Financial Statements

Merrimack College

June 30, 2018 and 2017

MERRIMACK COLLEGE

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Merrimack College
North Andover, Massachusetts

We have audited the accompanying financial statements of Merrimack College (the "College"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merrimack College as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

2017 Financial Statements

The financial statements of Merrimack College as of June 30, 2017 were audited by other auditors whose report, dated September 22, 2017, expressed an unmodified opinion on those statements.

Mayer Hoffman McCann P.C.

October 10, 2018
Boston, Massachusetts

MERRIMACK COLLEGE

Statements of Financial Position

	June 30, 2018	2017
Assets		
Cash and cash equivalents	$ 16,491,126	$ 28,266,291
Contributions receivable, net	4,278,396	3,124,235
Accounts and loans receivable, net	4,984,404	4,886,843
Other assets	1,425,973	749,821
Investments	59,030,093	55,100,926
Deposits with bond trustees	25,197,483	38,007,822
Land, buildings, and equipment, net	149,622,650	121,296,503
Total assets	**$ 261,030,125**	**$ 251,432,441**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 13,652,974	$ 13,008,971
Student deposits and deferred revenue	13,165,648	13,927,812
Bonds payable	112,514,700	114,112,607
Refundable U.S. government grants for student loans	1,318,090	1,312,133
Total liabilities	**140,651,412**	**142,361,523**
Net assets:		
Unrestricted	69,206,478	62,597,629
Temporarily restricted	23,850,975	21,619,266
Permanently restricted	27,321,260	24,854,023
Total net assets	**120,378,713**	**109,070,918**
Total liabilities and net assets	**$ 261,030,125**	**$ 251,432,441**

See accompanying notes to financial statements.

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Operating revenue:					
Tuition and fees	$ 145,417,462	$ -	$ -	$ 145,417,462	$ 136,913,565
Less scholarship aid to students	(63,008,644)	-	-	(63,008,644)	(58,925,873)
Tuition and fees, net	**82,408,818**	**-**	**-**	**82,408,818**	**77,987,692**
Grant revenues	2,430,592	-	-	2,430,592	1,889,552
Contributions	321,303	1,493,475	-	1,814,778	960,919
Investment return utilized for operations	187,611	1,674,617	-	1,862,228	1,862,228
Auxiliary enterprises	33,060,795	-	-	33,060,795	33,829,080
Other revenue	2,987,967	-	-	2,987,967	2,232,061
Total revenues	**121,397,086**	**3,168,092**	**-**	**124,565,178**	**118,761,532**
Net assets released from restrictions	3,114,919	(3,114,919)	-	-	-
Total revenues and net assets released from restrictions	**124,512,005**	**53,173**	**-**	**124,565,178**	**118,761,532**
Expenses:					
Instruction	39,007,775	-	-	39,007,775	36,300,593
Student services	28,109,664	-	-	28,109,664	25,874,532
Academic support	12,813,470	-	-	12,813,470	9,465,439
Institutional support	19,781,963	-	-	19,781,963	19,970,996
Auxiliary enterprises	21,698,678	-	-	21,698,678	20,559,963
Total expenses	**121,411,550**	**-**	**-**	**121,411,550**	**112,171,523**
Change in net assets from operations	**3,100,455**	**53,173**	**-**	**3,153,628**	**6,590,009**
Nonoperating activities:					
Investment return, net of amounts utlized for operations	1,141,453	2,008,878	-	3,150,331	3,848,722
Contributions	175,400	2,376,727	2,469,897	5,022,024	4,368,517
Funds released from restrictions for buildings	2,201,328	(2,201,328)	-	-	-
Change in value of split interest obligations	(10,287)	(5,741)	(2,660)	(18,688)	(19,302)
Other changes	500	-	-	500	1,023,599
Change in net assets from nonoperating activities	**3,508,394**	**2,178,536**	**2,467,237**	**8,154,167**	**9,221,536**
Change in net assets	**6,608,849**	**2,231,709**	**2,467,237**	**11,307,795**	**15,811,545**
Net assets, beginning of year	62,597,629	21,619,266	24,854,023	109,070,918	93,259,373
Net assets, end of year	**$ 69,206,478**	**$ 23,850,975**	**$ 27,321,260**	**$ 120,378,713**	**$ 109,070,918**

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Operating revenue:				
Tuition and fees	$ 136,913,565	$ -	$ -	$ 136,913,565
Less scholarship aid to students	(58,925,873)	-	-	(58,925,873)
Tuition and fees, net	**77,987,692**	**-**	**-**	**77,987,692**
Grant revenues	1,889,552	-	-	1,889,552
Contributions	403,348	557,571	-	960,919
Investment return utilized for operations	191,272	1,670,956	-	1,862,228
Auxiliary enterprises	33,829,080	-	-	33,829,080
Other revenue	2,232,061	-	-	2,232,061
Total revenues	**116,533,005**	**2,228,527**	**-**	**118,761,532**
Net assets released from restrictions	2,832,767	(2,832,767)	-	-
Total revenues and net assets released from restrictions	**119,365,772**	**(604,240)**	**-**	**118,761,532**
Expenses:				
Instruction	36,300,593	-	-	36,300,593
Student services	25,874,532	-	-	25,874,532
Academic support	9,465,439	-	-	9,465,439
Institutional support	19,970,996	-	-	19,970,996
Auxiliary enterprises	20,559,963	-	-	20,559,963
Total expenses	**112,171,523**	**-**	**-**	**112,171,523**
Change in net assets from operations	**7,194,249**	**(604,240)**	**-**	**6,590,009**
Nonoperating activities:				
Investment return, net of amounts utilized for operations	1,346,483	2,502,239	-	3,848,722
Contributions	-	3,781,591	586,926	4,368,517
Funds released from restrictions for buildings	2,335,922	(2,335,922)	-	-
Change in value of split interest obligations	(10,970)	(5,689)	(2,643)	(19,302)
Other changes	1,023,599	-	-	1,023,599
Change in net assets from nonoperating activities	**4,695,034**	**3,942,219**	**584,283**	**9,221,536**
Change in net assets	**11,889,283**	**3,337,979**	**584,283**	**15,811,545**
Net assets, beginning of year	50,708,346	18,281,287	24,269,740	93,259,373
Net assets, end of year	**$ 62,597,629**	**$ 21,619,266**	**$ 24,854,023**	**$ 109,070,918**

See accompanying notes to financial statements.

MERRIMACK COLLEGE

Statements of Cash Flows

	Years Ended June 30, 2018	2017
Cash flows from operating activities:		
Change in net assets	$ 11,307,795	$ 15,811,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,737,351	5,517,728
Bond amortization	(132,907)	(87,277)
Provision for doubtful accounts	(240,437)	(392,454)
Realized and unrealized (gains) losses on investments	(3,690,744)	(4,568,871)
Contributions received for long-term investment	(3,367,028)	(2,947,397)
Changes in operating assets and liabilities excluding cash:		
Accounts and loans receivable	142,876	(655,641)
Contributions receivable	(1,154,161)	(927,016)
Other assets	(676,152)	495,403
Accounts payable and accrued expenses	2,529,677	(1,410,297)
Student deposits and deferred revenue	(762,164)	6,065,512
Net cash provided by operating activities	**10,694,106**	**16,901,235**
Cash flows from investing activities:		
Deposits with bond trustees	12,810,339	(23,881,984)
Cash paid for purchase of land, buildings, and equipment	(36,949,172)	(15,510,747)
Purchase of investments	(7,723,494)	(20,397,485)
Proceeds from sale of investments	7,485,071	20,433,878
Net cash used in investing activities	**(24,377,256)**	**(39,356,338)**
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	-	30,495,423
Bond refinancing costs	-	(248,615)
Repayments of bonds payable	(1,465,000)	(1,545,089)
Contributions received for long-term investment	3,367,028	2,947,397
Net change in refundable U.S. government grants	5,957	(75,415)
Net cash provided by financing activities	**1,907,985**	**31,573,701**
Net change in cash and cash equivalents	**(11,775,165)**	**9,118,598**
Cash and cash equivalents, beginning of year	28,266,291	19,147,693
Cash and cash equivalents, end of year	**$ 16,491,126**	**$ 28,266,291**
Supplemental data:		
Cash paid during the year for interest	$ 4,998,012	$ 4,101,052
Change in construction costs accrued and unpaid	$ 1,939,716	$ 3,825,392

See accompanying notes to financial statements.

Note 1 - Organization

Merrimack College (the “College”) is a private, coeducational institution with a Catholic tradition that currently offers undergraduate and graduate programs leading for a variety of degrees. The College provides academic, residential and other services to a diverse student population. The College was founded by the members of the Order of Saint Augustine, Province of Saint Thomas of Villanova (the “Order”), and that Province of the Order has had, and always shall have, a special relationship to the College. No action in any way altering such relationship or the mission of the College shall be valid unless approved by the unanimous vote or consent of those Trustees in office who are members of the Order. The Order also maintains certain special powers such as approving a list of candidates to be president of the College. In addition, the Order also shall maintain board seats which constitute 20% or more of the College’s Trustees at any time. These elements are to ensure that the College will continue to focus its mission on enlightening minds, engaging hearts, and empowering lives.

The College has enrollment of over 4,000 students predominantly from the Northeast region of the United States along with enrollment of students from most states in the country. The College also enrolls students from over thirty countries. Merrimack is accredited by the New England Association of Schools and Colleges as its primary accreditor, but the College also has other accreditations when it deems it useful or required in terms of providing evidence of further rigor and discipline in certain programs of study. The College participates in student financial aid programs sponsored by the United States Department of Education (“DOE”), and to a much lesser extent individual states, which provides financial support for students. These programs generally facilitate the payment of a significant portion of tuition and other expenses incurred by students when they meet certain eligibility requirements as determined by the College’s financial aid office and are subject to after the fact review by the funders.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”) which require that the College report information regarding its financial position and activities according to three classes of net assets as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the College and/or the passage of time. Accumulated unspent gains on endowments are included within this net asset class until appropriated by the board for expenditure.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The College reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and to minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine recurring reported fair values of certain instruments by classifying such into three categories based on the nature of the inputs used. The fair value standards also require certain items be recorded at fair value when received on a non-recurring basis, such as long-term contributions receivable. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient" of fair value. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met with such category being separate and apart from the three basic categories of fair value items. The categories other than the NAV method are as follows:

Level 1 – Quoted prices in active markets for identical instruments as of the reporting date. Instruments within this category generally include listed equity securities, publically traded mutual funds and certain funds that are much the same as public funds traded on stock or other exchanges.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly as of the reporting date. Instruments in this category most often require the use of a model commonly used in valuation, such an interest rate of like duration and risk that would assist in determining pricing of the instrument.

Level 3 – Pricing inputs are unobservable given little, if any, market activity for the instrument. The inputs for such require significant judgment such as an appraisal or other method. Instruments in this category include certain types of private equity that are not eligible for NAV valuation and beneficial interests in perpetual trusts.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 4 - Investments.

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant estimates made by the College involve allowances for uncollectable accounts on contributions, accounts and loans receivable, fair value of certain investments, useful lives of depreciable assets, conditional asset retirement obligations, present value of annuity payment obligations and the allocation of common expenses over program functions. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term securities with maturities at date of purchase of three months or less. Certain accounts include balances that exceed incurred limits while others do not include deposit insurance. The College has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments. Cash also includes amounts restricted for a student loan program in the amount of $378,446 and $348,389 for the years ended June 30, 2018 and 2017, respectively.

Accounts and Loans Receivable and Refundable U.S. Government Grants for Student Loans

Accounts and loans receivable are stated net of allowance for doubtful accounts of $807,847 and $1,019,000 for the years ended June 30, 2018 and 2017, respectively. Loans receivable represent amounts due from students under the Federal Perkins Loans Program (“Perkins Loans”), which is subject to significant restrictions. Perkins Loans that are in default and meet certain requirements can be assigned to the DOE, which reduces the U.S. government grants payable for student loans. The Perkins Loans Program is winding down and as funds are collected they will be returned to the DOE and the College as applicable.

The College regularly assesses the adequacy of the allowance for doubtful accounts related to accounts and loans receivable by performing ongoing evaluations of the student account and loan portfolio, including such factors as prior collection history, the economic environment and the type of receivable or loan. The level of the allowance is adjusted based on the results of this analysis.

Approximately $1,000,011 and $873,136 of loans were considered past due as of June 30, 2018 and 2017, respectively, however credit risk with these loans is somewhat limited given the rules associated with the loan program that allow properly administered loans to be returned in exchange for a reduction in refundable U.S. government grants for student loans. The College has omitted detailed disclosures given the modest amounts involved.

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value. Fair value is determined based on the fair value policies described in this section.

Net investment return (loss) is reported in the statement of activities and consists of interest, dividends, realized and unrealized capital gains and losses net of external direct investment expenses. Returns associated with permanently restricted funds are accounted for as part of temporarily restricted pending appropriation from the Board of Trustees. If a donor instrument requires that returns be added to corpus, such returns are reflected as permanently restricted when earned.

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment Committee, which oversees the College's investment program in accordance with established guidelines in consultation and collaboration with the College's investment advisors.

Deposits with Bond Trustees

Deposits with bond trustees consists of fair value Level 1 money market investments held under bond indentures for debt service and project funds. Project funds are made available from the trustees as qualifying project costs are incurred while debt service funds must be maintained per the indentures at specified levels over the term of the agreement. A substantial portion of the funds at June 30, 2018 and 2017 were project funds.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost and depreciated on the straight-line basis over the estimated useful lives of the respective assets. Assets donated to the College are recorded at fair value using Level 3 fair value methods at the date of the gift and are depreciated on the straight-line basis over the estimated useful life of the respective asset. Major betterments are capitalized while maintenance and repairs are expensed when incurred.

Student Deposits and Deferred Revenue

Students' reservation deposits and advance payments for tuition and room and board which relate to the College's current or upcoming semesters have been deferred and will be recognized as revenue when earned.

Bond Issuance Costs and Bond Premiums and Discounts

Costs incurred and underwriting discounts or premiums of bonds are capitalized and are netted against the bonds outstanding. Such amounts are amortized over the lives of the respective debt issues.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code. The College is also generally exempt from state income taxes. Given the limited taxable activities of the College, management concluded that such disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The College is required to assess uncertain tax positions. The College has determined that its tax status and decisions over which activities are related and unrelated are its only tax positions and that such positions do not result in an uncertainty requiring recognition. The College's federal and state tax returns are generally open for examination for three years following the date filed. No examinations are currently in process.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Revenue earned from tuition, fees and auxiliary enterprises, principally as the operation of residence halls, are recorded as revenue when earned which would generally be over the period of the obligation to deliver services or provide access to properties. Scholarships are ratably allocable to the period of service or access resulting in such costs being matched against the related revenue.

Investment return allocated under spending policies is based on the Board approved spending rate as more fully described in the footnote relating to endowments.

Grant revenues from federal sources are generally reflected as revenue as costs are incurred. Other grant revenue depends on the nature of the arrangement as to the timing of recognition with contribution type transactions being reported as revenue consistent with contribution recording practices as per below while certain other grants are recorded as revenue as costs are incurred.

Contributions, including unconditional promises to give, are recognized as revenues in the period verifiably committed. Contributions to the annual fund are considered unrestricted revenues. Contributions with purpose and/or time restrictions are considered restricted support and accounted for as temporarily or permanently restricted support depending on the underlying restriction association with the gift. When a donor restriction expires, that is, when either a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the statement of activities. Contributions to

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Non-cash gifts are recorded at fair value at the date of donation using the fair value standards as outlined elsewhere in these policies. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The College reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted nonoperating revenue. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Operating and Nonoperating Activity

The accompanying statements of activities present the change in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College's educational programs, research, training and supporting activities. Operating revenues also include investment return pursuant to the College's spending rate policy earned on investments held for endowment and similar purposes. Investment returns in excess of or less than the spending rate are considered nonoperating. In addition, contributions raised for capital expenditures and endowment are also considered nonoperating along with some other smaller items.

Expenses associated with fundraising activities of the College were approximately $2.5 million and $2.9 million in 2018 and 2017, respectively, and are included in institutional support in the statements of activities.

Functional Expenses

Operation and maintenance expense, depreciation and amortization of plant assets and interest on long-term debt are allocated to program and supporting activities based on the primary use of the facilities based on square footage allocations or based on the underlying cost directly attributable to the assets depending on which method is more appropriate.

Subsequent Events

The College has evaluated all events or transactions that occurred after June 30, 2018 up through October 10, 2018, the date these financial statements were issued. No such items were noted that merited recognition through this date.

Reclassifications

Certain amounts from the prior year's financial statements were reclassified in order to conform to the current year's financial statements.

Note 3 - Contributions Receivable, net

Contributions receivable are expected to be realized as follows at June 30:

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	$ 813,886	$ 756,692
One year to five years	3,010,360	2,147,501
Five years and thereafter	960,000	795,000
	4,784,246	3,699,193
Allowance for discount and doubtful pledges	(505,850)	(574,958)
Contributions receivable, net	**$ 4,278,396**	**$ 3,124,235**

Note 4 - Investments

Investments are as follows at June 30:

	2018		
	Level 1	NAV	Total
Working capital investments:			
Cash and cash equivalents	$ 91,723	$ -	$ 91,723
U.S. and international bond funds	208,937	-	208,937
U.S. and international equity funds	241,446	-	241,446
Total working capital investments	542,106	-	542,106
Long-term investments (endowment):			
Cash and cash equivalents	275,073	-	275,073
U.S. and international bond funds	8,659,375	-	8,659,375
U.S. and international equity funds	34,716,449	-	34,716,449
Private equity and venture capital funds	12,745,134	2,091,956	14,837,090
Total long-term investments (endowment)	56,396,031	2,091,956	58,487,987
Total investments	**$ 56,938,137**	**$ 2,091,956**	**$ 59,030,093**

Note 4 - Investments (Continued)

	2017		
	Level 1	*NAV*	*Total*
Working capital investments:			
Cash and cash equivalents	$ 404,349	$ -	$ 404,349
U.S. and international bond funds	161,680	-	161,680
U.S. and international equity funds	175,692	-	175,692
Total working capital investments	741,721	-	741,721
Long-term investments (endowment):			
Cash and cash equivalents	360,118	-	360,118
U.S. and international bond funds	7,263,380	-	7,263,380
U.S. and international equity funds	32,897,414	-	32,897,414
Private equity and venture capital funds	11,540,364	2,297,930	13,838,294
Total long-term investments (endowment)	52,061,276	2,297,930	54,359,206
Total investments	**$ 52,802,997**	**$ 2,297,930**	**$ 55,100,927**

Unfunded capital commitments amounted to approximately $221,000 and $340,000 at June 30, 2018 and 2017, respectively.

Redemption/liquidity of investments were as follows at June 30, 2018:

Permissible Investment Redemption Frequency	*Fair Value Redeemable*
Daily	$ 56,938,137
Illiquid (>365 Days)	2,091,956
Total	**$ 59,030,093**

Note 4 - Investments (Continued)

Total investment return consisted of the following for the years ended June 30:

	2018	2017
Realized net gains	$ 1,479,833	$ 812,480
Unrealized net gains	2,210,911	3,756,391
Interest and dividends	1,455,052	1,267,079
Management fees	(133,237)	(125,000)
Total return	**$ 5,012,559**	**$ 5,710,950**

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	2018	2017
Long-term investment return utilized - operating activities	$ 1,862,228	$ 1,862,228
Long-term investment return - nonoperating activities	3,150,331	3,848,722
Total return	**$ 5,012,559**	**$ 5,710,950**

Note 5 - Land, Buildings, and Equipment, net

The College's investment in land, buildings, and equipment is as follows at June 30:

	Estimated Lives	2018	2017
Land		$ 2,883,204	$ 1,875,501
Land improvements	10 - 30 years	20,116,363	10,210,302
Buildings and components	50 years	176,846,768	150,530,102
Furniture and equipment	5 years	43,807,903	38,832,076
Automobiles and trucks	5 - 7 years	1,117,738	1,148,531
Capital leases	3 - 4 years	595,686	478,327
Leasehold improvements	10 - 25 years	-	2,338,699
Construction in progress		7,496,154	12,430,321
		252,863,816	217,843,859
Accumulated depreciation and amortization		(103,241,166)	(96,547,356)
		$ 149,622,650	**$ 121,296,503**

Note 5 - Land, Buildings, and Equipment, net (Continued)

During the year ended June 30, 2018, the College purchased a building that was previously leased (see Note 12) and reclassified all related leasehold improvements to buildings and components. Depreciation and amortization expense was $6,737,351 and $5,517,728 for the years ended June 30, 2018 and 2017, respectively. During construction, the College capitalizes interest cost incurred on long-lived projects which generally represent buildings and components. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was $951,609 and $464,248 during the years ended June 30, 2018 and 2017, respectively. The College considers assets under capital leases as modest in amount and thus has omitted detailed disclosures.

Note 6 - Bonds Payable and Line of Credit

Bonds Payable

Bonds payable is as follows at June 30:

	Payments Through	*2018*	*2017*
Bonds payable:			
Massachusetts Development Finance Agency Bonds - Series 2012A	2042	$ 58,630,000	$ 59,815,000
Massachusetts Development Finance Agency Bonds - Series 2014	2044	21,290,000	21,570,000
Massachusetts Development Finance Agency Bonds - Series 2017	2047	29,270,000	29,270,000
Total bonds payable		109,190,000	110,655,000
Plus unamortized bond premium		5,078,199	5,279,049
Less deferred bond issuance costs		(788,982)	(819,447)
Less unamortized bond discount		(964,517)	(1,001,995)
Total bonds payable		**$112,514,700**	**$114,112,607**

Bonds mature serially and have fixed interest rates ranging from 2.5% to 5.25%. The bonds each include a pledge of gross receipts of the College.

Note 6 - Bonds Payable and Other Debt (Continued)

Bonds Payable (Continued)

Bonds payable are due as follows at June 30, 2018:

2019	$ 1,650,000
2020	1,710,000
2021	1,765,000
2022	1,860,000
2023	1,960,000
Thereafter	100,245,000
	$ 109,190,000

Interest expense net of amounts capitalized was $4.2 million and $3.6 million for the years ended June 30, 2018 and 2017, respectively.

Line of Credit

The College has an unsecured line of credit agreement with a bank that extends through January 31, 2020 in the amount of $7,500,000. The line of credit bears interest at 30-day LIBOR plus 1.25%, with a 0.10% unused fee (3.25% and 2.47% at June 30, 2018 and 2017, respectively). The line of credit includes a consecutive 15-day non-use provision, which must be met annually. The line of credit is subject to annual extensions upon mutual agreement. The line of credit was utilized twice during the year ended June 30, 2018 and was not utilized during the year ended June 30, 2017. There was no amount outstanding as of June 30, 2018 and 2017.

Note 7 - Endowment

The College's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the College has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 7 - Endowment (Continued)

Interpretation of Relevant Law (Continued)

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

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

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that are intended to ensure a total return (yield plus capital appreciation) necessary to at least preserve, but expected to enhance (in real dollar terms), endowment assets, while providing a dependable source of income for current operations and scholarships. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds.

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

Strategies Employed for Achieving Investment Objectives

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. Nonetheless, to ensure liquidity for distributions and to facilitate rebalancing, the maximum allocation to illiquid assets, defined as funds locked-up for greater than one year, shall be limited to 30% of the funds' market value.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has interpreted relevant state law as generally permitting the spending of gains on endowment funds over a stipulated period of time. State law allows the Board to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the College's

Note 7 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the College's current endowment spending policy, which is within the guidelines specified under state law, 0% to 5% of the average of the fair value of qualifying endowment investments at the end of the previous three years may be authorized for appropriation. The actual authorized appropriation amount is $1,862,228 in 2018 and 2017, as well as the budgeted amount for 2019. In establishing this policy, the College considered the expected long-term rate of return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported as reductions in unrestricted net assets. There were no deficiencies reported as of June 30, 2018 and 2017.

Endowment net assets consist of the following at June 30:

	2018			
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted endowment funds	$ -	$ 18,247,170	$ 25,486,212	$ 43,733,382
Board-designated endowment funds	14,754,604	-	-	14,754,604
Total endowed net assets	**$ 14,754,604**	**$ 18,247,170**	**$ 25,486,212**	**$ 58,487,986**

	2017			
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Donor-restricted endowment funds	$ -	$ 16,259,725	$ 24,495,905	$ 40,755,630
Board-designated endowment funds	13,603,575	-	-	13,603,575
Total endowed net assets	**$ 13,603,575**	**$ 16,259,725**	**$ 24,495,905**	**$ 54,359,205**

Note 7 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*
Endowment net assets, July 1, 2016	$ 12,272,233	$ 13,757,487	$ 23,884,419	$ 49,914,139
Total investment return	1,359,623	4,351,327	-	5,710,950
Contributions/additions	-	-	611,486	611,486
Appropriation of endowment assets for expenditure	(13,139)	(1,849,089)	-	(1,862,228)
Timing of prior year appropriations	(15,142)	-	-	(15,142)
Endowment net assets, June 30, 2017	13,603,575	16,259,725	24,495,905	54,359,205
Total investment return	1,350,497	3,662,062	-	5,012,559
Contributions/additions	-	-	990,307	990,307
Appropriation of endowment assets for expenditure	(187,611)	(1,674,617)	-	(1,862,228)
Timing of prior year appropriations	(11,857)	-	-	(11,857)
Endowment net assets, June 30, 2018	**$ 14,754,604**	**$ 18,247,170**	**$ 25,486,212**	**$ 58,487,986**

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2018	*2017*
Unspent purpose restricted gifts:		
Instruction	$ 803,553	$ 512,650
Student services	43,930	63,656
Academic support	735,057	577,281
Student aid	617,120	785,361
Building projects	534,825	140,977
Other	505,866	584,991
	3,240,351	2,664,916
Unappropriated gains from permanently restricted net assets	18,247,170	16,259,725
Contributions receivable:		
Instruction	264,468	225,085
Student services	291,783	220,074
Building projects	1,408,832	1,739,881
Other	398,371	509,585
	2,363,454	2,694,625
	$ 23,850,975	**$ 21,619,266**

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors were as follows for the years ended June 30:

	2018	*2017*
Operating purpose and/or time restriction:		
Instruction	$ 286,038	$ 444,907
Student services	231,224	362,376
Academic support	269,671	244,140
Student aid	1,788,405	1,449,294
Other	539,581	332,050
Total operating purpose and/or time restriction	3,114,919	2,832,767
Building projects (nonoperating)	2,201,328	2,335,922
	$ 5,316,247	**$ 5,168,689**

Note 9 - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at June 30:

	2018	*2017*
Purpose restriction:		
Instruction	$ 7,722,361	$ 7,236,876
Unrestricted	1,631,954	1,631,954
Student aid	15,518,896	15,020,547
Other	613,002	606,528
	25,486,213	24,495,905
Contributions receivable:		
Instruction	1,196,786	178,574
Student aid	638,261	179,544
	1,835,047	358,118
	$27,321,260	**$24,854,023**

Note 10 - Benefit Plan

The College provides a qualified defined contribution retirement annuity plan under Internal Revenue Service Code Section 403 for all eligible employees. Under this plan, the College and plan participants make contributions. The College's share of these contributions amounted to $2,877,766 and $2,618,770 for the years ended June 30, 2018 and 2017, respectively.

Note 11 - Commitments and Contingencies

Employment Agreements

The College has employment contracts with certain employees which extend over multiple fiscal years through 2022, and contain a variety of business terms typical in the education sector.

The College has in place a collective bargaining agreement with facilities employees and the agreement expires May 21, 2021.

Contingencies

As reported in prior years, the College sustained certain losses in connection with the administration of a certain aspect of its campus based federal student loan program. Management is working to recover its losses under the insurance programs in place at that time which could result in a recovery in a future period relative to past losses.

Note 11 - Commitments and Contingencies (Continued)

Contingencies (Continued)

From time to time, the College is subject to claims and litigation arising in the ordinary course of business. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters, if any, will have a material adverse effect on its financial position, results of operations, or cash flows.

Note 12 - Related-Party Transactions

The College remits to the Order lay-equivalent salaries for those services provided by Order members. Remittances amounted to $441,368 and $495,371 for the years ended June 30, 2018 and 2017, respectively.

The Order leases office space in Austin Hall to the College under an operating lease arrangement. Rent expense under this arrangement amounts to $39,884 and $82,768 in the years ended June 30, 2018 and 2017, respectively. In December 2017, the College purchased this property from the Order in the amount of $5,643,992. This includes the land located at 315 Turnpike Street, Austin Hall and the Collegiate Church.