TOURO COLLEGE AND RELATED ENTITIES

Consolidated Financial Statements and Supplementary
Information on Expenditures of Federal Awards Programs

June 30, 2020

(With Independent Auditors' Report and
Reports on Internal Control and Compliance Thereon)

TOURO COLLEGE AND RELATED ENTITIES

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Touro College:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Touro College and related entities as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 (w) to the consolidated financial statements, the College adopted Accounting Standards Update (ASU) 2016-02, *(Topic 842): Leases*, on a modified retrospective basis and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, on a retrospective basis. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020 on our consideration of Touro College and related entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Touro College and related entities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Touro College and related entities' internal control over financial reporting and compliance.

KPMG LLP

October 28, 2020

TOURO COLLEGE AND RELATED ENTITIES

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(Dollars in thousands)

Assets		**2020**	**2019**
Cash and cash equivalents	$	38,905	26,173
Receivables (note 4):			
Student tuition and fees, net		25,929	16,280
Student loans, net		9,425	10,421
Other, net		40,427	41,595
Investments (note 5)		159,234	146,970
Property and equipment, net (note 10)		556,901	563,671
Right-of-use assets (note 9)		62,772	—
Deposits with bond trustee (notes 6 and 11)		30,455	33,472
Other assets (note 12)		32,393	28,626
Beneficial interest in perpetual trusts (note 6)		12,094	12,368
Total assets	$	968,535	879,576
Liabilities and Net Assets			
Liabilities:			
Accounts and accrued expenses payable	$	46,157	43,339
Accrued payroll and related benefits payable (note 17)		48,053	40,288
Deferred revenue		75,500	63,441
Lines of credit and short-term debt (note 13)		16,000	17,663
Long-term debt, net (note 14)		291,603	296,568
Operating lease liabilities (note 9)		65,542	—
Refundable federal student loans		2,109	6,292
Other liabilities (note 15)		6,883	7,008
Total liabilities		551,847	474,599
Commitments and contingencies (notes 13, 14, 16, 17, and 20)			
Net assets (notes 7 and 8):			
Without donor restrictions		334,218	321,015
With donor restrictions		82,470	83,962
Total net assets		416,688	404,977
Total liabilities and net assets	$	968,535	879,576

See accompanying notes to consolidated financial statements.

TOURO COLLEGE AND RELATED ENTITIES

Consolidated Statements of Activities

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Operating revenue:						
Tuition and fees, net of scholarships and grants ($47,016 and $47,334 in 2020 and 2019, respectively)	$ 451,828	—	451,828	426,758	—	426,758
Affiliation contracts and faculty practice	15,310	—	15,310	17,617	—	17,617
Government grants for research and sponsored projects	35,277	—	35,277	32,238	—	32,238
Contributions and private grants	10,026	3,652	13,678	12,147	4,996	17,143
Investment return (loss)	7,765	(476)	7,289	6,628	316	6,944
Auxiliary enterprises	15,054	—	15,054	16,207	—	16,207
Other	7,488	244	7,732	7,368	—	7,368
Net assets released from restrictions	3,603	(3,603)	—	1,126	(1,126)	—
Total operating revenue	546,351	(183)	546,168	520,089	4,186	524,275
Operating expenses (note 18):						
Instruction and research	258,120	—	258,120	250,174	—	250,174
Academic support	90,379	—	90,379	87,036	—	87,036
Affiliation contracts and faculty practice	14,555	—	14,555	16,548	—	16,548
Student services	57,195	—	57,195	51,507	—	51,507
Auxiliary enterprises	16,401	—	16,401	15,234	—	15,234
Institutional support	93,904	—	93,904	93,238	—	93,238
Total operating expenses	530,554	—	530,554	513,737	—	513,737
Change in net assets from operating activities	15,797	(183)	15,614	6,352	4,186	10,538
Nonoperating activities:						
Acquisition of Imaging School	—	—	—	4,235	—	4,235
Postretirement-related changes other than net periodic benefit cost (note 17)	1,362	—	1,362	379	—	379
Net periodic benefit cost other than service cost (note 17)	(205)	—	(205)	(143)	—	(143)
Investment return (less than) in excess of amounts appropriated for operations	(3,297)	(1,035)	(4,332)	1,266	(274)	992
Change in fair value of interest rate swaps (note 14)	(454)	—	(454)	(550)	—	(550)
Change in fair value of beneficial interest in perpetual trusts (note 6)	—	(274)	(274)	—	(73)	(73)
Other	—	—	—	(4,790)	—	(4,790)
Change in net assets	13,203	(1,492)	11,711	6,749	3,839	10,588
Net assets, beginning of year	321,015	83,962	404,977	314,266	80,123	394,389
Net assets, end of year	$ 334,218	82,470	416,688	321,015	83,962	404,977

See accompanying notes to consolidated financial statements.

TOURO COLLEGE AND RELATED ENTITIES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	11,711	10,588
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		31,467	29,445
Amortization of deferred financing costs		350	236
Amortization of bond premium, net		(476)	(498)
Postretirement-related changes other than net periodic benefit cost		(1,362)	(379)
Accretion of imputed interest		77	97
Permanently restricted contributions		(473)	(3,183)
(Gain) loss on disposal/sale of assets held for sale		(46)	205
Change in fair value of beneficial interest in perpetual trusts		274	73
Net change in fair value of investments		789	(3,076)
Change in fair value of interest rate swaps		454	550
Net impact on operating leases		2,770	—
Changes in operating assets and liabilities:			
Student receivable, net		(9,649)	3,255
Other receivables		1,173	(50)
Other assets		(4,602)	(2,408)
Accounts and accrued expenses payable		2,821	(18,646)
Accrued payroll and related benefits payable		9,127	365
Deferred revenue		12,059	4,944
Other liabilities		(125)	117
Net cash provided by operating activities		56,339	21,635
Cash flows from investing activities:			
Purchases of property and equipment		(20,487)	(41,025)
Change in construction funds with bond trustee		304	5,125
Change in accounts payable for capital		(3)	135
Additions to assets held for sale		(404)	(1,352)
Proceeds from sale of property, equipment, and assets held for sale		1,344	1,479
Disbursement of student loans		(743)	(1,172)
Collection of student loans		2,060	3,089
Sales of investments		55,007	53,762
Purchases of investments		(66,800)	(60,490)
Net cash used in investing activities		(29,722)	(40,449)
Cash flows from financing activities:			
Lines of credit and short-term debt, net		(1,663)	(1,222)
Proceeds from long-term debt		1,581	3,379
Repayment of long-term debt		(11,517)	(11,346)
Change in deposits with bond trustee		493	1,873
Permanently restricted contributions		473	3,183
Repayment of refundable federal student loans		(4,183)	(1,161)
Deferred financing costs incurred		—	(50)
Net cash used in financing activities		(14,816)	(5,344)
Net change in cash and cash equivalents		11,801	(24,158)
Cash, cash equivalents, and restricted cash at beginning of year		44,831	68,989
Cash, cash equivalents, and restricted cash at end of year	$	56,632	44,831
Reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown above:			
Cash and cash equivalents	$	38,905	26,173
Restricted cash included in investments		2,095	835
Restricted cash included in deposits with bond trustees		15,290	17,509
Restricted cash included in other assets		342	314
Total cash, cash equivalents, and restricted cash shown above	$	56,632	44,831
Supplemental disclosures:			
Interest paid	$	14,268	14,680
Furniture, equipment, and computer software acquired under finance leases		4,564	1,174

See accompanying notes to consolidated financial statements.

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(1) Description of the Organization

Touro College (Touro), established in 1970, is primarily located in the New York City Metropolitan area, and has undergraduate programs offering bachelor and associate degrees, graduate programs offering master's and doctoral degrees, and professional schools, including a Law School, a School of Health Sciences, a College of Osteopathic Medicine, a School of Pharmacy, and a College of Dental Medicine. Touro operates the following entities:

- Touro University, a California corporation (TU), which has two operating divisions: Touro University California (TUC) and Touro University Worldwide (TUW). TUC includes a College of Osteopathic Medicine, a College of Pharmacy, and a College of Education and Health Sciences. TUW operates a distance-learning school offering associate, bachelor, master's and doctoral degrees, and, through Touro College Los Angeles (TCLA), offers bachelor degrees in business management and administration, and psychology.
- Touro University Nevada, a Nevada corporation (TUN), established as a branch campus of TUC, which includes a College of Osteopathic Medicine and a College of Health and Human Services offering various programs in the health professions and education.
- New York Medical College, a New York Corporation (NYMC), which includes a School of Medicine that confers the MD degree, and a Graduate School of Basic Medical Sciences and a School of Health Sciences and Practice, that offer master's and doctoral degrees.
- Hebrew Theological College, an Illinois corporation (HTC) that operates a college offering bachelor degrees and a high school.
- Other related entities, including various foundations, yeshivas, and special-purpose entities.

Touro and its related entities are hereinafter collectively referred to as the College.

Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may affect results of operations and financial condition, including, among other things, (i) the ability of the College to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investment valuations and interest rates.

Commencing March 9, 2020, most course instruction was conducted virtually and while most undergraduate students vacated student housing, students continued to meet their academic requirements for the remainder of the 2019-20 academic year. During the 2019-20 academic year, funding from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) provided students with approximately $4.5 million of direct emergency aid and offset approximately $1.4 million of refunds for housing and food plans and incremental costs related to changes in instruction resulting from the coronavirus. For the start of the 2020-21 academic year instruction will be a combination of in-person and virtual learning with some faculty and staff working on-campus to ensure continuity of essential operations. Given the uncertainty over the progression of the virus and governmental emergency directives, there is no timetable for when

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

instruction and campus operations will return to normal. Approximately $4.3 million of additional CARES Act funding (approximately $3.4 million included in cash and deferred income at June 30, 2020 and approximately $0.9 million available to be drawn from the US Department of Education) is available to offset incremental institutional expenditures during the 2020-21 academic year. In addition, two affiliated entities received loans under the Paycheck Protection Program totaling approximately $1.6 million.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the College cannot be quantified at this time, we do not anticipate that the pandemic will have a material adverse effect on the current and future financial profile and operating performance of the College. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the College community and promote the continuity of its academic mission.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The accompanying consolidated financial statements of the College have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the College classifies net assets into two categories:

- Net assets without donor restrictions are free from donor-imposed restrictions. Certain net assets classified as without donor restrictions are board-designated for specific or general purposes or uses by the College.
- Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time. These net assets relate to donor-restricted endowments, unconditional pledges, and interests in perpetual trusts held by others. Generally, the donor-imposed restrictions of these assets permit the College to use all or part of the income earned on related investments only for certain general or specific purposes.

Revenues and gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Contributions and investment return subject to donor-imposed restrictions that are met in the same reporting-period as received are reported as net assets without donor restrictions. Expiration of restrictions on prior year net assets with donor restrictions are reported as net assets released from restrictions.

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(b) Basis of Consolidation

The consolidated financial statements include the accounts and activities of Touro, TU, TUN, NYMC, HTC, Yeshiva Operations (Yeshivas Ohr Hachaim (YOC) and Rabbi Dov Revel Yeshiva of Forest Hills, Inc. (Dov Revel)), special-purpose entities, and supporting foundations. All transactions between the entities have been eliminated in the consolidated financial statements.

(c) Cash and Cash Equivalents

The College considers all highly liquid instruments with original maturities of three months or less, to be cash equivalents, except those cash equivalents held for investment as part of the College's long-term investment strategy.

(d) Student Tuition and Fees

Tuition and fees and scholarships are recognized over the respective academic term. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Deferred revenue is typically recognized as revenue in the subsequent fiscal year. Receivable balances are reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is management's best estimate of the probable loss based on historical collection experience. Management regularly assesses the collectability of student tuition and fees receivable. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Revisions in the allowance for doubtful accounts estimate are recorded as adjustments to the provision for bad debts, which is included in tuition and fees.

Collection of a significant portion of tuition and fees is reliant on government-sponsored student financial assistance programs.

(e) Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs. The College's student loans receivable represents the amounts due from current and former students under the Federal Perkins, Primary Care, and College-sponsored loan programs. Loans disbursed under the Federal Perkins and Primary Care loan programs are able to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including consideration of economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, the aging of loans, loan default rate, and, where applicable, the existence of any guarantees or indemnifications. The amount of the allowance is adjusted based on the results of management's analysis.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(f) Refundable Federal Student Loans

Funds provided by the federal government under federal loan programs are loaned to qualified students. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying consolidated statements of financial position.

In 2016, NYMC entered into a repayment agreement with the Department of Health and Human Services in regards to repaying the Federal Capital Contribution PCL-Allopathic Medicine program. NYMC makes monthly payments of $92. The total amount outstanding is $1,242 and $2,346 as of June 30, 2020 and 2019, respectively.

(g) Pledges Receivable

Unconditional promises to give (pledges) are recorded as revenue at fair value in the period pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor’s payment plan. Amortization of the discount is recorded as additional contribution revenue. Conditional pledges and pledges subject to a substantial risk of forfeiture are not recorded until the conditions are substantially met or the risks eliminated.

(h) Operating Measure

The operating activities of the College (change in net assets from operating activities) in the consolidated statements of activities include all revenue and expenses related to carrying out its mission of education, research, and patient service. The operating measure includes amounts related to the spending rate policy and any additional budgeted investment returns on endowment funds to protect the inflation-adjusted value of the endowment and all other non-endowment investment returns. The operating activities exclude investment return (less than) greater than the spending rate, postretirement-related changes other than net periodic benefit cost, change in fair value of beneficial interest in perpetual trusts, change in fair value of interest rate swaps, and other nonrecurring items.

(i) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset value for alternative investments in funds similar to mutual funds. Alternative investments, including equity and fixed income funds, which are not deemed to have a readily determinable value, are reported at estimated fair value based on, as a practical expedient, net asset values provided by investment managers. These values are reviewed and evaluated by the College’s management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed.

Purchases and sales are reflected on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected on the consolidated statements of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Investments are exposed to various risks, such as interest rate, market, credit, and other risks. Due to such risks and the level of uncertainty related to changes in the value of investment securities, it is at

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

least possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

(j) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The College employs the three-tiered fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 inputs are quoted prices or published net asset values (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

(k) Beneficial Interest in Perpetual Trusts

The College is the recipient of beneficial interests whereby donors have established and funded perpetual trusts administered and held by financial institutions. The College is entitled to the income earned on the trust assets in perpetuity; therefore, they are recorded as net assets with donor restrictions. The College has no control over investment decisions regarding these assets. The beneficial interest in perpetual trusts is categorized as Level 3 in the fair value hierarchy as the College does not have the ability to redeem its investment with the investee at net asset value per share (or its equivalent). The fair value of the assets of perpetual trusts is based upon quoted market prices at year-end. As of June 30, 2020 and 2019, the fair value of the perpetual trusts is $12,094 and $12,368, respectively.

(l) Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value as of the date of receipt from a donor. Additions and improvements or betterments having a useful life of more than one year are capitalized. Repairs and maintenance items are expensed when incurred. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reported on the consolidated statements of activities.

Depreciation and amortization is provided on a straight line basis over the estimated useful lives, or the terms of the lease for the applicable plant assets, if shorter, as follows: buildings and building improvements, 25–43 years; library holdings, 10–40 years; furniture, equipment, and computer software, 3–20 years; leasehold improvements, 3–30 years; and interest in leased properties, 20–30 years.

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(m) Long-Lived Assets

Long-lived assets and identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The College measures the recoverability of assets to be held and used by a comparison of the carrying amount of the assets to the expected net future cash flows to be generated by the asset, or, for identifiable intangible assets with finite useful lives, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2020 and 2019.

(n) Interest Rate Swap Agreements

The College utilizes interest rate swaps in a limited manner outside of its investment portfolio to manage interest rate risk associated with certain of its variable rate long-term debt (note 14(b)). These interest rate swap agreements are reported at fair value based on valuations provided by a third-party, based on prevailing interest rates for swaps of the same maturity. Any gains or losses from changes in the fair value of these instruments are recognized in nonoperating activities.

(o) Operating Lease Accounting

The College determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease, the College determines if it is an operating lease or a finance lease. Subsequently, if the arrangement is modified, the College reevaluates the classification. For operating leases, at lease commencement, the College records a right-of-use (ROU) asset and corresponding lease liability. ROU assets represent the College’s right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability. Lease liabilities represent the present value of the future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the College’s incremental borrowing rate at lease inception. Over the lease term, the College uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized into expenses in a manner that results in a straight-line expense recognition in the consolidated statement of activities. A ROU asset and lease liability is not recognized for leases with an initial term of 12 months or less and the College recognizes lease expense for these leases on a straight-line basis over the lease term.

Rent abatements and incentives in the initial years of certain leases give rise to deferred rent reflecting the cumulative excess of rental expense on a straight-line basis over cash payments.

(p) Affiliation Contracts and Faculty Practice

Revenues and expenses from affiliation contracts primarily reflect the contractual relationship with Westchester Medical Center (WMC) for the provision of salaries and fringe benefits and allowable overhead for physicians providing services under the arrangement. For the years ended June 30, 2020 and 2019, revenue from WMC totaled $11,359 and $13,227, respectively. Additionally, faculty practice revenue totaled $1,934 and $2,356 for the years ended June 30, 2020 and 2019, respectively.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(q) Intangible Assets

Intangible assets, which are included in other assets on the consolidated statements of financial position, consist primarily of the trade name and accreditation status recognized at the time of acquisition of NYMC, HTC, and Harlem Hospital Center's School of Radiologic Technology. The intangible asset is indefinite-lived and is evaluated for impairment on an annual basis. In September 2018, Touro acquired Harlem Hospital Center's School of Radiologic Technology, and as part of that acquisition, recorded $4,235 in intangible assets.

(r) Grants and Contributions

The College receives grants and contributions from a number of sources, including the federal and state governments, private foundations, and individuals. Each contract or gift instrument is evaluated as to whether the transaction qualifies as an exchange transaction or a contribution. Government grants are generally considered conditional contributions. The College has adopted a policy of simultaneous release of the net assets, and related income is included in government grants for research and sponsored projects in the consolidated statements of activities. Grants and contributions that are treated as exchange transactions are generally reported in net assets without donor restrictions when expenses are incurred in accordance with contractual terms. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified in deferred revenue on the consolidated statements of financial position.

A contribution, gift or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Outstanding amounts related to conditional federal grants as of June 30, 2020 and 2019 were approximately $25,679 and $25,874, respectively.

Receipts qualifying as contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional.

(s) Fundraising and Advertising

Institutional support include total fundraising costs of $4,124 and $3,274 for the years ended June 30, 2020 and 2019, respectively. Fundraising activities of the College include salaries and employee benefits of program staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising and advertising costs are expensed as incurred. Advertising costs, primarily for recruitment of students, were $7,202 and $6,921 in 2020 and 2019, respectively.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(t) Income Tax Status

Touro, and its related operating entities qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code as public charities and are exempt from federal, state, and local income taxes on related income. Each of the College's exempt entities files the Return of Organization Exempt from Income Tax (Form 990), except for YOC, Dov Revel, and HTC, which are exempt from such filing.

(u) Accounting for Uncertainty in Income Taxes

The College subscribes to a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2020 and 2019, the College does not have any uncertain tax positions or any significant unrelated business income tax liability, which would have a material impact upon its consolidated financial statements.

(v) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are the calculation of deferred tuition revenue, the allowance for doubtful accounts, valuation of investments and interest rate swaps, postretirement benefit obligations, and allocation of expenses to functional categories. Actual results may differ from those estimates.

(w) New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the consolidated statements of financial position and also requires expanded qualitative and quantitative disclosures. The College adopted ASU 2016-02 on a modified retrospective basis, effective July 1, 2019. The College's ROU assets and lease liabilities for operating leases at adoption were $77,337 and $80,495, respectively.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires entities to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the consolidated statements of cash flows. The College applied the amendments in this ASU using a retrospective transition method. On the consolidated statements of cash flows, cash, cash equivalents, and restricted cash at July 1, 2018 was restated from $48,430 to $68,989.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires the service cost component of net periodic benefit cost for pension and other postretirement benefits to be presented in operating expenses (together with other employee compensation costs) and included as a component part of employee benefit expense in the consolidated statements of activities. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without donor restrictions. ASU

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

2017-07 is effective for the College for fiscal 2020. The provisions of this ASU did not have a significant effect on the consolidated financial statements.

(x) Reclassification

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

(3) Liquidity

The College's financial assets available within one year of June 30 for general expenditures, including operating expenses, principal and interest on debt, and capital expenditures not financed with debt, are as follows:

		2020	2019
Total assets	$	968,535	879,576
Less:			
Endowment funds		(96,418)	(96,124)
Beneficial interest in perpetual trusts		(12,094)	(12,368)
Property and equipment, net		(556,901)	(563,671)
Right of use assets		(62,772)	—
Student loans receivable		(7,742)	(7,091)
Receivables and other assets		(41,125)	(40,986)
Deposits with bond trustee		(23,932)	(25,591)
Investments collateralized for existing and available debt		(44,655)	(40,079)
Total financial assets available within one year		122,896	93,666
Unused lines of credit (note 13)		30,000	23,337
Letter of credit cancelled July 1, 2020		4,000	—
Investment return appropriated for spending in the following year		5,259	4,412
Total financial assets and other resources available within one year	$	162,155	121,415

The College manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. In addition to these available financial assets a significant portion of the College's annual expenditures will be funded by current year operating revenues including tuition a substantial portion of which is collected at the beginning of each semester, grant, and other income. Pursuant to a provision of the CARES Act, the College has deferred $3,849 through June 30, 2020 representing its employer portion of FICA taxes since March 28, 2020 and expects to continue to defer such taxes through December 31, 2020. Additionally, the College has board-designated endowments of $65,031 and $70,388 as of June 30, 2020 and 2019, respectively. Although the College does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment funds could be made available if necessary, unless otherwise collateralized for debt.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(4) Receivables

Receivables at June 30 consist of the following:

		2020		
		Receivable	Allowance for doubtful accounts	Net receivable
Student tuition and fees	$	30,142	(4,213)	25,929
Student loans		9,898	(473)	9,425
Other:				
Government and other grants	$	16,572	—	16,572
Affiliation contracts		412	(35)	377
Faculty practice plans		1,437	(262)	1,175
Pledges and bequests		10,336	(663)	9,673
Miscellaneous		13,768	(1,138)	12,630
Total other	$	42,525	(2,098)	40,427

		2019		
		Receivable	Allowance for doubtful accounts	Net receivable
Student tuition and fees	$	18,850	(2,570)	16,280
Student loans		11,218	(797)	10,421
Other:				
Government and other grants	$	14,325	—	14,325
Affiliation contracts		1,104	(100)	1,004
Faculty practice plans		853	(153)	700
Pledges and bequests		9,970	(163)	9,807
Miscellaneous		16,902	(1,143)	15,759
Total other	$	43,154	(1,559)	41,595

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

The following tables provide an analysis of the aging of certain receivables as of June 30:

	2020					
	1–30 days past due	**31–60 days past due**	**Greater than 60 days past due**	**Total past due**	**Current**	**Total**
Student loans	$ 64	59	1,503	1,626	8,272	9,898
Affiliation contracts	6	12	289	307	105	412
Faculty practice plan	112	112	1,100	1,324	113	1,437
Pledges and bequests	16	15	3,957	3,988	6,348	10,336
Miscellaneous	35	103	1,339	1,477	12,291	13,768

	2019					
	1–30 days past due	**31–60 days past due**	**Greater than 60 days past due**	**Total past due**	**Current**	**Total**
Student loans	$ 126	76	1,372	1,574	9,644	11,218
Affiliation contracts	6	12	351	369	735	1,104
Faculty practice plan	29	294	500	823	30	853
Pledges and bequests	75	75	4,054	4,204	5,766	9,970
Miscellaneous	—	9	1,353	1,362	15,540	16,902

Pledges and bequests receivable as of June 30 consist of the following:

	2020	**2019**
Amounts due in less than one year	$ 6,148	5,775
Amounts due in one to five years	6,113	6,121
Amounts due in more than five years	46	46
	12,307	11,942
Less:		
Discount to net present value (discount rates ranging from 4.00% to 5.00%)	(1,971)	(1,972)
	10,336	9,970
Allowance for uncollectible pledges	(663)	(163)
	$ 9,673	9,807

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

(5) Investments

Investments at fair value consist of the following as of June 30:

		2020	2019
Level 1 investments:			
Cash and cash equivalents	$	37,302	33,765
Fixed income securities:			
U.S. government obligations		471	1,425
Domestic corporate bonds		203	458
International government obligations		465	453
Equity securities:			
Domestic securities		25,099	19,448
Foreign securities		—	3,307
Mutual funds:			
Equity mutual funds		50,870	61,079
Bond mutual funds		7,684	2,996
Closed-end funds		1,567	1,869
Total Level 1 investments		123,661	124,800
Level 2 investments:			
Fixed income securities:			
Corporate bonds		29,736	15,742
Investments measured at net asset value as a practical expedient for fair value:			
Hedge fund strategies:			
Global hedged equity funds (a)		3,763	3,654
Real assets		42	71
Real estate partnerships (b)		762	882
Other		1,270	1,821
Total investments measured at net asset value as a practical expedient for fair value		5,837	6,428
Total investments	$	159,234	146,970

(a) Funds that invest in long and short positions on equity securities primarily issued by international companies.

(b) Investments in real estate funds invested in office, multifamily, industrial, and other commercial real estate properties or other commercial real estate investments located primarily in the United States. The objective of the partnerships is to achieve long-term gross returns while focusing on the preservation of capital. The partnerships do not permit redemptions.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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Equity, fixed income, and hedge funds generally may be redeemed once a month with approximately two weeks' notice required.

Certain investment accounts have been pledged as security for outstanding debt obligations (notes 13 and 14).

(6) Fair Value Measurements

The fair value of financial assets other than investments that are measured at fair value at June 30 is as follows:

	2020			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trusts	$ 12,094	—	—	12,094
Deposits with bond trustee:				
Cash and cash equivalents	15,290	15,290	—	—
U.S. government obligations	15,165	15,165	—	—

	2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in perpetual trusts	$ 12,368	—	—	12,368
Deposits with bond trustee:				
Cash and cash equivalents	17,509	17,509	—	—
U.S. government obligations	15,963	15,963	—	—

The activity with respect to beneficial interest in perpetual trusts, which are Level 3, is as follows:

	2020	2019
Balance at beginning of year	$ 12,368	12,441
Investment income, net	150	191
Distributions	(503)	(662)
Net appreciation in fair value of investments	79	398
Balance at end of year	$ 12,094	12,368

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(7) Net Assets

Net assets consisted of the following at June 30:

	2020		
	Without donor restrictions	With donor restrictions	Total net assets
Operating	$ (38,999)	8,657	(30,342)
Endowment:			
Student support	14,430	12,747	27,177
Departmental support	2,235	19,603	21,838
General operating support	48,366	7,518	55,884
Research	—	6,645	6,645
Educational programs	—	667	667
Other:			
Gifts	25,615	8,021	33,636
Pledges	721	6,518	7,239
Investment in plant	281,850	—	281,850
Beneficial interest in perpetual trusts	—	12,094	12,094
	$ 334,218	82,470	416,688

	2019		
	Without donor restrictions	With donor restrictions	Total net assets
Operating	$ (61,810)	7,030	(54,780)
Endowment:			
Student support	14,950	12,855	27,805
Departmental support	2,570	20,281	22,851
General operating support	52,868	7,998	60,866
Research	—	6,762	6,762
Educational programs	—	683	683
Other:			
Gifts	36,200	7,613	43,813
Pledges	1,435	8,372	9,807
Investment in plant	274,802	—	274,802
Beneficial interest in perpetual trusts	—	12,368	12,368
	$ 321,015	83,962	404,977

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(8) Endowments

At June 30, 2020, the College's endowment consists of approximately 180 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Boards of Trustees (the Boards) to function as endowments.

The Boards have interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, 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 of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments.

In accordance with NYPMIFA, the Boards consider the following factors in making a determination to appropriate or accumulate endowment funds:

(a) The duration and preservation of the endowment fund;

(b) The purposes of the College and the endowment fund;

(c) General economic conditions;

(d) The possible effect of inflation and deflation;

(e) The expected total return from income and the appreciation of investments;

(f) Other resources of the College;

(g) Alternatives to expenditure of the endowment fund; and

(h) The investment policies of the College.

Expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund was established. The College has generally limited the use of net appreciation unless the fair value of a donor-restricted fund exceeds 105% of its original dollar value.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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Changes in endowment net assets are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment funds, June 30, 2018	$	67,885	45,651	113,536
Total net investment return		2,716	2,244	4,960
Contributions and transfers		46	3,183	3,229
Appropriated for expenditure		(512)	(2,439)	(2,951)
Other changes		253	(60)	193
Endowment funds, June 30, 2019		70,388	48,579	118,967
Total net investment return		1,274	659	1,933
Contributions and transfers		15	3,562	3,577
Appropriated for expenditure		(4,008)	(2,608)	(6,616)
Other changes		(2,638)	(3,012)	(5,650)
Endowment funds, June 30, 2020	$	65,031	47,180	112,211

Included in donor-restricted endowment net assets at June 30, 2020 and 2019 is accumulated earnings on the permanent endowment of $19,035 and $20,005, respectively.

The College's spending policy rates are designed to stabilize annual spending levels and to preserve the real value of endowment investments over time. To meet these objectives, the Boards have authorized a spending rate of 5% for 2020 and 2019 of the moving average of the fair value of endowment investments for the previous 20 quarters for NYMC and 4% of the fair value for the previous 12 quarters for Touro and other affiliates, respectively.

The College maintains investment pools for substantially all of its investments. The pools are managed to achieve the maximum prudent long-term total return while providing a predictable stream of funding to programs supported by the endowment.

Included in endowments are donor restricted endowment gifts of approximately $5,500, which at June 30, 2020 had a deficiency of $366 resulting from unfavorable market fluctuations. The College has a policy that does not permit spending on this fund until market appreciation restores the underwater endowment unless stipulated by the donor.

(9) Operating Leases

As noted in note 2(w), the College adopted ASU 2016-02**,** Leases *(Topic 842*) effective July 1, 2019 using the optional modified retrospective transition method; accordingly, the comparative information as of June 30, 2019 has not been adjusted and continues to be reported under the previous lease standard. Under the new lease standard, right of use assets and operating lease liabilities that arise from all leases are required to be recognized on the consolidated statements of financial position for lessees. Previously,

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

only capital leases, which are now referred to as finance leases, were recorded on the consolidated statements of financial position.

The College is a lessee for numerous operating leases, primarily related to real estate and equipment. The vast majority of the College's operating leases have remaining lease terms of 16 years or less, some of which include options to extend the leases, and some of which include options to terminate the leases. The College generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the leases may require judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options. The College also has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component.

For the year ended June 30, 2019, rent expense under the previous lease standard was $23,447. For the year ended June 30, 2020, rent expense was $21,760.

The following table summarizes the maturity of the College's operating lease liabilities as of June 30, 2020:

Year:		
2021	$	17,590
2022		12,316
2023		8,317
2024		4,484
2025		3,806
Thereafter		30,174
Total		76,687
Less interest		(11,145)
	$	65,542

The weighted average lease terms and discount rates for operating leases at June 30, 2020 are:

Weighted average remaining lease term (years):	
Operating leases	16.33
Weighted average discount rate:	
Operating leases	3.80 %

In 2020, right of use assets obtained in exchange for new operating lease liabilities were approximately $668.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

(10) Property and Equipment, Net

Property and equipment consist of the following at June 30:

		2020	2019
Land and land improvements	$	65,122	65,346
Buildings and improvements		510,804	503,318
Leasehold improvements		71,571	72,517
Interest in leased properties		30,660	30,660
Furniture, equipment, and computer software		108,117	100,045
Construction in progress		14,100	7,652
Library holdings		53,540	51,307
		853,914	830,845
Less accumulated depreciation and amortization		(297,013)	(267,174)
Property and equipment, net	$	556,901	563,671

The College’s interest in leased properties includes the fair value of NYMC’s long-term leases under which the annual rental commitment is one dollar.

On August 2, 2018, the College entered into a contract to sell the land and improvements in Bay Shore, New York for $20,500 (with a carrying value of $4,676 as of June 30, 2020). Deposits of $850 were transferred to the College and are nonrefundable except if the College is unable to deliver a clean title to the property. Closing of the sale has been extended to February 2021. The College expects to renovate and expand space at the Law Center in Central Islip, New York to accommodate the programs currently operating at the Bay Shore Campus.

(11) Deposits with Bond Trustee

Under agreements related to bonds issued by the Dormitory Authority of the State of New York (DASNY), California Municipal Finance Authority (CMFA), and the City of Henderson, NV, Public Improvement Trust (HPIT), a portion of the bond proceeds were deposited with the trustee for capital expenditures related to construction, renovations, and improvements to campus buildings, for debt service reserve funds and for capitalized interest. Monthly debt service sinking fund payments are deposited with the trustee for servicing

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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the debt. These funds are primarily in instruments which are considered Level 1 in the fair value hierarchy (note 6). Deposits with bond trustee as of June 30 consist of the following:

		2020	2019
Construction funds	$	5,994	7,699
Debt service reserve funds		17,938	17,892
Debt service funds		6,523	6,216
Capitalized interest funds		—	1,665
Total	$	30,455	33,472

(12) Other Assets

Other assets as of June 30 consist of the following:

		2020	2019
Intangible assets (a)	$	13,965	14,500
Restricted cash		342	314
Assets held for sale (b)		4,379	5,242
Prepaid expenses		7,378	5,777
Other		6,329	2,793
Total	$	32,393	28,626

(a) Intangible Assets

In connection with the acquisitions of the NYMC, HTC, and Imaging School (Harlem Hospital Center’s Harlem School of Radiology), the College recognized certain intangible assets. Intangible assets as of June 30 and their initial estimated useful lives are as follows:

	Initial estimated useful lives		2020	2019
Enrolled students:				
Imaging School	1–2 Years	$	—	252
Curriculum – Imaging School	3–4 Years		565	848
Trade name and accreditation status	Indefinite		13,400	13,400
		$	13,965	14,500

(Continued)

(b) Assets Held for Sale

YOC purchased various parcels of land in Sullivan County, New York, to develop a community centered around a summer learning facility of YOC and its related high schools. As part of the development project, YOC has established a condominium association for the portion of the land to be used for housing. During 2020 and 2019, units with aggregate sales prices of $1,344 and $1,479 were sold. The cost for the units sold and under contract approximates the sales prices.

(13) Lines of Credit and Short-Term Debt

Borrowing available under a line of credit was $14,000 (Line) (no amount outstanding as of June 30, 2020 and 2019). Interest is payable monthly at the Wall Street Journal prime rate. The Line is renewable annually. The Line, a term loan of $2,521 and $2,598 at June 30, 2020 and 2019, respectively, (note 15(d)), and letters of credit in the amount of $5,700 as of June 30, 2020 and 2019 are secured by investments with a minimum market value of $8,500 ($11,337 and $11,338 as of June 30, 2020 and 2019, respectively). The aforementioned debt is further secured by a general security agreement covering substantially all Touro assets (excluding certain properties with a net book value totaling $180,150 and $184,614 as of June 30, 2020 and 2019, respectively) and a general revenue pledge excluding affiliates and revenue pledged under other debt agreements (notes 14).

NYMC has a line of credit with a bank ($27,000 and $22,000 as of June 30, 2020 and 2019, respectively), of which $16,000 and $17,663 is outstanding as of June 30, 2020 and 2019, respectively. Interest is calculated at the 30 day London Interbank Offered Rate (LIBOR) plus 1.25% (1.429% and 3.651% at June 30, 2020 and 2019, respectively). Investments with a value of $43,417 and $31,507 at June 30, 2020 and 2019, respectively, serve as collateral for the line of credit. NYMC also has a letter of credit with a bank in the amount of $2,000 at June 30, 2020 and 2019, that secures a long term note payable in the amount of $1,318 and $1,741 at June 30, 2020 and 2019, respectively (note 14(e)). The letter of credit is secured by additional investments of $1,861 and $1,801 at June 30, 2020 and 2019, respectively, and is guaranteed by Touro.

TU entered into a $5,000 short-term revolving line of credit loan agreement (the Agreement) with a bank secured by a securities account with a minimum value of $6,200; however, the amount outstanding may not exceed 65% of the value of the securities account. Interest is payable monthly on any outstanding balance at 30 day LIBOR plus 2%. The Agreement expired September 30, 2020 and is in the process of being renewed. There was no outstanding balance at June 30, 2020 and 2019.

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TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

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(Dollars in thousands)

(14) Long-Term Debt

The College's obligations under long-term bonds, notes payable, and finance lease obligations at June 30 consist of the following:

Description	Maturity date	Interest rate	2020	2019
Bonds payable:				
Master Trust Indenture (MTI) (a):				
DASNY:				
2014A Middletown (tax exempt)	January 2042	4.70 %	$ 10,035	10,300
Net premium			399	426
Total			10,434	10,726
2014A NYMC (tax exempt)	January 2044	4.65	44,705	44,855
Net premium			2,547	2,653
Total			47,252	47,508
2014B NYMC (taxable)	January 2029	5.75	25,855	28,085
Net discount			(146)	(162)
Total			25,709	27,923
2017 (tax exempt)	January 2047	4.41	64,015	64,015
Net premium and discount			5,182	5,406
Total			69,197	69,421
CMFA:				
2014A (tax exempt)	January 2040	4.43	14,960	15,425
Net premium			568	611
Total			15,528	16,036
HPIT:				
2014A (tax exempt)	January 2044	5.01	23,165	23,365
Net premium			1,091	1,152
Total			24,256	24,517
2014B (taxable)	January 2029	5.49	8,060	8,750
Net discount			(16)	(19)
Total			8,044	8,731

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Notes to Consolidated Financial Statements

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Description	Maturity date	Interest rate		2020	2019
2017 (tax exempt)	January 2038	4.09	$	10,570	10,965
Net premium				212	247
Total				10,782	11,212
Total MTI debt				211,202	216,074
DASNY Law Center Bonds (b):					
2013A (tax exempt)	December 2038	3.68		17,461	17,816
Swap value				1,123	671
Total				18,584	18,487
2013B (taxable)	December 2020	3.79		152	447
Swap value				—	(1)
Total				152	446
Total law center bonds				18,736	18,933
DASNY Revenue Bonds (c):					
2014A (tax exempt)	November 2044	3.06		36,385	37,365
Total bonds payable				266,323	272,372
Notes payable:					
Term loan (d)	October 2023	5.25		2,521	2,598
Note payable to seller (e)	April 2023	5.00% imputed		1,318	1,741
Other	Various	Various		11,930	10,813
Finance lease obligations (f)	2020–2042	2.67%–14.91%		15,450	15,333
Total notes payable and finance lease obligations				31,219	30,485
Total long-term debt				297,542	302,857
Less deferred financing costs				(5,939)	(6,289)
Long-term debt, net			$	291,603	296,568

(a) *Master Trust Indenture Debt* –On June 26, 2014, tax-exempt and taxable serial and term bonds with an aggregate principal amount of $148,100, maturing serially over 30 years, were issued on behalf of Touro, TU, TUN, and NYMC (collectively, the Obligated Group) with a net premium of $5,858, and on December 28, 2017, additional tax exempt bonds with an aggregate principal amount of $74,980, maturing serially over 20 to 30 years were issued on behalf of Touro and TUN with a net premium of

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

$6,183 (collectively, the MTI Bonds). The College has granted mortgages on various properties with an aggregate net book value of $247,325 and $247,598 at June 30, 2020 and 2019, respectively. In addition, pursuant to a Master Trust Indenture by and among the Obligated Group and the Bank of New York Mellon as Master Trustee, a security interest is pledged for substantially all revenues of the Obligated Group, excluding donations restricted by the donors for uses other than debt service, (provided that this revenue pledge for Touro is limited to certain designated enterprises, primarily its healthcare related programs). Deposits with bond trustee (note 11) represents additional collateral until utilized for their designated purpose. The members of the Obligated Group are jointly and severally liable for the bond obligations described herein.

(b) *DASNY Law Center Bonds* – On December 18, 2013, tax-exempt bonds with a principal amount of $19,520 (Series 2013A) and federally taxable bonds with a principal amount of $1,875 (Series 2013B) were issued by DASNY on behalf of Touro (together the Bonds). The tax-exempt bonds bear interest at a swap-adjusted 3.68% through December 2023 with variable rates, thereafter, through maturity in 2038, and the taxable bonds bear interest at a swap-adjusted 3.79% and mature through December 2020. The interest rate swaps were priced at a fixed rate based on an amortization schedule directly associated to debt with the same maturity. The aggregate liability under interest rate swaps, which is measured at fair value was $1,123 and $671 as of June 30, 2020 and 2019, respectively. The Bonds are secured by the land and building of Touro's Jacob D. Fuchsberg Law Center (the Law Center) with a net book value of $28,910 and $28,880 as of June 30, 2020 and 2019, respectively. In addition, a security interest is pledged for substantially all revenues of the Law Center.

(c) *DASNY Revenue Bonds* – On October 22, 2014, 30-year tax-exempt bonds with a principal amount of $41,475 were issued by DASNY on behalf of Touro (DASNY 2014 Bonds). The initial interest rate of 3.06% is fixed for 10 years and will reset every 10 years thereafter. The bonds are secured by a commercial condominium on West 60th Street, Manhattan, land and buildings on 150th Street in Kew Garden Hills, Queens, land and a building on Avenue J, Brooklyn, and with an aggregate net book value of $69,703 and $72,084 as of June 30, 2020 and 2019, respectively.

(d) *Term Loan* – The loan is secured by the same collateral as the Line (note 13) and requires a monthly fixed interest and principal payment of $18 with a balance of $2,231 due at maturity in 2023.

(e) *Note Payable to Seller* – In connection with the acquisition of a building at 19 Skyline Drive, Hawthorne, New York, the seller of the property provided a $5,000 interest free 10-year note which was discounted to net present value. The note is secured by a guarantee of Touro and a letter of credit, which is secured by a portion of NYMC's investment portfolio and a guarantee of Touro. The note requires monthly installments of $42.

(f) *Finance Lease Obligations* – Certain equipment, software, leasehold improvements and a leasehold interest are leased under noncancelable finance leases, payable monthly. Equipment, computer software, leasehold improvements and the leasehold interest subject to finance lease obligations were $12,610 and $14,998, net of accumulated depreciation and amortization of $5,347 and $4,444, as of June 30, 2020 and 2019, respectively.

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

The weighted average lease terms and discount rates for finance leases at June 30 are:

Weighted average remaining lease term (years):	
Finance leases	8.96
Weighted average discount rate:	
Finance leases	7.37 %

Future scheduled payments of long-term debt (assuming, with respect to variable rate debt, interest at rates in effect as of June 30, 2020) are as follows:

		Bonds and notes principal	Finance leases principal	Interest	Total
Year:					
2021	$	8,099	2,628	13,659	24,386
2022		10,612	1,882	13,202	25,696
2023		9,841	1,635	12,644	24,120
2024		8,194	840	12,198	21,232
2025		7,729	19	11,811	19,559
Thereafter		226,657	8,446	140,125	375,228
Total	$	271,132	15,450	203,639	490,221

Certain debt of the College is subject to financial covenants, which impose restrictions and filing requirements. As of June 30, 2020 and 2019, the College was in compliance with these financial covenants.

(15) Other Liabilities

Other liabilities consist of the following as of June 30:

		2020	2019
Deferred rent obligation	$	39	39
Deposits on assets held for sale		21	174
Student deposits		1,807	2,043
Tuition escrow		3,190	2,680
Miscellaneous		1,826	2,072
Total	$	6,883	7,008

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(16) Retirement Plans

The College has defined contribution retirement plans that cover substantially all of its nonunion employees which are funded through direct payments to qualified carriers. Employer contributions consist of both discretionary and matching amounts. For the years ended June 30, 2020 and 2019, the College contributed $9,266 and $8,925, respectively, to its defined contribution retirement plans.

In addition, $626 and $595 was contributed in the years ended June 30, 2020 and 2019, respectively, to a union administered plan for employees of NYMC belonging to a collective bargaining unit. NYMC would be responsible for any withdrawal liability under the agreement with the union.

NYMC's participation in the union administered plan is outlined below. Unless otherwise noted, the Pension Protection Act (PPA) zone status below is for the plan years beginning January 1, 2019, 2018, and 2017, respectively. The zone status is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plan is subject.

Pension fund	EIN/pension plan number	PPA zone status	FIP/RP status pending/ implemented	Surcharge imposed	Expiration date of collective-bargaining agreement
1199 SEIU Health Care Employee Fund	13-3604862/001	Green	*RP Implemented	No	September 30, 2021

* The 1199 Health Care Employee Pension Fund has implemented a rehabilitation plan for the period January 1, 2012 through December 31, 2024.

(17) Postretirement Benefits Other than Pensions

NYMC provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees at NYMC (the Plan). NYMC's obligation is limited and requires participants to contribute to premiums as determined by the Plan's administrator. NYMC reserves the right to amend or terminate the Plan at its discretion. These benefits are partially funded through a voluntary employees' beneficiary association (VEBA) trust.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. Actuarial equivalence of the program's prescription drug benefit is determined based on a two-prong test. The actuarial values of the prescription drug coverage are based on national statistics and then adjusted to reflect drug utilization for the Plan. Based on these values, it is assumed that the prescription drug benefit for the unfunded plan will be actuarially equivalent in 2006 and for all years thereafter.

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

For those employees who had already retired at the time the VEBA was established, NYMC pays actual benefits from its general assets. For subsequent retirees, NYMC's funding policy is to contribute an amount up to the annual expense in years when the Present Value of Future Benefits (PVFB) exceeds assets. Since assets are less than PVFB, NYMC may elect to make a contribution in fiscal year 2021.

Under the accounting guidance for postretirement benefits, NYMC recognizes on the consolidated statements of financial position the difference between the benefit obligations and any related plan assets. In addition, the accounting guidance requires the unrecognized amount (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes in net assets without donor restrictions and that these amounts be adjusted as they are subsequently recognized as components of the net periodic benefit cost.

The following tables provide a reconciliation of the changes in the Plan's benefit obligations and fair value of assets for the years ended June 30:

		2020	2019
Change in benefit obligation:			
Benefit obligation at beginning of year	$	8,037	8,495
Service cost		49	48
Interest cost		272	317
Plan participants' contributions		630	624
Amendment		(2,357)	—
Actuarial loss (gain)		1,049	(473)
Benefits paid		(1,640)	(1,277)
Medicare Part D program reimbursement		51	303
Benefit obligation at end of year		6,091	8,037
Change in plan assets:			
Fair value of plan assets at beginning of year		3,422	3,594
Actual return on plan assets		121	80
Employer contributions		455	98
Plan participants' contributions		630	624
Benefits paid		(1,640)	(1,277)
Medicare Part D program reimbursement		51	303
Fair value of plan assets at end of year		3,039	3,422
Unfunded status at June 30 (included in accrued payroll and related benefits payable)	$	3,052	4,615

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Components of net periodic benefit cost:			
Service cost	$	49	48
Interest cost		272	317
Expected return on plan assets		(253)	(266)
Amortization of prior service credit		—	(46)
Amortization of net actuarial loss		186	139
Net periodic benefit cost	$	254	192

		2020	2019
Postretirement-related changes other than net periodic benefit cost:			
Amortization of prior service credit	$	—	46
Amortization of net actuarial loss		(186)	(139)
Net loss		(1,175)	(286)
	$	(1,361)	(379)
Amounts not yet recognized in net periodic benefit cost:			
Net actuarial loss	$	2,769	1,774
Prior service credit		(2,357)	—
	$	412	1,774

	2020	2019
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate – funded portion	3.00 %	3.75 %
Discount rate – unfunded portion	2.00	3.00
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30:		
Discount rate – funded portion	3.75 %	4.50 %
Discount rate – unfunded portion	3.00	4.00
Healthcare cost trend:		
Increase from current to next fiscal year	7.25 %	7.75 %
Ultimate rate of increase	4.50	4.50
Year that the ultimate rate is attained	2031	2031

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

The healthcare cost trend assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of and for the year ended June 30:

		2020		2019	
		One-percent-point increase	One-percent-point decrease	One-percent-point increase	One-percent-point decrease
Effect on total service and interest cost component	$	25	(20)	24	(20)
Effect on postretirement benefit obligation		377	(355)	642	(535)

NYMC is not expecting to contribute to the Plan in 2021.

The estimated actuarial net loss that will be amortized from net assets without donor restrictions into net periodic benefit cost in fiscal year 2021 is $317.

Expected benefit payments are the total amount expected to be paid from the Plan's or NYMC's assets. The expected benefit payments, net of plan participant contributions are as follows:

		Estimated benefits payments
Fiscal year(s):		
2021	$	383
2022		375
2023		374
2024		363
2025		356
2026–2030		1,612

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

The investment policy statement of NYMC, established by its Board of Trustees, has as its investment objective, the long-term appreciation of assets, and the consistency of total portfolio returns with reasonable efforts to control risk and preserve capital. The policy establishes a goal of an annual return of eight percent. The Plan's target and actual asset allocations as of June 30 are as follows:

	Target	Percentage of plan assets	
Plan assets	allocation	2020	2019
Asset category:			
Equity securities	61.0 %	66.8 %	69.1 %
Debt securities	31.0	30.4	27.4
Other	8.0	2.8	3.5

The Plan's investments at fair value, all of which are considered Level 1, at June 30 are as follows:

	2020	2019
Cash and cash equivalents	$ 85	121
Alternative investments:		
Equity and fixed income funds:		
Global equity	2,028	2,316
Global fixed income	926	937
Hedge fund strategies:		
Diversifying funds	—	48
Total assets	$ 3,039	3,422

(Continued)

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(18) Functional Reporting of Expenses

The costs of the College's activities have been presented on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the activities benefited. The College allocates occupancy and related costs, depreciation, and interest expense based on direct expenditures in the other functional categories. Expenses presented by natural classification and function for the years ended June 30 are as follows:

	2020						
	Instruction and research	Academic support	Affiliation contracts and faculty practice	Student services	Auxiliary enterprises	Institutional support	Total
Salaries and benefits	$ 184,507	59,989	14,099	27,953	8,546	52,883	347,977
Occupancy and related expenses	21,108	8,136	—	5,059	1,467	9,220	44,990
Professional services	8,247	4,146	37	517	563	6,190	19,700
Depreciation	16,178	5,314	—	3,172	958	6,168	31,790
Interest	6,994	2,386	—	1,491	449	2,797	14,117
CARES Act-student support	—	—	—	4,462	—	1,090	5,552
Other expense	21,086	10,408	419	14,541	4,418	16,010	66,882
Total	258,120	90,379	14,555	57,195	16,401	94,358	531,008
Amounts in nonoperating activities:							
Change in fair value of interest rate swaps	—	—	—	—	—	(454)	(454)
Total operating expenses	$ 258,120	90,379	14,555	57,195	16,401	93,904	530,554

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

	2019						
	Instruction and research	Academic support	Affiliation contracts and faculty practice	Student services	Auxiliary enterprises	Institutional support	Total
Salaries and benefits	$ 174,079	58,129	16,280	26,953	6,367	51,906	333,714
Occupancy and related expenses	24,927	10,189	—	5,271	2,359	10,729	53,475
Professional services	9,900	4,017	14	540	843	6,778	22,092
Depreciation	15,223	5,219	—	2,739	771	5,828	29,780
Interest	6,127	2,023	—	1,143	375	2,425	12,093
Other expense	19,918	12,249	254	14,861	4,519	16,122	67,923
Total	250,174	91,826	16,548	51,507	15,234	93,788	519,077
Amounts in nonoperating activities:							
Change in fair value of interest rate swaps	—	—	—	—	—	(550)	(550)
Other expense	—	(4,790)	—	—	—	—	(4,790)
Total operating expenses	$ 250,174	87,036	16,548	51,507	15,234	93,238	513,737

(19) Related-Party Transactions

In June 2018, Touro received a mortgage loan from a board member of HTC in the amount of $1,544, related to the acquisition of land and a building in Skokie, Illinois for $1,525 that will be developed for additional academic space for Touro and HTC programs. The mortgage is secured by the land and building and is payable in five years at 2.9% interest. The interest is to be forgiven if the loan is paid within five years. The loan does not have any interim payment requirements.

(20) Commitments and Contingencies

(a) Litigation

The College is a party to various legal actions and claims arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of such matters, management is of the opinion that the resolution of such matters will not have a material adverse effect on the College’s consolidated financial position or changes in net assets.

(b) Regulatory Audits

Amounts received and expended under various federal and state programs are subject to audit by governmental agencies. The U.S. Department of Education (ED) conducted a program review of HTC for the period prior to 2016 for which a final report has not been issued. In the opinion of management, financial impact from such audits, if any, will not have a material adverse effect on the consolidated financial position of the College.

TOURO COLLEGE AND RELATED ENTITIES

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(21) Subsequent Events

On July 1, 2020, tax-exempt revenue bonds with an aggregate principal amount of $55,610, maturing serially over 20 to 30 years, were issued on behalf of NYMC and Touro. The bonds, with an interest rate of 3.69%, were issued pursuant to the terms and conditions of the MTI (Note 14). The Touro portion of the proceeds, approximately $30,000, were used to purchase and will be used to fit out a two story commercial condominium to be developed for the College’s headquarters in Manhattan. Approximately $17,500 of the proceeds will be used by NYMC for energy/utility improvements and improvements to create a highly efficient shared laboratory environment. Additional proceeds were deposited with the bond trustee to fund capitalized interest of $3,078, debt service reserves of $3,614 and costs of issuance of $1,112. In addition to the Revenue Pledge provisions pursuant to the MTI, a mortgage to secure the additional debt was placed on the Manhattan property and mortgages on the applicable NYMC sites to be improved were increased.

On July 31, 2020 the College executed a System Membership Agreement with the New York College of Podiatric Medicine (NYCPM) pursuant to which NYCPM will become affiliated with the College, adding another health profession to the College’s healthcare related professional programs. NYCPM reported total consolidated assets of approximately $54,000 at June 30, 2019, including approximately $45,000 of cash and investments and approximately $19,000 of gross revenue for the year then ended. The transaction is expected to close on or about July 1, 2021 following regulatory approval.

The College performed an evaluation of subsequent events that occurred after June 30, 2020 through October 28, 2020, the date the consolidated financial statements were issued, and noted no other matters that would require disclosure.

Schedule

TOURO COLLEGE AND RELATED ENTITIES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Federal expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Federal Pell Grant Program	84.063		$ —	14,158,778
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		—	634,889
Federal Work-Study Program	84.033		—	2,868,679
Federal Perkins Loan Program (note 4)	84.038		—	1,444,497
Federal Direct Student Loan Program (note 4)	84.268		—	323,560,271
Total U.S. Department of Education			—	342,667,114
U.S. Department of Health and Human Services:				
Scholarships for Disadvantaged Students	93.925		—	1,232,700
Total U.S. Department of Health and Human Services			—	1,232,700
Total Student Financial Assistance Cluster			—	343,899,814
COVID-19: Education Stabilization Fund:				
U.S. Department of Education:				
CARES Act Higher Education Emergency Relief Fund – Student Aid	84.425E		—	4,220,929
CARES Act Higher Education Emergency Relief Fund – Institutional Aid	84.425F		—	1,322,902
Total U.S. Department of Education			—	5,543,831
Total Education Stabilization Fund			—	5,543,831
Research and Development Cluster:				
U.S. Department of Health and Human Services:				
Passed through Boston Medical Center:				
Lacosamide effects on alcohol self administration craving in heavy drinkers	93.273	BMC ID 6436	—	1,186
Passed through the Albert Einstein College of Medicine Inc.:				
Methylome characterization of bronchial epithelial progenitor cells	93.394	311227	—	1,513
Passed through Dignity Health – St. Rose Dominican:				
Aging and Disability Services Division – Nevada Goes Falls Free	93.761	18-062-39-DX-19	—	1,440
Lipogenesis, lipoprotein flux and CVD risk:				
Role of meal composition and frequency	93.837	00007SC/0008SC	39,490	192,770
Passed through the Regents of the University of California:				
Adverse Metabolic Effects of Dietary Sugar	93.837	201303548-01	64,791	87,486
Passed through the Regents of the University of California:				
The effects of orange juice compared with sugar-sweetened beverage on risk factors, etc	93.837	A18-0045-S001	—	276,627
Passed through the Regents of the University of California:				
Using Virtual Reality and 3D technologies to expand the health professions pipeline in Southern Nevada	93.879	201303548-01	—	11,759
Passed through the County of Suffolk:				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	000000010919/8778	—	261,051
Passed through Icahn School of Medicine at Mount Sinai:				
NIOSH (Region II) Education Resources Center	93.262	0253 6539 4609	—	6,966
Fructose, Substrate, Stimulus, or Both	93.847		—	468,552
Allergy and Infectious Diseases Research	93.850		6,340	136,364
Covalent capture of small molecule – gp41 complexes	93.855		—	135,719
Passed through The California Department of Health				
Overdose Data to Action	93.136	19-10793	—	2,869
Primary Care Medicine and Dentistry Clinician Educator				
Career Development Awards	93.884		—	191,260
Passed through the Research Foundation for the State University of New York:				
Ryan White Part C Outpatient EIS Program	93.918	100-1009199-80313	—	50,718
Passed through The Trustees of Columbia University, in the City of New York:				
Impact of a multimodal intervention to reduce dual stigma and improve treatment	93.989	5(GG009218-01)	—	12,010
Total U.S. Department of Health and Human Services			110,621	1,838,290
National Science Foundation:				
Passed through Duke University:				
Function and Evolution of Jaw-Muscle Fiber Type in Primates	47.075	2830948	14,114	57,352
Collaborative Research: Mandibular Form in Hominids	47.075		—	200
Total National Science Foundation:			14,114	57,552
Total Research and Development Cluster			124,735	1,895,842
Other programs:				
U.S. Department of Health and Human Services:				
Opioid Workforce Expansion Program – Professional	93.191		3,500	155,876
Touro University Nevada: Raising Resiliency Together	93.243		—	5,724
Closing the SUD Treatment Gap Through Experimental Practitioner	93.243		—	9,520
Passed through California Department of Public Health Prevention forward CDC Funding 1815	93.426	18-10913	—	117,238
Passed through State of California and Sierra Health Foundation				
Drug Safe Solano increasing Medicated Assisted Treatment (MAT) Access in Vallejo Communities	93.788	CA19MAT199	—	132,181
Passed through MedMark Treatment Centers Drug Safe Solano Expansion	93.788	Not available	—	14,651
Total U.S. Department of Health and Human Services			3,500	435,190
U.S. Department of Education:				
Passed through the Mid-Atlantic Equity Consortium and WestEd Equity Assistance Center Region I	84.004 D	S14562	—	40,857
Young Academic Music and Computational Thinking	84.411		—	150,026
Total U.S. Department of Education			—	190,883
U.S. Department of Veterans Affairs:				
Veterans' and Servicemembers' Rights Legal Clinic (VSRC)	64.033		—	189,462
Total U.S. Department of Veterans Affairs			—	189,462
U.S. Department of Homeland Security Emergency Services:				
Passed through New York State Department of Homeland Security Emergency Services	97.008	C171492	—	72,156
Total U.S. Department of Homeland Security Emergency Services			—	72,156
U.S. Agency for International Development (USAID):				
Consortium of Universities for Global Health				
Sustaining Technical and Analytic Resources (STAR) Collaboration laboratory	98.001	Agreement No. 0003	—	5,013
Total U.S. Agency for International Development (USAID)			—	5,013
Total expenditures of federal awards			$ 128,235	352,232,191

See accompanying notes to schedule of expenditures of federal awards.

TOURO COLLEGE AND RELATED ENTITIES

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) Scope of Audit Pursuant to the Uniform Guidance

The consolidated financial statements of Touro College (Touro) include the accounts and activities of Touro College and its related entities (the College). The federal awards expenditures for one of Touro's related entities, New York Medical College (NYMC), in the amount of $69,566,201, have not been included in the accompanying schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2020. NYMC's federal awards expenditures have been included in NYMC's SEFA, which is included in its separate Uniform Guidance single audit for the year ended June 30, 2020 under Employer Identification Number 13-1099420.

(2) Basis of Presentation

The accompanying SEFA includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

(3) Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The College has received approved predetermined federally negotiated indirect cost rates for federal awards.

(4) Federal Student Loan Programs

The Federal Perkins Loan Program is administered directly by the College, and balances and transactions relating to this program are included in the College's consolidated financial statements. As of June 30, 2020, the College had loan balances outstanding of $910,482, relating to the Federal Perkins Loan Program. The amount of federal expenditures reported on the SEFA for the year ended June 30, 2020 represents the outstanding loan balance of $1,444,497 as of June 30, 2019. There were no new loans and no administrative costs expended relating to the Federal Perkins Loan Program for the year ended June 30, 2020.

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program, and accordingly, these loans are not included in the consolidated financial statements. It is not practicable to determine the balances of loans outstanding to students and former students of the College under these programs as of June 30, 2020. The SEFA includes the amounts loaned to students during the year ended June 30, 2020.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Touro College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Touro College and related entities (the College), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 28, 2020. This report included an emphasis of matter paragraph relating to the College's adoption of Accounting Standards Update (ASU) 2016-02, *(Topic 842): Leases* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restrictive Cash* during the year ended June 30, 2020. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 28, 2020

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Touro College:

Report on Compliance for Each Major Federal Program

We have audited Touro College and related entities' (the College) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The College's consolidated financial statements include the operations of New York Medical College (NYMC), which expended $69,566,201 in federal awards, which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of NYMC because NYMC's schedule of expenditures of federal awards is included in NYMC's separately reported audit in accordance with the Uniform Guidance for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the College as of and for the year ended June 30, 2020 and 2019, and have issued our report thereon dated October 28, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2020 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2020 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 consolidated financial statements or to the 2020 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2020 consolidated financial statements as a whole.

KPMG LLP

June 7, 2021

TOURO COLLEGE AND RELATED ENTITIES

Schedule of Findings and Questioned Costs

June 30, 2020

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the consolidated financial statements: No

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for major programs: Unmodified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**

(g) Major programs:

- Student Financial Assistance Cluster: Various CFDA numbers
- Education Stabilization Fund: 84.425

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None