Financial Statements

Merrimack College

June 30, 2019 and 2018

MERRIMACK COLLEGE

Financial Statements

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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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019 and 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in 2019, the College adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

September 13, 2019
Boston, Massachusetts

MERRIMACK COLLEGE

Statements of Financial Position

June 30,

	2019	***2018***
Assets		
Cash and cash equivalents	$ 15,676,099	$ 16,491,126
Contributions receivable, net	3,837,425	4,278,396
Accounts and loans receivable, net	5,754,828	4,984,404
Other assets	2,604,246	1,425,973
Investments	59,536,257	59,030,093
Deposits with bond trustees	20,294,059	25,197,483
Land, buildings, and equipment, net	159,577,108	149,622,650
Total assets	**$ 267,280,022**	**$ 261,030,125**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 13,233,981	$ 13,652,974
Student deposits and deferred revenue	12,185,985	13,165,648
Bonds payable	110,731,796	112,514,700
Refundable U.S. government grants for student loans	1,350,313	1,318,090
Total liabilities	**137,502,075**	**140,651,412**
Net assets:		
Without donor restrictions	78,410,854	69,206,478
With donor restrictions	51,367,093	51,172,235
Total net assets	**129,777,947**	**120,378,713**
Total liabilities and net assets	**$ 267,280,022**	**$ 261,030,125**

See accompanying notes to financial statements.

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue:				
Tuition and fees, net (less scholarship aid to students of $74,002,739 and $63,008,644, respectively)	$ 90,548,391	$ -	$ 90,548,391	$ 82,408,818
Grant revenues	2,474,296	-	2,474,296	2,430,592
Contributions	287,471	1,679,172	1,966,643	1,814,778
Investment return utilized for operations	820,997	1,891,716	2,712,713	1,862,228
Auxiliary enterprises	37,800,686	-	37,800,686	33,060,795
Other revenue	3,983,264	-	3,983,264	2,987,967
Total revenues	**135,915,105**	**3,570,888**	**139,485,993**	**124,565,178**
Net assets released from restrictions	3,110,783	(3,110,783)	-	-
Total revenues and net assets released from restrictions	**139,025,888**	**460,105**	**139,485,993**	**124,565,178**
Expenses:				
Instruction	42,271,459	-	42,271,459	39,007,775
Student services	30,097,673	-	30,097,673	28,109,664
Academic support	14,401,288	-	14,401,288	12,813,470
Institutional support	21,319,959	-	21,319,959	19,781,963
Auxiliary enterprises	24,140,717	-	24,140,717	21,698,678
Total expenses	**132,231,096**	**-**	**132,231,096**	**121,411,550**
Change in net assets from operations	**6,794,792**	**460,105**	**7,254,897**	**3,153,628**
Nonoperating activities:				
Investment return, net of amounts utilized for operations	(19,491)	(64,794)	(84,285)	3,150,331
Contributions	30,367	2,220,134	2,250,501	5,022,024
Funds released from restrictions for buildings	2,412,119	(2,412,119)	-	-
Change in value of split interest obligations	(13,411)	(8,468)	(21,879)	(18,688)
Other changes	-	-	-	500
Change in net assets from nonoperating activities	**2,409,584**	**(265,247)**	**2,144,337**	**8,154,167**
Change in net assets	**9,204,376**	**194,858**	**9,399,234**	**11,307,795**
Net assets, beginning of year	69,206,478	51,172,235	120,378,713	109,070,918
Net assets, end of year	**$ 78,410,854**	**$ 51,367,093**	**$ 129,777,947**	**$ 120,378,713**

MERRIMACK COLLEGE

Statement of Activities

Year Ended June 30, 2018

	2018		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Operating revenue:			
Tuition and fees, net (less scholarship aid to students of $63,008,644)	$ 82,408,818	$ -	$ 82,408,818
Grant revenues	2,430,592	-	2,430,592
Contributions	321,303	1,493,475	1,814,778
Investment return utilized for operations	187,611	1,674,617	1,862,228
Auxiliary enterprises	33,060,795	-	33,060,795
Other revenue	2,987,967	-	2,987,967
Total revenues	**121,397,086**	**3,168,092**	**124,565,178**
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**
Expenses:			
Instruction	39,007,775	-	39,007,775
Student services	28,109,664	-	28,109,664
Academic support	12,813,470	-	12,813,470
Institutional support	19,781,963	-	19,781,963
Auxiliary enterprises	21,698,678	-	21,698,678
Total expenses	**121,411,550**	**-**	**121,411,550**
Change in net assets from operations	**3,100,455**	**53,173**	**3,153,628**
Nonoperating activities:			
Investment return, net of amounts utilized for operations	1,141,453	2,008,878	3,150,331
Contributions	175,400	4,846,624	5,022,024
Funds released from restrictions for buildings	2,201,328	(2,201,328)	-
Change in value of split interest obligations	(10,287)	(8,401)	(18,688)
Other changes	500	-	500
Change in net assets from nonoperating activities	**3,508,394**	**4,645,773**	**8,154,167**
Change in net assets	**6,608,849**	**4,698,946**	**11,307,795**
Net assets, beginning of year	62,597,629	46,473,289	109,070,918
Net assets, end of year	**$ 69,206,478**	**$ 51,172,235**	**$ 120,378,713**

MERRIMACK COLLEGE

Statements of Cash Flows

Years Ended June 30,

	2019	*2018*
Cash flows from operating activities:		
Change in net assets	$ 9,399,234	$ 11,307,795
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,456,225	6,604,444
Provision for doubtful accounts	(842,108)	(240,437)
Realized and unrealized gains on investments	(1,307,351)	(3,690,744)
Contributions received for long-term investment	(2,942,211)	(3,367,028)
Changes in operating assets and liabilities excluding cash:		
Accounts and loans receivable	71,684	142,876
Contributions receivable	440,971	(1,154,161)
Other assets	(1,178,273)	(676,152)
Accounts payable and accrued expenses	(528,990)	2,529,677
Student deposits and deferred revenue	(979,663)	(762,164)
Net cash provided by operating activities	**9,589,518**	**10,694,106**
Cash flows from investing activities:		
Deposits with bond trustees	4,903,424	12,810,339
Cash paid for purchase of land, buildings, and equipment	(17,433,590)	(36,949,172)
Purchase of investments	(16,972,002)	(7,723,494)
Proceeds from sale of investments	17,773,189	7,485,071
Net cash used in investing activities	**(11,728,979)**	**(24,377,256)**
Cash flows from financing activities:		
Repayments of bonds payable	(1,650,000)	(1,465,000)
Contributions received for long-term investment	2,942,211	3,367,028
Net change in refundable U.S. government grants	32,223	5,957
Net cash provided by financing activities	**1,324,434**	**1,907,985**
Net change in cash and cash equivalents	**(815,027)**	**(11,775,165)**
Cash and cash equivalents, beginning of year	16,491,126	28,266,291
Cash and cash equivalents, end of year	**$ 15,676,099**	**$ 16,491,126**
Supplemental data:		
Cash paid during the year for interest	$ 5,457,187	$ 4,998,012
Change in construction costs accrued and unpaid	$ (109,997)	$ 1,939,716

See accompanying notes to financial statements.

Note 1 - Organization

Merrimack College (the “College” or “Merrimack”) is a private, coeducational institution with a Catholic tradition that currently offers undergraduate and graduate programs 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 4,500 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 Commission of Higher Education, Inc., 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 which requires that information regarding its financial position and activities are reported based on the existence of or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions funds to function as endowment. Net assets without donor restrictions also include investment in plant, net of accumulated depreciation and related bond obligations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include short-term securities with maturities at date of purchase of three months or less and are reported at cost plus accrued interest. Certain accounts exceed insured 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 $671,813 and $378,446 for the years ended June 30, 2019 and 2018, respectively.

Contributions Receivable

Contributions receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. Such amounts are initially recorded at fair market value using Level 2 inputs as described in the fair value policies later in this section. An allowance is provided for uncollectable amounts based on management's estimates including historical experience, specific review of circumstances and other factors.

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 $1,011,230 and $807,847 for the years ended June 30, 2019 and 2018, respectively. Loans receivable represent amounts due from students under the Federal Perkins Loan Program ("Perkins Loans").

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 $1,061,965 and $1,000,011 of loans were considered past due as of June 30, 2019 and 2018, respectively, however credit risk with these loans is somewhat limited given the rules associated with Perkins Loans that allow properly administered loans to be conveyed back to the DOE in exchange for a reduction in refundable U.S. government grants for student loans and, accordingly, reserves required for these loans are modest. The College has omitted detailed disclosures given the amounts involved.

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 statements of activities and consists of interest, dividends, realized and unrealized gains and losses net of external direct investment expenses. Returns are allocated to the underlying source of the funds when such funds are received with donor restrictions with other returns being considered without donor restrictions.

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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. 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 5 - Investments and Fair Value Measurements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits with Bond Trustees

Deposits with bond trustees are reported at fair value as per the fair value policies described elsewhere in this section. These amounts relate to funds 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.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost when the useful life is over one year and when such amounts exceed a management established threshold, less accumulated depreciation. Depreciation is provided for on the straight-line basis over the estimated useful lives of the respective assets. If an asset is donated to the College, such amounts are recorded at fair value using Level 3 fair value methods as described elsewhere in this section at the date of the gift. Major betterments are capitalized while maintenance and repairs are expensed when incurred.

Student Deposits and Deferred Revenue

Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

Bond Issuance Costs and Bond Premiums and Discounts

Costs incurred and underwriting discounts or premiums of bonds are capitalized and are included as part of bonds payable. Such amounts are amortized over the lives of the respective debt issues.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

The College derives revenues primarily through tuition, fees and auxiliary services all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund within seven days of the start of classes declining to no refund at twenty-one days after the start of classes. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College.

Revenue earned on grants for research is recognized as related costs are incurred. Revenue on contacts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in this section. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied. Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Building rental income and grant and contract income is recorded as revenue over time as earned.

Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Expenses are reported as decreases in net assets without donor restrictions. The statements of activities present expenses by functional classification. Building operations and maintenance costs, including depreciation, are allocated based on square footage. Interest expense is allocated based on square footage applied to the functional purpose for which debt proceeds were used.

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 other smaller items.

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Expenses are also presented later within these footnotes by natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

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.

New Accounting Pronouncements

In 2019, the College adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The College adopted this standard using the modified retrospective approach on July 1, 2018.

The adoption of this standard did not materially impact reported revenue in any period because: (1) performance obligations were determined to be similar as compared with deliverables previously identified; (2) the transaction price is consistent; and (3) revenue was recorded in the same manner as under prior standards. In evaluating the effects of the change, contracts in process as of the date of adoption were considered under the practical expedient allowed under the standard.

Note 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

Associated with the adoption of this standard, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts, and accordingly, no change was made to this accounting.

The College also adopted ASU No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2018-08*, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*

The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The College has adjusted the presentation to all periods presented.

The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable.

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2019. The impact related to the adopting of the new standard did not have a material impact on 2019 results. In evaluating the effects of the change, contributions in process as of the date of adoption were considered.

The financial statement standards were applied to all periods presented with the new categories as prescribed by the standard with impact to total reported amounts as with donor restrictions and without.

The College is required to indicate the effects of adopting the change in the current reporting period, however management determined that the effect on earned revenue, deferred revenue and contribution revenue was immaterial. As such, no disclosures have been provided on the effect on the June 30, 2019 financial statements. In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

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

Subsequent Events

The College has evaluated all events or transactions that occurred after June 30, 2019 up through September 13, 2019, the date these financial statements were issued. No such items were noted that merited recognition through this date.

Note 3 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and its line of credit. The College has a liquidity and operating reserve policy which is written and monitored by its Finance Committee of the Board of Trustees. The liquidity and operating reserve policy establishes certain minimum thresholds for cash balances and provides guidance to remedy any situation should cash balances be less than the established threshold.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of teaching, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the College operates with a budget surplus and anticipates collecting revenue in excess of its general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended June 30, 2019 and 2018.

Although not expected to be needed, the spendable yet restricted portion of the College's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

Note 3 - Liquidity and Availability (Continued)

As of June 30, 2019, the following tables show the total financial assets held by the College and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	$ 15,676,099
Contributions receivable, net	3,837,425
Accounts and loans receivable, net	5,754,828
Investments convertible to cash in the next 12 months	57,571,625
Total financial assets at year end	**$ 82,839,977**
Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	$ 15,004,287
Contributions for general expenditures due in one year or less	413,977
Accounts receivable due in one year or less	4,343,542
Investment return and appropriation	2,712,689
Investments not encumbered by donor or board restrictions	595,848
Total financial assets available to meet general expenditures over the next 12 months	**$ 23,070,343**

Note 4 - Contributions Receivable, Net

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

	2019	***2018***
Unconditional promises expected to be collected in:		
Less than one year	$ 983,320	$ 813,886
One year to five years	2,763,610	3,010,360
Five years and thereafter	575,000	960,000
	4,321,930	4,784,246
Allowance for discount and doubtful pledges	(484,505)	(505,850)
Contributions receivable, net	**$ 3,837,425**	**$ 4,278,396**

Note 5 - Investments and Fair Value Measurements

The valuation of the College's financial instruments by fair value hierarchy consisted of the following at June 30:

	2019		
	Level 1	*NAV*	*Total*
Assets			
Deposits with bond trustees:			
Debt service reserve with trustee:			
Cash and cash equivalents	$ 6,618,599	$ -	$ 6,618,599
U.S. and international bond funds	2,114,000	-	2,114,000
Total debt service reserve with trustee	8,732,599	-	8,732,599
Unexpended bond proceeds:			
Cash and cash equivalents	11,561,460	-	11,561,460
Total unexpended bond proceeds	11,561,460	-	11,561,460
Total deposits with bond trustees	**20,294,059**	**-**	**20,294,059**
Investments			
Working capital investments:			
Cash and cash equivalents	64,608	-	64,608
U.S. and international bond funds	264,542	-	264,542
U.S. and international equity funds	266,698	-	266,698
Total working capital investments	595,848	-	595,848
Long-term investments (endowment):			
Cash and cash equivalents	723,336	-	723,336
U.S. and international bond funds	9,418,357	-	9,418,357
U.S. and international equity funds	32,442,241	-	32,442,241
Private equity and venture capital funds	14,391,845	1,964,630	16,356,475
Total long-term investments (endowment)	56,975,779	1,964,630	58,940,409
Total investments	**57,571,627**	**1,964,630**	**59,536,257**
Total assets at fair value	**$ 77,865,686**	**$ 1,964,630**	**$ 79,830,316**

Note 5 - Investments and Fair Value Measurements (Continued)

The valuation of the College's financial instruments by fair value hierarchy consisted of the following at June 30:

	2018		
	Level 1	*NAV*	*Total*
Assets			
Deposits with bond trustees:			
Debt service reserve with trustee:			
Cash and cash equivalents	$ 6,546,055	$ -	$ 6,546,055
U.S. and international bond funds	2,098,000	-	2,098,000
Total debt service reserve with trustee	8,644,055	-	8,644,055
Unexpended bond proceeds:			
Cash and cash equivalents	16,553,428	-	16,553,428
Total unexpended bond proceeds	16,553,428	-	16,553,428
Total deposits with bond trustees	**25,197,483**	**-**	**25,197,483**
Investments			
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**
Total assets at fair value	**$ 82,135,620**	**$ 2,091,956**	**$ 84,227,576**

Unfunded capital commitments amounted to approximately $2,650,250 and $221,000 at June 30, 2019 and 2018, respectively. The College has no plans or intentions to liquidate any of its investments using NAV methods at other than the ordinary course as allowed under such instruments.

Note 5 - Investments and Fair Value Measurements (Continued)

Redemption/liquidity of investments were as follows at June 30, 2019:

Permissible Investment Redemption Frequency	*Fair Value Redeemable*
Daily	$ 57,571,625
Illiquid (>365 Days)	1,964,632
Total	**$ 59,536,257**

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

	2019	*2018*
Long-term investment return utilized - operating activities	$ 2,712,713	$ 1,862,228
Long-term investment return - nonoperating activities	(84,285)	3,150,331
Total return	**$ 2,628,428**	**$ 5,012,559**

Note 6 - Land, Buildings, and Equipment, Net

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

	Estimated Lives	*2019*	*2018*
Land		$ 3,678,263	$ 2,883,204
Land improvements	10 - 30 years	23,019,654	20,116,363
Buildings and components	50 years	192,196,318	176,846,768
Furniture and equipment	5 years	46,416,533	43,807,903
Automobiles and trucks	5 - 7 years	1,295,353	1,117,738
Capital leases	3 - 4 years	595,686	595,686
Construction in progress		3,205,595	7,496,154
		270,407,402	252,863,816
Accumulated depreciation and amortization		(110,830,294)	(103,241,166)
		$ 159,577,108	**$ 149,622,650**

Note 6 - Land, Buildings, and Equipment, Net (Continued)

Depreciation and amortization expense was $7,589,129 and $6,737,351 for the years ended June 30, 2019 and 2018, 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 $465,089 and $951,609 during the years ended June 30, 2019 and 2018, respectively. The College considers assets under capital leases as modest in amount and thus has omitted detailed disclosures.

Note 7 - Bonds Payable and Line of Credit

Bonds Payable

Bonds payable is as follows at June 30:

	Payments Through	*2019*	*2018*
Bonds payable:			
Massachusetts Development Finance Agency Bonds - Series 2012A	2042	$ 57,395,000	$ 58,630,000
Massachusetts Development Finance Agency Bonds - Series 2014	2044	21,015,000	21,290,000
Massachusetts Development Finance Agency Bonds - Series 2017	2047	29,130,000	29,270,000
Total bonds payable		107,540,000	109,190,000
Plus unamortized bond premium		4,877,350	5,078,199
Less deferred bond issuance costs		(758,516)	(788,982)
Less unamortized bond discount		(927,038)	(964,517)
Total bonds payable		**$ 110,731,796**	**$ 112,514,700**

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.

The College is required to maintain escrow accounts sufficient to pay one year's principal and interest on the Series 2012A, Series 2014 and Series 2017 Bonds. Additionally the Series 2012A requires a debt service fund to be held. Such amount is included in deposits with bond trustees.

Note 7 - Bonds Payable and Line of Credit (Continued)

Bonds Payable (Continued)

Bonds payable are due as follows at June 30, 2019:

2020	$ 1,710,000
2021	1,765,000
2022	1,860,000
2023	1,960,000
2024	2,065,000
Thereafter	98,180,000
	$ 107,540,000

Interest expense net of amounts capitalized was $4.6 million and $4.2 million for the years ended June 30, 2019 and 2018, 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 for an actual rate (3.65% and 3.25% at June 30, 2019 and 2018, 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. There was no amount outstanding as of June 30, 2019 and 2018.

Note 8 - 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.

Interpretation of Relevant Law

The Board of the College has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 as enacted in Massachusetts ("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 tracks the corpus of endowment type gifts.

Note 8 - Endowment (Continued)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not corpus is classified as unappropriated gains 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 from 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 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. 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.

Note 8 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College's current endowment spending policy allows for spending of 0% to 5% of the average of the fair value of qualifying endowment investments over the previous three years. The actual appropriation was $2,712,713 and $1,862,228 for an effective rate of 5% and 3.5% for the years ended June 30, 2019 and 2018, respectively. The appropriation for the year ended June 30, 2020 is budgeted for $2,712,689. Accordingly, over the long term, the College expects the current spending policy will allow its endowment to maintain its purchasing power. 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, 2019 and 2018.

Endowment net assets consist of the following at June 30:

	2019		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Donor-restricted endowment funds	$ -	$ 44,209,056	$ 44,209,056
Board-designated endowment funds	14,731,353	-	14,731,353
Total endowed net assets	**$ 14,731,353**	**$ 44,209,056**	**$ 58,940,409**

	2018		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Donor-restricted endowment funds	$ -	$ 43,733,382	$ 43,733,382
Board-designated endowment funds	14,754,605	-	14,754,605
Total endowed net assets	**$ 14,754,605**	**$ 43,733,382**	**$ 58,487,987**

Note 8 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Endowment net assets, July 1, 2017	$ 13,603,575	$ 40,755,630	$ 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	(11,856)	-	(11,856)
Endowment net assets, June 30, 2018	14,754,605	43,733,382	58,487,987
Total investment return	608,032	2,020,396	2,628,428
Contributions/additions	-	540,468	540,468
Appropriation of endowment assets for expenditure	(627,523)	(2,085,190)	(2,712,713)
Timing of prior year appropriations	(3,761)	-	(3,761)
Endowment net assets, June 30, 2019	**$ 14,731,353**	**$ 44,209,056**	**$ 58,940,409**

Note 9 - Net Assets

Net assets without donor restrictions consist of the following at June 30:

	2019	*2018*
Net investment in land, buildings, and equipment	$ 48,845,312	$ 37,107,950
Board-designated endowment funds	14,731,326	14,754,604
Other funds	14,834,216	17,343,924
	$ 78,410,854	**$ 69,206,478**

Note 9 - Net Assets (Continued)

Net assets with donor restrictions consist of the following at June 30:

	2019	*2018*
Accumulated unspent gains on endowment funds	$ 18,182,374	$ 18,247,170
Endowment corpus:		
Instruction	8,993,130	8,919,147
General endowment	1,631,954	1,631,954
Student aid	16,366,898	15,518,896
Other	663,703	613,002
	27,655,685	26,682,999
Total endowment	45,838,059	44,930,169
Unspent purpose restricted gifts:		
Instruction	966,771	1,068,021
Student services	410,687	335,713
Academic support	919,659	735,057
Student aid	699,702	1,255,381
Building projects	1,841,587	1,943,657
Other	690,628	904,237
	5,529,034	6,242,066
	$ 51,367,093	**$ 51,172,235**

Note 9 - Net Assets (Continued)

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:

	2019	***2018***
Operating purpose and/or time restriction:		
Instruction	$ 386,955	$ 286,038
Student services	189,260	231,224
Academic support	309,347	269,671
Student aid	1,724,559	1,788,405
Other	500,662	539,581
Total operating purpose and/or time restriction	3,110,783	3,114,919
Building projects (nonoperating)	2,412,119	2,201,328
	$ 5,522,902	**$ 5,316,247**

Note 10 - Natural Classification of Expenses

The College's primary program service is academic instruction. Expenses reported as student services, academic support, institutional support and auxiliaries are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the fiscal years ended June 30:

	2019					
	Salaries and Benefits	***Supplies and Services***	***Occupancy and Related Expenses***	***Depreciation, Amortization and Interest***	***Other Operating Expenses***	***Total***
Instruction	$ 32,890,571	$ 4,046,214	$ 2,059,556	$ 1,424,710	$ 1,850,408	$ 42,271,459
Student services	14,896,540	4,649,964	2,806,186	1,787,533	5,957,450	30,097,673
Academic support	7,479,011	3,041,942	1,015,434	729,693	2,135,208	14,401,288
Institutional support	11,647,886	4,354,631	1,073,222	501,159	3,743,061	21,319,959
Auxiliaries	196,194	9,209,481	8,282,061	3,175,553	3,277,428	24,140,717
Total expenses	**$ 67,110,202**	**$ 25,302,232**	**$ 15,236,459**	**$ 7,618,648**	**$ 16,963,555**	**$ 132,231,096**

	2018					
	Salaries and Benefits	***Supplies and Services***	***Occupancy and Related Expenses***	***Depreciation, Amortization and Interest***	***Other Operating Expenses***	***Total***
Instruction	$ 30,429,024	$ 3,022,726	$ 2,411,980	$ 1,285,024	$ 1,859,021	$ 39,007,775
Student services	13,888,042	4,400,806	3,129,456	1,583,372	5,107,988	28,109,664
Academic support	6,990,089	2,657,537	1,171,698	660,631	1,333,515	12,813,470
Institutional support	11,389,955	4,059,406	1,103,229	364,064	2,865,309	19,781,963
Auxiliaries	344,576	8,123,374	7,127,920	2,866,546	3,236,262	21,698,678
Total expenses	**$ 63,041,686**	**$ 22,263,849**	**$ 14,944,283**	**$ 6,759,637**	**$ 14,402,095**	**$ 121,411,550**

Note 10 - Natural Classification of Expenses (Continued)

Expenses associated with fundraising activities of the College were approximately $2.6 million and $2.5 million in 2019 and 2018, respectively, and are included in institutional support in the statements of activities.

Note 11 - 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 $3,193,017 and $2,877,766 for the years ended June 30, 2019 and 2018, respectively.

Note 12 - Revenue Matters

The College's revenues from tuition, fees and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of cash flows include policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The College has a number of lines of business which include traditional undergraduate education, and graduate programs. The following table summarizes the percentages of revenue from each of these programs with auxiliary enterprises being ascribed to the program from which such revenues are derived.

	2019	***2018***
Revenue		
Undergraduate	92%	92%
Graduate	8%	8%

Note 13 - 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.

Note 13 - Commitments and Contingencies (Continued)

Commitments

The College has multiple agreements with a company to provide student housing for students based on demand and the agreements expire at various times through August 24, 2020.

The College has an agreement with a company to operate the College's food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract is up for renewal in 2027.

The College has an agreement with a company to construct a new academic building and the agreement has an expected completion date of January 7, 2020.

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.

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 14 - Related-Party Transactions

The College remits to the Order lay-equivalent salaries for those services provided by Order members. Remittances amounted to $444,749 and $441,368 for the years ended June 30, 2019 and 2018, respectively.

The Order leased office space in Austin Hall to the College under an operating lease arrangement through December 2017. Rent expense under this arrangement amounted to $39,884 in the year ended June 30, 2018. 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.