ANNA MARIA COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

AND

INDEPENDENT AUDITOR'S REPORT

ANNA MARIA COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Anna Maria College

Report on the Financial Statements

We have audited the accompanying financial statements of Anna Maria College (the "College"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

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

Emphasis of a Matter

As disclosed in Note 2 to the financial statements, the College adopted the provisions of ASU 2016-14 - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Bollus Lynch, LLP
An Independent Member of the BDO Alliance USA
89 Shrewsbury Street • Worcester, MA 01604
p - 508.755.7107 • f - 508.755.3896
Bolluslynch.com

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Summarized Comparative Information

We have previously audited Anna Maria College's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bollus Lynch, LLP

Worcester, Massachusetts
October 4, 2019

ANNA MARIA COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019
(With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Assets				
Cash and cash equivalents	$ 7,771,127	$ 823,482	$ 8,594,609	$ 7,132,357
Accounts receivable				
Students, less allowance for doubtful accounts of $568,165 and $1,009,679 in 2019 and 2018, respectively	644,790	-	644,790	1,001,959
Government grants	163,857	-	163,857	1,551,764
Other	99,236	-	99,236	27,469
Contributions receivable, net	-	124,966	124,966	190,895
Student loans, less allowance for doubtful accounts of $402,876	742,249	-	742,249	823,892
Prepaid expenses and other assets	422,798	-	422,798	356,859
Investments	7,648,469	1,317,182	8,965,651	8,149,888
Restricted cash	1,345,090	-	1,345,090	3,135,368
Hedging instrument	-	-	-	17,778
Property and equipment, net	30,143,146	-	30,143,146	29,505,958
	$ 48,980,762	$ 2,265,630	$ 51,246,392	$ 51,894,187
Liabilities and Net Assets				
Accounts payable	$ 1,003,414	$ -	$ 1,003,414	$ 675,138
Accrued and other liabilities	852,607	-	852,607	1,127,199
Deferred tuition, fees and other	822,826	-	822,826	820,841
Student deposits	190,589	-	190,589	168,238
Agency funds	-	-	-	5,608
Deferred contract revenue	1,595,376	-	1,595,376	1,743,208
Capital lease obligations	737,003	-	737,003	1,038,153
Long-term debt, net	23,176,720	-	23,176,720	23,858,135
Hedging instrument	1,045,084	-	1,045,084	-
Student loans - Federal Perkins Loan Program	658,856	-	658,856	658,824
Total liabilities	30,082,475	-	30,082,475	30,095,344
Net assets				
Without donor restrictions	18,898,287	-	18,898,287	19,678,115
With donor restrictions	-	2,265,630	2,265,630	2,120,728
Total net assets	18,898,287	2,265,630	21,163,917	21,798,843
	$ 48,980,762	$ 2,265,630	$ 51,246,392	$ 51,894,187

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Operating revenue and other support:				
Tuition and fees	$ 39,106,974	$ -	$ 39,106,974	$ 36,027,787
Less: Financial aid	20,785,079	-	20,785,079	17,614,902
Employee tuition benefits	370,877	-	370,877	427,560
Tuition and fees, net	17,951,018	-	17,951,018	17,985,325
Auxiliary enterprises	7,802,258	-	7,802,258	6,827,352
Contributions and grants	369,071	261,603	630,674	528,270
Interest income	35,671	-	35,671	22,305
Other revenue	391,660	-	391,660	279,576
Net assets released from restriction:				
Purpose restrictions	220,564	(220,564)	-	-
Total	26,770,242	41,039	26,811,281	25,642,828
Operating expenses:				
Instruction	7,272,879	-	7,272,879	6,884,483
Academic support	1,185,234	-	1,185,234	1,132,699
Student services	10,105,801	-	10,105,801	9,424,016
Auxiliary enterprises	3,423,035	-	3,423,035	3,266,411
Institutional support	4,387,286	-	4,387,286	4,357,457
Institutional development	670,510	-	670,510	709,836
	27,044,745	-	27,044,745	25,774,902
Other				
Scholarships	244,450	-	244,450	197,803
Total	27,289,195	-	27,289,195	25,972,705
Change in net assets from operations	(518,953)	41,039	(477,914)	(329,877)
Non-operating revenue (expense):				
Gifts and grants restricted for investment in capital assets	-	4,050	4,050	129,216
Gifts and grants restricted for long-term investment	-	76,000	76,000	9,849
Net investment return	683,703	142,097	825,800	705,113
Unrealized gain (loss) on hedging instrument	(1,062,862)	-	(1,062,862)	17,778
Net assets released from restrictions:				
Purpose restrictions	118,284	(118,284)	-	-
Change in net assets from non-operating activities	(260,875)	103,863	(157,012)	861,956
Change in net assets	(779,828)	144,902	(634,926)	532,079
Net assets, beginning of year	19,678,115	2,120,728	21,798,843	21,266,764
Net assets, end of year	$ 18,898,287	$ 2,265,630	$ 21,163,917	$ 21,798,843

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Institutional Development	Totals 2019	Totals 2018
Salaries and wages	$ 5,343,087	$ 699,481	$ 2,465,899	$ 111,145	$ 1,568,685	$ 375,495	$ 10,563,792	$ 9,891,642
Employee benefits	954,470	156,806	450,280	14,116	351,242	77,120	2,004,034	1,755,471
Food services	-	-	-	1,478,065	-	-	1,478,065	1,567,925
Recruiting	-	-	2,474,713	-	9,498	-	2,484,211	2,807,370
Student activities	-	375	43,922	12,909	83,192	-	140,398	112,391
Utilities	226,248	47,180	701,135	81,948	80,241	-	1,136,752	1,046,552
Repairs and maintenance	53,505	9,902	190,907	33,903	25,827	2,196	316,240	214,015
Supplies	71,226	22,508	227,599	16,255	40,816	-	378,404	358,661
Professional fees	139,511	8,294	843,594	1,447,167	1,013,269	115,104	3,566,939	3,139,133
General insurance	-	-	-	-	101,039	-	101,039	136,239
Computer charges	-	57,217	9,092	-	228,584	-	294,893	227,793
Travel and entertainment	18,694	1,345	478,504	56,012	56,695	41,708	652,958	469,015
Faculty development	5,845	12,070	4,101	871	774	5,964	29,625	20,298
Advertising	-	-	45,250	-	28,080	-	73,330	110,340
Printing and mailing	1,310	1,660	33,827	63	140,487	20,520	197,867	168,929
Dues and subscriptions	25,212	46,924	44,625	1,655	54,845	30,801	204,062	200,976
Credit card and bank fees	-	-	-	-	126,928	-	126,928	118,818
Uncollectible accounts expense	-	-	-	-	183,714	-	183,714	171,000
Uniforms	-	-	-	6,213	-	-	6,213	5,355
Interest	19,412	19,412	907,411	21,720	19,412	-	987,367	1,135,030
Depreciation and amortization	382,313	79,723	1,184,774	138,475	135,591	-	1,920,876	1,937,836
Other	32,046	22,337	168	2,518	138,367	1,602	197,038	180,113
	$ 7,272,879	$ 1,185,234	$ 10,105,801	$ 3,423,035	$ 4,387,286	$ 670,510	$ 27,044,745	$ 25,774,902

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019
(With Summarized Financial Information for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (634,926)	$ 532,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,907,020	1,937,836
Amortization of bond issuance costs	13,856	227,724
Uncollectible accounts expense	183,714	171,000
Net investment gains	(737,070)	(607,882)
Amortization of deferred contract revenue	(147,832)	(6,792)
(Gain) loss on hedging instrument	1,062,862	(17,778)
Contributions restricted for capital improvements	(4,050)	(129,216)
Contributions restricted for long-term investment	(76,000)	(9,849)
Non-cash contributions	(10,072)	(25,024)
Increase in operating assets:		
Accounts, loans and contributions receivable	1,517,262	(1,227,665)
Prepaid expenses and other assets	(65,939)	(36,875)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	99,474	(63,077)
Accrued and other liabilities	(274,592)	454,021
Deferred tuition and fees	1,985	426,010
Student deposits	22,351	8,254
Agency funds	(5,608)	(30,951)
Total adjustments	3,487,361	1,069,736
Net cash provided by operating activities	2,852,435	1,601,815
Cash flows from investing activities:		
Change in restricted cash	1,790,278	(3,135,368)
Payments for purchases of investments	(1,250,686)	(2,216,119)
Proceeds from sales of investments	1,182,065	1,529,858
Expenditures for property and equipment	(2,315,406)	(378,763)
Net cash used in investing activities	(593,749)	(4,200,392)
Cash flows from financing activities:		
Deferred contract revenue	-	1,750,000
Principal payments of long-term debt	(685,654)	(23,366,148)
Proceeds from borrowings of long-term debt	-	24,500,000
Expenditures for bond issuance costs	(9,617)	(313,651)
Principal payments of capital lease obligations	(301,150)	(277,033)
Change in student loans - Federal Perkins Loan Program	32	530
Contributions restricted for long-term investment	199,955	123,849
Net cash provided by (used in) financing activities	(796,434)	2,417,547
Net increase (decrease) in cash and cash equivalents	1,462,252	(181,030)
Cash and cash equivalents, beginning of year	7,132,357	7,313,387
Cash and cash equivalents, end of year	$ 8,594,609	$ 7,132,357

See accompanying independent auditor's report and notes to financial statements.

1 - DESCRIPTION OF ORGANIZATION

Anna Maria College (the "College") is a nonprofit, private college, located in Paxton, Massachusetts. The College is governed by a Board of Trustees. The College is empowered to award baccalaureate and master's degrees as well as programs of continuing education.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the College are described subsequently to enhance the usefulness and understandability of the financial statements.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Basis of accounting

The financial statements of the College have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the College obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the College's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The College's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

> Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the College, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the College may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the College must continue to use the resources in accordance with the donor's instructions.

The College's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the College, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and cash equivalents

The College maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on cash and cash equivalents.

For purposes of these financial statements, the College considers all undesignated money market funds and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Restricted cash, consisting of proceeds of long term debt and deferred contract revenue during 2018, is held in cash accounts and is available for property, plant and equipment additions.

Student accounts receivable

Student accounts receivable are reported net of any anticipated losses due to uncollectible amounts. The College considers an account to be past due when a student leaves mid-semester with an unpaid account balance or when a student has an account balance at the end of the semester. Current students with unpaid balances during the semester are assessed finance charges. Former students with past due accounts are subject to past due letter collection efforts and are subsequently placed with third-party collection agencies. If an account balance still exists at the conclusion of the 12 month collection period the account is considered to be written off. The collectability of individual accounts is evaluated closely at the close of each fiscal year, and the allowance for uncollectibility accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. Historical past-due history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectable amounts. The College does not assess finance charge against student receivables that are placed in collection.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Student loans receivable

Student loans receivable are reported net of any anticipated losses due to uncollectibility. The College considers a loan to be in default when it has been past due for a period of twelve months. All loans are placed with a third-party collection agency. The allowance for uncollectible loans is calculated as the average of the outstanding loan balance multiplied by the cohort default rate for institutional loans. The Federal Perkins Loan program has provisions for deferment, forbearance, and cancellation of individual loans. Interest continues to accrue while the loan is placed with a collection agency.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The College's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the College to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds include invested gifts and cash.

As required by generally accepted accounting principles, the College classifies as donor 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. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the College may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the College; and the investment policies of the College.

The College has adopted investment and spending policies for its board-designated and other endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a portfolio of debt and equity securities with the objective of achieving long-term capital appreciation while moderating the level of investment risk. Actual returns in any given year may vary from this amount.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

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 has invested in debt and equity securities that target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The College has a policy of appropriating for distribution each year 5.00% of the twelve quarter average fair market value of the endowment calculated as of June 30 for the preceding the year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the College to retain as a fund of perpetual duration. The College may appropriate for expenditure from these underwater endowment funds in accordance with the prudent measures prescribed by state law. Such deficiencies amounted to $23,542 and $14,034 as of June 30, 2019 and 2018, respectively, with an original gift value of $96,325.

Debt issuance costs

Debt issuance costs, which represent fees and other costs associated with obtaining long-term debt, are deferred and amortized using the straight-line method, which approximates the level yield method, over the term of the financing. Bond issuance costs will be amortized at a monthly rate of $1,033 through 2040. Long-term debt is presented net of unamortized debt issuance costs on the statement of financial position.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred tuition and fees

Certain deposits and advance payments received for tuition and fees related to the College’s Summer Session II programs and tuition billed relating to the ensuing academic year are deferred and are recorded as deferred tuition and fees.

Deferred contract revenue

Refundable advances received from the College’s food service vendor are recorded as deferred contract revenue and recognized ratably over the life of the contract.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedging instruments

Hedging instruments, including interest rate swaps, are recorded on the statement of financial position as either assets or liabilities measured at their fair value. All changes in the fair value of hedging instruments are recognized currently in the statement of activities.

Measure of operations

In its statement of activities, the College includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. The net investment return is recognized as non-operating item until drawn for operations.

Contributions and gifts

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-kind contributions

The College receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the College receives a contribution of equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the College's capitalization policy.

The College benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the College's program operations and in its fund-raising events. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Expense recognition and allocation

The cost of providing the College's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

- Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

- Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the same basis as occupancy for each program and supporting activity.

Management periodically evaluates the bases on which costs are allocated.

Institutional development costs are expensed as incurred, even though they may result in contributions received in future years. The College generally does not conduct its institutional development activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between institutional development and academic and institutional support expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was approximately $181,709 and $216,078 in 2019 and 2018, respectively.

Self-insured state unemployment program

Under Massachusetts law, a not-for-profit organization may elect to fund its state unemployment claims under the direct reimbursement financing plan. Under this plan, the College is required to pay the state only for claims made by its former employees for unemployment benefits.

Tax-exempt status

The College is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the College are tax deductible to donors under Section 170 of the IRC. The College is not classified as a private foundation.

Change in accounting principles

The College implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called “Net Assets with Donor Restrictions”.
- The unrestricted net asset class has been renamed “Net Assets without Donor Restrictions”.
- A Statement of Functional Expenses has been included as a required statement.
- The financial statements include a disclosure about liquidity and availability of resources (note 3).
- Investment fees are recorded as a component of investment return.
- At June 30, 2018, the classification has changed from unrestricted net assets to net assets with donor restrictions for the $14,034 deficit on an endowment fund that had investments with a fair value of $82,291, and an original gift amount of $96,325, and the College has disclosed how this underwater situation affects spending from the fund.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in accounting principles (continued)

The changes have the following effect on net assets at June 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Net asset class		
Unrestricted net assets	$ 19,664,081	$ -
Temporarily restricted net assets	1,292,084	-
Permanently restricted net assets	842,678	-
Net assets without donor restrictions	-	19,678,115
Net assets with donor restrictions	-	2,120,728
Total net assets	$ 21,798,843	$ 21,798,843

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

	2019
Financial assets:	
Cash and cash equivalents	$ 8,594,609
Accounts receivable, net	907,883
Contributions receivable, net	124,966
Student loans	742,966
Investments	8,965,651
Restricted cash	1,345,090
Total financial assets	20,681,165
Less: Financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	948,448
Donor-restricted endowment funds	1,317,182
Less: Financial assets not available within one year:	
Perkins loans	722,501
Less: Board-designated endowment fund	4,244,041
Restricted cash for capital	1,345,090
Amount available for general expenditures within one year	$ 12,103,903

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the College's intention to invest those resources for the long-term support of the College. If needed, the Board of Directors can approve the Board-Designated Endowment fund to be used for operations in its entirety. Some of the College's operating funds are in short term investments, however the bulk resides in money market accounts which is accessible for operations. The College does not have access to a line of credit at this time.

4 - CONTRIBUTIONS RECEIVABLE

Payments on contributions as of June 30, 2019 are expected to be received as follows:

2020	$ 101,752
2021	12,000
2022	11,000
2023	3,214
	127,966
Less: Reserve for uncollectible contributions	3,000
	$ 124,966

5 - STUDENT LOANS

Student loans consist of the following:

	2019	2018
Perkins loans	$ 722,501	$ 796,026
AMC direct, net of allowance for uncollectible loans of $332,704 and $332,454 in 2019 and 2018, respectively	19,748	27,616
AMC loans, net of allowance for uncollectible loans of $70,173 and $70,422 in 2019 and 2018, respectively	-	250
	$ 742,249	$ 823,892

6 - INVESTMENTS

Investments are included in the following classes of net assets:

	2019	2018
With donor restrictions:		
Donor restricted endowment funds	$ 1,317,182	$ 1,200,973
Board-designated endowment funds	4,244,041	3,951,888
Without donor restrictions	3,404,428	2,997,027
	$ 8,965,651	$ 8,149,888

6 - INVESTMENTS (Continued)

Investments are composed of the following:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment securities				
Equity securities	$ 2,785,472	$ 4,662,386	$ 2,534,808	$ 3,991,916
U.S. Government and Agency issues	987,785	1,004,483	965,327	951,642
Corporate bonds	942,398	965,247	871,513	847,071
Mortgage backed securities	698	496	3,694	3,323
Cash and money market accounts	2,263,716	2,263,716	2,294,252	2,294,252
Mutual funds	56,696	69,323	54,413	61,684
	$ 7,036,765	$ 8,965,651	$ 6,724,007	$ 8,149,888

Net investment return for 2019 and 2018 is composed of the following:

	2019	2018
Net investment gains	$ 737,070	$ 607,882
Dividends and interest	122,125	126,562
Investment management fees	(33,395)	(29,331)
	$ 825,800	$ 705,113

7 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment, together with estimated useful lives, consists of the following:

	Estimated Useful Lives	2019	2018
Land	-	$ 113,480	$ 113,480
Land improvements	50 years	9,504,120	8,979,287
Buildings and improvements	20 - 50 years	38,364,661	38,292,923
Furniture and equipment	5 - 15 years	11,239,446	10,884,817
Motor vehicles	5 years	375,424	375,424
Library books, periodicals, and audio-visual materials	5 years	2,020,876	2,020,877
Construction in process	-	1,940,480	347,471
		63,558,487	61,014,279
Less: Accumulated depreciation		33,415,341	31,508,321
		$ 30,143,146	$ 29,505,958

Depreciation expense was $1,907,020 and $1,937,836 in 2019 and 2018, respectively.

8 - DEFERRED CONTRACT REVENUE

The College entered into a twelve year contract with Sodexo Operations, LLC (Sodexo) to have Sodexo provide all dining services for the College, effective June 15, 2018. Under the terms of the contract, the College provides all dining facilities and is responsible for all maintenance and repairs to the facility. Dining services personnel are considered Sodexo employees. As part of the contract, Sodexo made a payment of $1,750,000 to the College in June 2018 for facility enhancements to the dining facilities. This amount is included as restricted cash until expended. This amount has been recorded as deferred contact revenue on the Statement of Financial Position and is being amortized over the life of the contract. The amount amortized was $147,832 and $6,792 in 2019 and 2018, respectively, leaving a remaining amount to be amortized of $1,595,376.

9 - LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
Note payable, MDFA, secured by substantially all assets of the College due in increasing monthly principal installments ranging from $59,400 to $131,666 plus interest at 65% of the sum of adjusted LIBOR Rate (2.43% as of June 30, 2019) plus 3.25% through December, 2040.	$ 23,478,177	$ 24,163,831
Less: Unamortized bond issuance costs, net of accumulated amortization of $21,811 and $7,955 in 2019 and 2018, respectively	301,457	305,696
	$ 23,176,720	$ 23,858,135

In connection with the notes payable agreements with MDFA, the College has agreed to various restrictive covenants.

Maturities of long-term debt in subsequent years are as follows:

2020	$ 712,803
2021	741,031
2022	770,377
2023	800,885
2024	832,601
Thereafter	19,620,480
	$ 23,478,177

10 - HEDGING INSTRUMENT

The College maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility.

The College entered into an interest rate swap agreement in 2018 related to its long-term debt. The swap is utilized to manage interest rate exposures and is designated as a highly effective cash flow hedge. The differential to be paid or received on the swap agreement is accrued as interest rates change and is recognized over the life of the agreement in interest expense. The swap agreement's expiration date is November, 2027 and the rate is 1.792%. The notional amount is $23,478,177 and $24,163,831 in 2019 and 2018, respectively. Included in statement of activities is an unrealized gain (loss) of ($1,062,862) and $17,778 relating to changes in the fair value of the swap agreement in 2019 and 2018, respectively.

11 - ENDOWMENT ASSETS

Endowment assets includes board designated funds and donor restricted funds. Changes in endowment assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ 3,951,888	$ 1,200,973	$ 5,152,861
Investment return:			
Interest and dividends	51,240	15,548	66,788
Net appreciation (realized/unrealized)	417,069	126,549	543,618
Total investment return	468,309	142,097	610,406
Additions	-	49,951	49,951
Appropriation for expenditure	(176,156)	(75,839)	(251,995)
End of year	$ 4,244,041	$ 1,317,182	$ 5,561,223

12 - RETIREMENT PLAN

The College offers a retirement plan which covers substantially all employees. The plan is the Teachers Insurance Annuity College – College Retirement Equities Fund (TIAA-CREF). In general, contributions to this defined contribution plan are made by the College and its employees. Contributions provided by the College amounted to $274,258 and $237,403 in 2019 and 2018, respectively.

13 - LEASES

The College leases motor vehicles and certain capital assets under various lease agreements. These leases are classified as capital leases in the financial statements.

Property and equipment includes the following equipment acquired under capital lease agreements:

	2019	2018
Furniture and fixtures	$ 827,468	$ 827,468
Buildings and improvements	1,738,330	1,738,330
	2,565,798	2,565,798
Less: Accumulated depreciation	384,870	333,554
	$ 2,180,928	$ 2,232,244

13 - LEASES (Continued)

Future minimum lease payments under these capital leases, together with the present value of future minimum lease payments as of June 30, 2019 are as follows:

Year Ending	
2020	$ 359,080
2021	372,181
2022	65,222
Total minimum lease payments	796,483
Less: Amount representing interest	59,480
Present value of minimum lease payments	$ 737,003

Rent and lease expense for all operating leases was $73,191 and $52,712 for the years ended June 30, 2019 and 2018, respectively.

14 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	2019	2018
Purpose restrictions, available for spending		
Scholarships and financial aid	$ 244,478	$ 282,181
Lecture series	53,814	48,909
Acquisition of property, plant and equipment	261,247	230,237
Ethics Institute activities	35,147	32,702
Multi-cultural activities	39,297	20,641
Library	17,966	13,150
Education	10,185	10,185
Molly Bish Center	6,288	6,288
Other	155,060	84,567
Total purpose restricted net assets	823,482	728,860
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions	124,966	190,895
Endowment funds, which must be appropriated by the Board of Directors before use:		
Student scholarships (original gifts of $668,897 and $618,946 in 2019 and 2018, respectively)	997,840	903,107
Library support (original gifts of $56,619)	80,132	74,864
Lecture series (original gifts of $110,000)	217,213	201,149
Ethics Institute activities (original gifts of $21,113)	21,997	21,853
Total endowment funds managed by the College	1,317,182	1,200,973
Total net assets with donor restrictions	$ 2,265,630	$ 2,120,728

14 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2019	2018
Purpose restrictions:		
Scholarships and financial aid	$ 103,257	$ 98,918
Multi-cultural activities	25,343	14,360
Lecture series	2,868	1,000
Other	89,096	92,171
Total operating release from restrictions	220,564	206,449
Acquisition of property, plant and equipment	118,284	133,783
	$ 338,848	$ 340,232

15 - FAIR VALUE MEASUREMENTS

The College reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the College measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the College is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the College's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.

- recurring measurement of endowment and long-term investments.

15 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2019.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

U.S. Treasury Securities, Corporate bonds and Mortgage-back securities: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or the obligation with a similar maturity is actively traded.

Mutual funds: Valued at the daily closing price as reported by the securities. Securities held by the College are open-ended funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The securities held by the College are deemed to be actively traded.

Cash and money market accounts – Valued at the NAV of shares held by the College at year-end. NAV is valued at the closing price reported in the active market in which the individual securities are traded.

Hedging Instrument – Valued at the present value of the estimated future payments. This method uses observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 4,662,386	$ -	$ -	$ 4,662,386
U.S. Treasury securities	-	1,004,483	-	1,004,483
Corporate bonds	-	965,247	-	965,247
Mortgage-backed securities	-	496	-	496
Cash and money market accounts	2,263,716	-	-	2,263,716
Mutual funds	69,323	-	-	69,323
Total investments	$ 6,995,425	$ 1,970,226	$ -	$ 8,965,651

The College's financial liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Hedging instrument	$ -	$ -	$ (1,045,084)	$ (1,045,084)

15 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2018 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 3,991,916	$ -	$ -	$ 3,991,916
U.S. Treasury securities	-	951,642	-	951,642
Corporate bonds	-	847,071	-	847,071
Asset-backed securities	-	3,323	-	3,323
Cash and money market accounts	2,294,252	-	-	2,294,252
Mutual funds	61,684	-	-	61,684
	6,347,852	1,802,036	-	8,149,888
Hedging instrument	-	-	17,778	17,778
Total assets	$ 6,347,852	$ 1,802,036	$ 17,778	$ 8,167,666

There were no significant transfers between the levels during the year. The College's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The College does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

A reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) follows:

Beginning balance	$ 17,778
Total unrealized loss included in change in net assets	(1,062,862)
Ending balance	$ (1,045,084)

16 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	2019	2018
Cash paid during the year for interest	$ 993,293	$ 879,317

Included in accounts payable and accrued and other liabilities at June 30, 2019 and 2018 are amounts due for property and equipment acquisitions of $504,636 and $275,834, respectively.

17 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the College's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

18 - COMMITMENTS AND CONTINGENCIES

The College has entered into construction contracts for the renovation of the student campus center in the amount of $2,664,000. As of June 30, 2019, approximately $878,000 of these commitments are still outstanding.

Net assets without donor restrictions include $1,021,901, representing the proceeds of a contingent note payable to the Congregation of the Sisters of Saint Anne. In the event that the College liquidates its assets, it will be required to repay this amount.

The College entered into an employment agreement with the President of the College through June 30, 2021.

The College is involved in litigation on several matters and is subject to certain claims which arise in the normal course of business. Management believes that adverse decisions, if any, relative to these matters will not have a material effect on the College's financial position.

19 - RELATED PARTY TRANSACTIONS

During 2019, a member of the College's board of directors was a partner at a law firm that provided services to the College. The College paid the law firm approximately $25,700 and $42,000 in 2019 and 2018, respectively for services.

Total contributions received from board members was approximately $70,000 and $59,000 in 2019 and 2018, respectively.

20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

21 - RECLASSIFICATIONS

Certain amounts in the 2018 comparative information have been reclassified to conform with the 2019 presentation. Such reclassifications had no effect on the change in net assets as previously reported.