453	$ 411	$ 4,356	$ 2,381	$ 85,788
Fringe benefits	9,812	3,402	3,394	5,092	113	1,202	657	23,672
Supplies, travel, services, and other costs	4,114	5,751	8,672	16,008	956	15,119	15,994	66,614
Operations and maintenance of plant	2,945	1,701	1,382	808	-	12,196	(19,032)	-
Depreciation	3,140	1,814	1,474	862	-	13,005	-	20,295
Interest	3,410	1,970	1,600	936	-	14,123	-	22,039
	$ 58,979	$ 26,967	$ 28,822	$ 42,159	$ 1,480	$ 60,001	$ -	$ 218,408

The following summarizes the allocation of functional expenses as of June 30, 2019:

	Instruction	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Operations and Maintenance of Plant	Total
Compensation	$ 35,424	$ 11,183	$ 11,705	$ 17,848	$ 721	$ 4,484	$ 2,482	$ 83,847
Fringe benefits	9,541	2,990	3,129	4,701	193	1,199	664	22,417
Supplies, travel, services, and other costs	5,594	5,317	8,604	14,948	1,864	13,932	16,885	67,144
Operations and maintenance of plant	3,593	1,655	739	1,224	-	12,820	(20,031)	-
Depreciation	3,951	1,821	812	1,323	-	14,098	-	22,005
Interest	2,466	1,137	507	826	-	8,801	-	13,737
	$ 60,569	$ 24,103	$ 25,496	$ 40,870	$ 2,778	$ 55,334	$ -	$ 209,150

Expenses are categorized on a functional expense basis as follows:

Instruction activities include expenses for all activities that are part of the College's instructional program such as expenses for academic, vocational, and technical instruction; remedial and tutorial instruction; regular, special, and extension sessions.

Academic support activities include administrative support services specifically dedicated to the College's academic mission.

Student services are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This category also includes expenses incurred for offices of admissions, student financial services, the registrar, and athletics.

Institutional support activities includes centralized expenses incurred to provide support services for the College's primary mission and program functions. This category includes the College's fundraising activities as well as executive management, fiscal operations, general administration and central technology.

Research includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the College or separately budgeted by an organizational unit within the College.

(Dollars in thousands)

Auxiliary enterprises include all expenses relating to the operation of the College's auxiliary activities such as housing, food service, theater operations, and so forth.

Operations and maintenance of plant expenses include utilities, maintenance, and other expenses incurred by the College to maintain the buildings and physical space around campus. These costs are allocated to the other functional expense classifications based on the percentage of square footage used.

14. OPERATING LEASE OBLIGATIONS

The College has entered into a number of operating leases, primarily for office space. Total lease expense for the years ended June 30, 2020 and 2019 amounted to $3,381 and $4,108, respectively. The College's future lease obligations as of June 30, 2020 are as follows:

Fiscal year:	
2021	$ 3,021
2022	1,861
2023	1,728
2024	1,729
2025	1,679
Thereafter	14,875
Total	$ 24,893

15. RETIREMENT PLAN

For the year ended June 30, 2020, the College had contributory retirement plans with Transamerica Corporation which covers all full-time employees. The College makes regular contributions to these plans which are immediately vested for the benefit of the participants. The College's contributions under these plans were $4,978 and $5,048 for the years ended June 30, 2020 and 2019, respectively.

16. SUBSEQUENT EVENTS

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2020 and through November 12, 2020, the date on which the financial statements were issued.

On July 23, 2020, Emerson College completed a business acquisition of Marlboro College, located in Marlboro, Vermont. As part of the acquisition, Emerson College invited existing Marlboro College students and faculty to join the Emerson community to continue their coursework and teaching. To fund the cost of the additional students and faculty, Emerson also received $21,494 of investment assets and $469 of pooled income funds, of which a portion will be paid to annuitants as outlined in previously executed agreements.

The College continues to monitor the impact of the COVID-19 pandemic. The pandemic could continue to materially affect the College's ability to conduct its operations and generate certain revenue streams including from enrollment, campus housing, international activities, and other operating activities. The full extent of the impact of the COVID-19 pandemic on the College will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations.