Wheaton College

Financial Statements
June 30, 2020

Contents

Independent Auditor's Report

Board of Trustees
Wheaton College

We have audited the accompanying financial statements of Wheaton College, which comprise the statement of financial position as of June 30, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wheaton College as of June 30, 2020, 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.

Other Matter
The financial statements of Wheaton College, as of and for the year ended June 30, 2019, were audited by other auditors whose report, dated October 18, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Boston, Massachusetts
October 21, 2020

Wheaton College

Statements of Financial Position
June 30, 2020 and 2019

		2020		2019
Assets				
Cash and cash equivalents	$	5,643,231	$	4,409,796
Short-term investments		8,058,708		5,342,284
Receivables and other assets, net		2,968,176		1,832,843
Deposits held by bond trustees		3,914,150		10,038,765
Contributions receivable, net		11,178,995		6,935,183
Student loans receivable, net		1,885,152		2,271,944
Investments		217,245,747		220,459,665
Restricted cash		3,207,653		4,082,423
Land, buildings and equipment, net		119,983,198		120,345,448
Total assets	$	374,085,010	$	375,718,351
Liabilities and Net Assets				
Accounts payable and accrued expenses	$	6,335,881	$	7,663,655
Deposits and deferred revenue		2,972,357		1,412,635
Annuity and life income obligations		1,349,988		1,528,086
Government advances for student loans		2,452,830		2,332,627
Asset retirement obligations		1,767,770		1,671,766
Bonds, loans and leases payable		71,084,992		67,782,660
Total liabilities		85,963,818		82,391,429
Net assets:				
Without donor restrictions		95,381,526		105,382,030
With donor restrictions		192,739,666		187,944,892
Total net assets		288,121,192		293,326,922
Total liabilities and net assets	$	374,085,010	$	375,718,351

See notes to financial statements.

Wheaton College

Statement of Activities
Year Ended June 30, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating revenues:				
Tuition and fees - net of scholarships and grants of $59,952,522 and $54,267,692 respectively	$ 35,666,773	$ -	$ 35,666,773	$ 36,035,494
Room and board	17,076,414	-	17,076,414	21,128,061
Net student revenues	52,743,187	-	52,743,187	57,163,555
Other auxiliary services	2,193,724	-	2,193,724	3,460,918
Private gifts, bequests, and grants	3,234,956	3,807,819	7,042,775	5,502,867
Government grants and contracts	1,194,167	-	1,194,167	514,787
Other revenues	669,449	31,399	700,848	1,459,969
Endowment return utilized for operations	3,269,685	7,436,752	10,706,437	10,485,097
Net assets released from restrictions	9,517,717	(9,517,717)	-	-
Total operating revenues	72,822,885	1,758,253	74,581,138	78,587,193
Operating expenses:				
Instruction	30,250,781	-	30,250,781	31,346,572
Academic support	5,082,494	-	5,082,494	5,395,893
Student services	14,802,542	-	14,802,542	14,767,712
Institutional support	15,859,305	-	15,859,305	16,936,525
Auxiliary services	15,183,020	-	15,183,020	15,992,196
Total operating expenses	81,178,142	-	81,178,142	84,438,898
Operating subtotal	(8,355,257)	1,758,253	(6,597,004)	(5,851,705)
Nonoperating:				
Private gifts and pledges	188,135	8,317,868	8,506,003	3,279,976
Net assets released from restrictions	400,000	(400,000)	-	-
Net investment return	1,036,303	2,555,405	3,591,708	9,202,697
Endowment return utilized for operations	(3,269,685)	(7,436,752)	(10,706,437)	(10,485,097)
Nonoperating subtotal	(1,645,247)	3,036,521	1,391,274	1,997,576
Change in net assets	(10,000,504)	4,794,774	(5,205,730)	(3,854,129)
Net assets at beginning of year	105,382,030	187,944,892	293,326,922	297,181,051
Net assets at end of year	$ 95,381,526	$ 192,739,666	$ 288,121,192	$ 293,326,922

See notes to financial statements.

Wheaton College

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Operating revenues:			
Tuition and fees - net of scholarships and grants of $54,267,692	$ 36,035,494	$ -	$ 36,035,494
Room and board	21,128,061	-	21,128,061
Net student revenues	57,163,555	-	57,163,555
Other auxiliary services	3,460,918	-	3,460,918
Private gifts, bequests, and grants	3,263,839	2,239,028	5,502,867
Government grants and contracts	514,787	-	514,787
Other revenues	1,421,196	38,773	1,459,969
Endowment return utilized for operations	3,364,291	7,120,806	10,485,097
Net assets released from restrictions	10,495,578	(10,495,578)	-
Total operating revenues	79,684,164	(1,096,971)	78,587,193
Operating expenses:			
Instruction	31,346,572	-	31,346,572
Academic support	5,395,893	-	5,395,893
Student services	14,767,712	-	14,767,712
Institutional support	16,936,525	-	16,936,525
Auxiliary services	15,992,196	-	15,992,196
Total operating expenses	84,438,898	-	84,438,898
Operating subtotal	(4,754,734)	(1,096,971)	(5,851,705)
Nonoperating:			
Private gifts and pledges	191,025	3,088,951	3,279,976
Net investment return	2,130,314	7,072,383	9,202,697
Endowment return utilized for operations	(3,364,291)	(7,120,806)	(10,485,097)
Nonoperating subtotal	(1,042,952)	3,040,528	1,997,576
Change in net assets	(5,797,686)	1,943,557	(3,854,129)
Net assets at beginning of year	111,179,716	186,001,335	297,181,051
Net assets at end of year	$ 105,382,030	$ 187,944,892	$ 293,326,922

See notes to financial statements.

Wheaton College

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (5,205,730)	$ (3,854,129)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, amortization and accretion	7,817,202	7,450,519
Net losses on asset disposal and asset retirement obligations	21,159	31,093
Net realized and unrealized losses (gains) on investments	3,432,561	(7,442,967)
Contributions restricted for long-term investments	(6,705,135)	(3,695,043)
Donated securities	(2,175,093)	(1,877,257)
Proceeds from sale of donated securities	945,773	773,516
Donated tangible assets	(194,100)	-
Recoveries of uncollectible accounts	(46,992)	(360,562)
Change in operating assets and liabilities:		
Receivables and other assets	(1,153,333)	726,530
Contributions receivable	(4,178,820)	74,622
Accounts payable and accrued expenses	(694,271)	209,135
Deposits and deferred revenue	1,559,722	335,611
Net cash used in operating activities	(6,577,057)	(7,628,932)
Cash flows from investing activities:		
Student loans issued	(57,842)	(18,000)
Student loans repaid	444,634	465,011
Purchase of land, buildings and equipment	(8,075,182)	(25,749,105)
Sales of investments	288,241,285	143,973,299
Purchases of investments	(291,176,352)	(133,144,548)
Net cash used in investing activities	(10,623,457)	(14,473,343)
Cash flows from financing activities:		
Proceeds from loans payable	6,500,042	-
Payments on bonds, loans and leases payable	(2,942,038)	(285,951)
Change in annuity and life income obligations	(178,098)	(631,799)
Change in advances for student loans	120,203	10,310
Contributions restricted for long-term investments	6,705,135	3,695,043
Proceeds from sale of donated securities for long-term purposes	1,229,320	1,103,741
Net cash provided by financing activities	11,434,564	3,891,344
Change in cash, cash equivalents and restricted cash	(5,765,950)	(18,210,931)
Cash, cash equivalents and restricted cash at beginning of year	18,530,984	36,741,915
Cash, cash equivalents and restricted cash at end of year	$ 12,765,034	$ 18,530,984
Supplemental data:		
Noncash financing activity: Gifts of stock	$ 2,175,093	$ 1,877,257
Noncash investing activity: Gifts of tangible assets	194,100	-
Fixed asset additions remaining in accounts payable	614,977	1,248,480
Interest paid	2,884,484	2,963,535

See notes to financial statements.

Note 1. Nature of Business

Wheaton College (the College) is a private, coeducational, liberal arts college located in Norton, Massachusetts and is accredited by the New England Commission of Higher Education, Inc. Founded as a Female Seminary in 1834 and chartered as a four-year college in 1912, the College became coeducational in 1988. The College provides academic, residential and other services to a diverse student population of more than 1,700 drawn from schools predominately in the Northeast region of the United States, as well as from many other U.S. states and territories and more than 70 countries.

The College's mission is to provide a transformative liberal arts education for intellectually curious students in a collaborative, academically vibrant residential community that values a diverse world. The curriculum features more than 100 majors and minors in the arts, business, humanities, natural sciences, and social sciences. The College offers the Bachelor of Arts degree at the undergraduate level, and the Masters of Arts degree under special circumstances.

The College participates in student financial aid programs sponsored by the United States Department of Education, the Commonwealth of Massachusetts, and other states within the United States of America, which facilitate the payment of tuition and other expenses for students.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The College's financial statements have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (U.S. GAAP) which require that the College report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restriction: Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for endowment. The College's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restriction also include the investment in plant, net of accumulated depreciation, funds for facilities and student loans and undesignated funds.

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.

Operating activities: The statements of activities include all of the College's revenues and expenses as part of operating activities, including endowment income appropriated under the endowment spending policy. Items not included represent private gifts and pledges, net assets released from restriction for capital and long-term purposes, and net investment return.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with 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 orderly transaction between market participants at the measurement date. Recurring fair value measurements include the College's investment accounts, funds restricted for property acquisitions and deposits held by bond trustees. Nonrecurring measurements include contributions receivable, annuity and life income obligations and the asset retirement obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. 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." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the College to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

The College's endowment investments include alternative investments for which the College has reported using NAV reported by each of the underlying funds. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds. Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash, cash equivalents and restricted cash: Cash and cash equivalents consist principally of accounts with maturities of three months or less when purchased. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The College maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any material losses in such accounts.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2020	2019
Cash and cash equivalents	$ 5,643,231	$ 4,409,796
Deposits held by bond trustees	3,914,150	10,038,765
Restricted cash	3,207,653	4,082,423
	$ 12,765,034	$ 18,530,984

Included in cash and cash equivalents is $529,467 and $770,542 of funds held for the Federal Perkins Loan Program (Perkins Loans) at June 30, 2020 and 2019, respectively, which is described more fully later in these notes.

Deposits held by bond trustees are reported at fair value and consist of unexpended debt proceeds for construction purposes and funds held for debt service that have been invested in high-quality money market instruments and have been deposited with trustees as required under certain loan agreements. Fair value is determined as per the fair value measurements policy discussed previously in this section utilizing Level 1 inputs. These amounts have been designated for specific purposes within net assets without donor restrictions on the Statements of Financial Position.

Restricted cash primarily represents amounts held by the College to pay down debt related to ongoing construction projects. Restricted cash is reported at cost plus accrued interest with such amounts being held primarily in money market funds.

Short-term investments: Short-term investments consist principally of money market instruments with maturities of one year or less when purchased and are available for general operating purposes. Management reports short-term investments at fair value as determined pursuant to the fair value measurements policy previously in this section utilizing Level 1 inputs.

Note 2. Summary of Significant Accounting Policies (Continued)

Receivables and other assets: Receivables and other assets consists of prepaid expenses, student accounts receivables and third party receivables. Student accounts are reported at their net realizable value. Students are billed based on dates outlined in the academic calendar as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprise charges are generally due by the start of the academic period with the recognition that payments being made by the Department of Education (DOE) or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts that are paid are specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized. Management estimates the allowance for uncollectible accounts by identifying problematic accounts and by using historical experience applied to the remainder of the balances. Student accounts are written off only when they are deemed to be permanently uncollectible. Student accounts receivable are net of an allowance for doubtful accounts of $435,000 and $417,000 as of June 30, 2020 and 2019, respectively.

The College received funding from the Federal government through a grant under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as part of the Higher Education Emergency Relief Fund (HEERF). The total amount of the grant was $1,338,514 and includes a requirement that the College use no less than 50% of the funds for emergency financial aid grants to students and the remainder for institutional expenses. Under the terms of the grant, the College is only eligible to receive the institutional portion if it first distributes the grants to students. In June 2020, the College distributed $669,257 of the funds to eligible students to help offset the expenses related to the disruption of campus operations in the spring of 2020. The institutional portion contains barriers relating to entitlement and limited discretion over the types of expenditures that funds can be used for. As of June 30, 2020, the College has met the barrier related to entitlement by signing the grant certification agreement for the student portion of the funding, but it has not met the barrier relating to the expenditure of funds. The institutional portion is considered a conditional grant as a result, and there is $669,257 included in receivables and other assets as well as in deposits and deferred revenues in the accompanying Statements of Financial Position.

Contributions receivable: Contributions receivable are initially recorded at their fair value utilizing Level 2 or Level 3 inputs based on the present value using a risk adjusted discount rate (ranging from 3.16% to 6.38%) taking into account expected collections. Amortization of the discount is included in private gifts and pledges revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance based on a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Adjustments to the allowance are charged to private gift and grant revenue. An account is considered uncollectible when all collection efforts have been exhausted.

Beneficial interest in charitable trusts: The College is the beneficiary of a number of charitable trusts or split interest agreements, which are included in contributions receivable, net on the statements of financial position. The College is also the beneficiary of perpetual trusts which are included in investments on the statements of financial position. The College initially recognizes a contribution as well as an interest in the underlying investment from which a specified amount or percentage of the fair value of the trusts’ assets each year is currently being paid to the donor or named beneficiary.

The life expectancy of the beneficiary is used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

Note 2. Summary of Significant Accounting Policies (Continued)

For trust agreements and trust assets maintained by an outside trustee, the College includes in contributions receivable the value of the estimated future benefits to be received when the assets are distributed. Adjustments to reflect the changes in the fair value of the investments, revaluation of the present value of the estimated future payments to the donors and/or donors' stated beneficiaries, and changes in the assumptions during the term of the trust are made to the charitable trusts within the contributions receivable account and are recognized as changes in net investment return in their respective net asset classes in the statements of activities.

Student loans receivable and government advances for student loans: Student loans receivable are recorded at their estimated net realizable value. Student Perkins loans are funded through Federal government loan programs or institutional resources. For all loans, management estimates the allowance for credit losses based on historical collection experience and current economic conditions.

The DOE has ended the Perkins program and as funds are collected such amounts will be returned to the DOE and the College as applicable based on original funding. Perkins loans that are in default and meet certain requirements can be assigned to the DOE, which reduces the government advances for student loans.

Investments: Investments include endowment, charitable gift annuities, pooled life income funds, perpetual trusts and operating investments without donor restrictions. Investments are reported at fair value. Fair value is determined pursuant to the fair value measurements policy.

Net investments return is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Land, buildings and equipment: Land, buildings and equipment are valued at cost of acquisition or construction or at fair value at the date of the gift utilizing Level 2 and Level 3 inputs such as appraisals if donated, less accumulated depreciation, computed on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10 years
Buildings	40 years
Building improvements	10-20 years
Equipment	3-7 years
Automobiles	3 years

Land, buildings and equipment, including related accumulated depreciation, are removed from the College's records at the time of disposal and any resulting gain or loss is reflected in the Statements of Activities as unrestricted other revenue. Ordinary repairs and maintenance are charged to expenses, and major improvements are capitalized in accordance with a management-established threshold. Costs associated with ongoing projects are accumulated as construction in progress until completed. The completed asset is then reclassified to property and equipment depreciated over its useful life.

Note 2. Summary of Significant Accounting Policies (Continued)

The College has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the statement of activities as support without donor restrictions or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the College is protecting and preserving essentially undiminished the service potential of the collection item. The College's collections consist of works of art and rare books which are considered inexhaustible because they have historical or cultural value that will be preserved and, therefore, are not subject to depreciation.

Impairment of long-lived assets: Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the College compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the years ended June 30, 2020 and 2019, no impairment indicators were identified.

Deposits and deferred revenues: 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.

Annuity and life income obligations: The College's split-interest agreements consist of charitable gift annuities, pooled life income funds and charitable remainder trusts for which the College is the trustee. The annuity and life income obligations associated with these arrangements are recorded at the present value of the aggregate liability to the beneficiaries based upon their life expectancy, utilizing a discount rate at the original date of the instrument (ranging from 1.8% to 7.0%). Life expectancies are periodically updated to reflect current expectations.

Asset retirement obligations: An asset retirement obligation (ARO) is a conditional legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value utilizing Level 2 inputs and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the ARO and the liability recorded will be recognized as a gain or loss in the Statements of Activities as other revenue without donor restrictions. The asset retirement obligation outstanding is $1,767,770 and $1,671,766 as of June 30, 2020 and 2019, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: The College uses a five-step model for revenue recognition defined by Accounting Standards Codification (ASC) Topic 606 which requires the College to (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. 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; 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 the 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 prior to the start of classes declining to no refund at 29 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 the 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.

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 these policies. 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. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

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

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Grants and contracts: Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. The College recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a predetermined fixed indirect cost rate.

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of ASC Topic 606 and are recognized as the performance obligations are satisfied.

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. The functional expenses disclosure presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operation and maintenance of plant is allocated to program and supporting activities based upon building usage. Depreciation of plant assets and operation is allocated based on the functional classifications based on the use of the asset. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt. Included in institutional support expenses are costs associated with carrying out the fundraising activities of the College, which amounted to $4,577,187 and $4,975,429 for the years ended June 30, 2020 and 2019, respectively.

Income tax status: The College is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the College, management has concluded that disclosures relative to tax provisions are not necessary.

Uncertain tax positions: The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax exempt entity as its only significant tax position; however, the College has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdictions. The College’s Federal and state tax returns are generally open for examination for three years following the date filed.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans, student accounts, pledges and other accounts receivable, fair value of certain financial instruments, contributions receivable from remainder trusts, annuity and life income obligations, capitalization and useful lives of depreciable assets, asset retirement obligations, the allocation of common expenses over program functions and releases from donor restrictions.

Advertising: The College expenses advertising costs as incurred.

Liquidity: In order to provide information about liquidity, assets are presented according to their ease of conversion to cash and liabilities are presented in order of their estimated maturity. Investments are classified based upon the long-term intent of the endowment, however, there is significant liquidity within these investments (see Note 6).

Coronavirus: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of businesses and people in a manner that is having negative effects on local, regional and global economies. During the year ended June 30, 2020, COVID-19 impacted the College in a number of ways, including the transition to remote learning in March 2020 and the refund of approximately $5.1 million of room and board revenue. The extent to which COVID-19 will impact operations of the College in the future will depend on subsequent developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets. In particular, the continued spread of COVID-19 could adversely impact the College's operations, including among others, contributions, grants, and daily operations, and could have a material adverse effect on the financial condition of the College.

Subsequent events: The College has evaluated subsequent events through October 21, 2020, the date the financial statements were issued.

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, short term investments, marketable debt and equity securities and lines of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its scheduled principle payments on debt, capital construction costs not financed with debt, 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 anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted or time-restricted resources.

Note 3. Liquidity and Availability (Continued)

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

	2020	2019
Cash and cash equivalents	$ 5,113,764	$ 3,639,254
Short-term investments	8,058,708	5,342,284
Accounts receivable, net	1,757,399	1,020,598
Contributions receivable for general expenditure due in one year or less	1,269,013	1,363,895
Deposits held by bond trustees	3,914,150	10,038,765
Restricted cash	3,207,653	4,082,423
Net assets expected to be released	2,038,000	2,311,000
Endowment spending rate distributions and appropriations	12,989,325	10,723,500
	$ 38,348,012	$ 38,521,719

The College's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowments funds are not available for general expenditure.

The board-designated endowments funds of $39,742,418 as of June 30, 2020, is subject to the annual spending rate described in Note 8. Although the College does not intend to spend from these board-designated endowments (other than amounts appropriated for general expenditure as part of the Board of Trustee's annual budget approval and appropriation), these amounts could be made available if necessary.

As described in Note 9, the College has an available unsecured line of credit in the amount of $7,500,000, which is available for working capital and capital projects.

Note 4. Financing Receivables

Student loans receivable consist of the following at June 30:

	2020	2019
Perkins loans	$ 1,786,153	$ 2,214,056
College loans	283,999	242,888
	2,070,152	2,456,944
Less allowance for doubtful accounts:	(185,000)	(185,000)
Student loans receivable, net	$ 1,885,152	$ 2,271,944

Loans past due amounted to approximately $690,000 and $760,000 as of June 30, 2020 and 2019, respectively.

Note 4. Financing Receivables (Continued)

The following is an aging analysis of amounts due under the student loan programs as of June 30:

	2020	2019
Not in repayment	$ 362,201	$ 831,461
Current	1,015,206	858,177
Less than 270 days past due	149,721	178,137
270 days to 2 years past due	19,785	68,323
2 years to 5 years past due	84,225	57,247
Over 5 years past due	439,014	463,599
Total financing receivable	$ 2,070,152	$ 2,456,944

Note 5. Contributions Receivable

Unconditional promises to give are expected to be realized as follows at June 30:

	2020	2019
Unconditional promises to give:		
One year or less	$ 3,837,081	$ 3,092,918
Two to five years	5,575,820	2,015,500
More than five years	858,420	928,421
	10,271,321	6,036,839
Less		
Allowance for uncollectibles	(1,076,928)	(1,141,920)
Unamortized discount	(959,927)	(501,899)
Total unconditional promises to give	8,234,466	4,393,020
Planned giving instruments	2,944,529	2,542,163
	$ 11,178,995	$ 6,935,183

Conditional promises to give, due to uncertainties with regard to their realizability and valuation, are not estimated by management and are recognized as contributions receivable if and when the specific conditions are met. Conditional promises to give were approximately $5,000,000 at June 30, 2020 and 2019. As of June 30, 2020, 55% of gross pledges receivable was due from one donor.

The College is also the beneficiary of trust instruments whereby an independent third party trustee has custody of and manages the assets and the distributions to the beneficiaries. These assets are recorded net of the present value of the liability.

The net change in the value of the College's beneficial interest in these trusts is recorded as a change in net investment return on the statements of activities. This change amounted to $402,366 and $402,515 for the years ended June 30, 2020 and 2019, respectively.

Note 6. Fair Value Measurements and Investments

The following tables summarize the College's financial instruments as of June 30:

	2020				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash and short-term investments	$ 10,454,168	$ -	$ 10,454,168	$ -	$ -
Fixed income					
U.S. fixed income funds	19,903,836	-	19,903,836	-	-
Equities					
U.S. equities funds	54,723,095	-	54,723,095	-	-
Multi-strategy equity funds	1,093,049	-	1,093,049	-	-
International equity funds	28,957,573	-	28,957,573	-	-
Emerging markets equity funds	9,559,362	-	9,559,362	-	-
Hedge funds					
Hedged equity - developed markets	32,002,313	32,002,313	-	-	-
Opportunistic credit/distressed funds	16,217,232	9,091,418	7,125,814	-	-
Multi-strategy	10,096,468	10,096,468	-	-	-
Private equity	21,423,981	21,423,981	-	-	-
Real property and commodities funds					
Real estate	6,171,940	6,171,940	-	-	-
Timber	41,196	41,196	-	-	-
Commodities	2,295	-	2,295	-	-
Endowment investments	210,646,508	78,827,316	131,819,192	-	-
Other investments:					
Real estate	744,801	-	-	744,801	-
Fixed income - developed markets	2,306,498	-	681,799	1,624,699	-
Split-interest agreements:	-				
Cash and cash equivalents	93,321	-	-	93,321	-
Money market funds	45,779	-	45,779	-	-
Domestic and international equities funds	1,934,232	-	355,702	1,578,530	-
Beneficial interest in perpetual trusts	756,937	-	-	-	756,937
Real property and commodities funds	195,327	-	-	195,327	-
Other	522,344	-	-	522,344	-
Total other investments	6,599,239	-	1,083,280	4,759,022	756,937
Total investments	217,245,747	78,827,316	132,902,472	4,759,022	756,937
Other assets:					
Short-term investments					
Money market funds	8,058,708	-	8,058,708	-	-
Deposits held by bond trustees - project fund					
Money market funds	2,600,665	-	2,600,665	-	-
Deposits held by bond trustees - debt service fund					
Money market funds	1,313,485	-	1,313,485	-	-
Restricted cash					
Money market funds	3,207,653	-	3,207,653	-	-
Beneficial interest in charitable remainder trusts	2,944,529	-	-	-	2,944,529
Total other assets	18,125,040	-	15,180,511	-	2,944,529
Total	$ 235,370,787	$ 78,827,316	$ 148,082,983	$ 4,759,022	$ 3,701,466

Note 6. Fair Value Measurements and Investments (Continued)

	2019				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash and short-term investments	$ 12,772,635	$ -	$ 12,772,635	$ -	$ -
Fixed income					
U.S. fixed income funds	14,450,254	-	14,450,254	-	-
Equities					
U.S. equities funds	46,440,428	-	46,440,428	-	-
Multi-strategy equity funds	5,139,563	-	5,139,563	-	-
International equity funds	29,434,995	-	29,434,995	-	-
Emerging markets equity funds	9,991,426	-	9,991,426	-	-
Hedge funds					
Hedged equity - developed markets	38,759,814	38,759,814	-	-	-
Opportunistic credit/distressed funds	18,873,815	10,550,363	8,323,452	-	-
Multi-strategy	9,081,980	9,081,980	-	-	-
Private equity	19,438,778	19,438,778	-	-	-
Real property and commodities funds					
Real estate	22,702	22,702	-	-	-
Timber	627,144	627,144	-	-	-
Commodities	7,948,911	-	7,948,911	-	-
Endowment investments	212,982,445	78,480,781	134,501,664	-	-
Other investments:					
Real estate	727,501	-	-	727,501	
Fixed income - developed markets	2,435,561	-	641,585	1,793,976	-
Split-interest agreements:	-				
Cash and cash equivalents	99,886	-	-	99,886	
Money market funds	46,887	-	46,887	-	
Domestic and international equities funds	2,106,834	-	347,162	1,759,672	-
Beneficial interest in perpetual trusts	780,635	-	-	-	780,635
Real property and commodities funds	266,538	-	-	266,538	-
Other	1,013,378	-	-	1,013,378	-
Total other investments	7,477,220	-	1,035,634	5,660,951	780,635
Total investments	220,459,665	78,480,781	135,537,298	5,660,951	780,635
Other assets:					
Short-term investments					
Money market funds	5,342,284	-	5,342,284	-	-
Deposits held by bond trustees - project fund					
Money market funds	8,389,043	-	8,389,043	-	-
Deposits held by bond trustees - debt service fund					
Money market funds	1,649,722	-	1,649,722	-	-
Restricted cash					
Money market funds	4,082,423	-	4,082,423	-	-
Beneficial interest in charitable remainder trusts	2,542,163	-	-	-	2,542,163
Total other assets	22,005,635	-	19,463,472	-	2,542,163
Total	$ 242,465,300	$ 78,480,781	$ 155,000,770	$ 5,660,951	$ 3,322,798

Note 6. Fair Value Measurements and Investments (Continued)

Changes in values for the Level 3 assets that have unobservable inputs for the years ended June 30, are as follows:

	2020	2019
Balance, beginning	$ 3,322,798	$ 2,923,272
Change in value of charitable remainder trusts	402,366	402,515
Change in value of perpetual trusts	(23,698)	(2,989)
Balance, ended	$ 3,701,466	$ 3,322,798

The following table presents quantitative information about Level 3 fair value measurements as of June 30:

	2020 Fair Value	2019 Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Beneficial interest in charitable remainder trusts	$ 2,944,529	$ 2,542,163	Income approach-discounted cash flow and present value techniques	Discount rate	0.2%-1.25%
				Rate of return	6%-8%
				Life expectancy term	5-42 years
Beneficial interest in perpetual trust	$ 756,937	$ 780 635	Market approach based on underlying securities	None	N/A

The assets held in trust are managed by independent third party trustees, and the College has no authority over investment decisions. Thus, they are classified as Level 3 within the fair value hierarchy levels.

There were no transfers between Level 1, 2, or 3 investments during the years ended June 30, 2020 and 2019.

The redemption terms for those investments valued at NAV consist of the following as of June 30:

2020 Category	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds:			
Hedged equity – developed markets (a)	$ 32,002,313	Monthly, quarterly	30-60 days
Opportunistic credit/distressed funds (b)	9,091,418	Quarterly	60 days
Multi-strategy (c)	10,096,468	Monthly	30 days
Private equity (d)	21,423,981	Illiquid	N/A
Real property and commodities funds:			
Real estate (e)	6,171,940	Monthly	N/A
Timber (f)	41,196	Illiquid	N/A
	$ 78,827,316		

Note 6. Fair Value Measurements and Investments (Continued)

2019 Category	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge funds:			
Hedged equity – developed markets (a)	$ 38,759,814	Monthly, quarterly	30-60 days
Opportunistic credit/distressed funds (b)	10,550,363	Quarterly, illiquid	60 days
Multi-strategy (c)	9,081,980	Monthly	30 days
Private equity (d)	19,438,778	Illiquid	N/A
Real property and commodities funds:			
Real estate (d)	22,702	Illiquid	N/A
Timber (d)	627,144	Illiquid	N/A
	$ 78,480,781		

(a) Hedge funds investing in equities primarily in the domestic and European markets.
(b) Investing in a variety of strategies included hedged equity, distressed funds, debt funds and non-agency mortgages; primarily in the domestic markets with some European and Asia exposure.
(c) Investing in special situation funds in the domestic market.
(d) Investing in individual companies with potential for above average rates of profitability that sell at a discount relative to their underlying value. These funds cannot be redeemed, instead distributions are received as the underlying investments of the funds are liquidated. The funds invest primarily in the domestic market with some exposure to European and Asian markets.
(e) Investing in a real estate income trust.

The College had unfunded commitments of $9,963,252 and $14,333,937 at June 30, 2020 and 2019, respectively.

The College's endowment investments had the following redemption terms at June 30:

	2020		2019	
Less than 1 year	$ 188,338,131	89%	$ 192,816,979	91%
Illiquid	22,308,377	11%	20,165,465	9%
	$ 210,646,508	100%	$ 212,982,444	100%

Management has no intention or plans to liquidate any NAV practical expedient investment at other than the NAV per share.

Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles, which could impact the ultimate liquidity of funds.

The calculation of fair value may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 estimate of fair value at the reporting date.

Note 7. Land, Buildings and Equipment

Land, buildings and equipment are as follows at June 30:

	2020	2019
Land and land improvements	$ 14,959,290	$ 14,687,526
Buildings and building improvements, including fixed equipment	205,463,669	177,519,888
Equipment	13,961,166	13,570,499
Library books and artwork	808,281	614,181
Automobiles	595,812	517,880
Construction in progress	4,875,819	27,084,649
	240,664,037	233,994,623
Accumulated depreciation	(120,680,839)	(113,649,175)
Land, buildings and equipment, net	$ 119,983,198	$ 120,345,448

The college recognized depreciation expense of $7,973,059 and $7,609,506 during the years ended June 30, 2020 and 2019, respectively. The College capitalizes the interest cost related to outstanding debt on qualifying assets. Interest cost capitalized was $458,922 and $969,022 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, the construction in progress balance of $4,875,819 relates to various campus improvement projects. Of these projects, approximately $1,600,000 are estimated to be completed by September 2020 with an estimated additional cost of $800,000. Another $200,000 of these projects are expected to be completed during fiscal year 2021, with an estimated additional cost of $1,300,000. The timing of the remaining projects the College has in progress, amounting to approximately $3,100,000 at June 30, 2020, are dependent on the successful completion of fundraising campaigns, including the collection of outstanding pledges, to fund such projects. As of June 30, 2019, the construction in progress balance of $27,084,649 was primarily related to various campus and improvement projects. Certain projects were completed during the year ended June 30, 2020, with an additional cost of approximately $7,600,000, while the remaining projects remain in construction in progress as of June 30, 2020.

Equipment includes assets recorded under capital leases of $517,957 at June 30, 2020 and 2019. Accumulated depreciation on the assets amounted to $389,881 and $341,338 for the years ended June 30, 2020 and 2019, respectively.

Note 8. Endowment Investments

The College has established two endowment investment pools (Pools A and B). The original pool, Pool A, represents the majority of the true and quasi endowment funds of the College and had a fair value of $206,035,133 and $207,615,777 at June 30, 2020 and 2019, respectively. Pool B funds are designated by the Board of Trustees to fund capital projects and had a fair value of $4,611,375 and $5,366,668 at June 30, 2020 and 2019, respectively. The College’s endowment consists of approximately 600 donor-restricted and 30 board-restricted individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 8. Endowment Investments (Continued)

Interpretation of relevant law: The Board of Trustees of the College has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar 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 retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift and instrument at the time the accumulation is added to the fund, as applicable. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

The accumulated unspent gains associated with the donor-restricted endowment funds are classified as donor-restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the College also considers 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 effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College

Funds with deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations that generally occurred shortly after the investment of newly established endowments, and authorized distributions that were deemed prudent. The College has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Funds with deficiencies were reported in net assets with donor restrictions at June 30 as follows:

	2020	2019
Fair value of underwater endowment funds	$ 3,677,656	$ -
Original endowment gift amount	3,784,816	-
Underwater endowment	$ (107,160)	$ -

Return objectives and risk parameters: The College has adopted investment and spending policies for endowment assets that attempt to preserve their purchasing power in order to provide a growing stream of endowment support for the College's programs. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that equal the annual inflation rate plus the annual spending rate (e.g., CPI + 5%).

Note 8. Endowment Investments (Continued)

Spending policy: The Board of Trustees designates only a portion of the College's Pool A cumulative investment return for support of current operations. The portion to be spent is determined by a budgetary process whereby the objective of the governing board is that the actual spending does not exceed a certain percentage (5%) of the average market value of the Pool A funds for the 20 quarters of the five prior fiscal years for 2020 and 2019. For fiscal year 2021, the spending rate will be temporarily increased from 5% to 6%. The College's Pool B distribution is determined as part of the annual budget.

Individual endowed funds restricted in perpetuity with a deficiency as of June 30 will receive no distribution in the subsequent fiscal year with the exception of any current income generated by the fund. The amount of investment income and appreciation earned by the investments of Pool B is used for capital projects and other special allocations at the discretion of the Board of Trustees.

	Anticipated 2021	Actual 2020	Actual 2019
Pool A distribution based on average market value	$ 11,744,325	$ 9,586,437	$ 9,357,396
Additional special initiatives draw	400,000	275,000	375,000
Reduction in distribution for underwater funds	-	-	(92,299)
Total Pool A distribution	12,144,325	9,861,437	9,640,097
Pool B distribution	845,000	845,000	845,000
Total endowment distribution	$ 12,989,325	$ 10,706,437	$ 10,485,097

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Under the College's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds as net assets with or without donor restrictions depending on if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds with funds without donor restrictions being charged if no accumulated unspent gains remain.

Note 8. Endowment Investments (Continued)

Endowment net assets consist of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 39,742,418	$ -	$ 39,742,418
Donor-restricted endowment funds			
Original donor - restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	115,280,179	115,280,179
Accumulated income and gains	-	55,623,911	55,623,911
Total endowed net assets	$ 39,742,418	$ 170,904,090	$ 210,646,508

Endowment net assets consist of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 41,935,039	$ -	$ 41,935,039
Donor-restricted endowment funds			
Original donor - restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	110,152,868	110,152,868
Accumulated income and gains	-	60,894,538	60,894,538
Total endowed net assets	$ 41,935,039	$ 171,047,406	$ 212,982,445

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	$ 41,935,039	$ 171,047,406	$ 212,982,445
Net investment return:			
Investment income	523,466	3,390,757	3,914,223
Net appreciation (depreciation)	553,473	(1,224,632)	(671,159)
Total investment return	1,076,939	2,166,125	3,243,064
Gifts and additions	125	5,127,311	5,127,436
Endowment return utilized for operations	(3,269,685)	(7,436,752)	(10,706,437)
Endowment net assets, June 30, 2020	$ 39,742,418	$ 170,904,090	$ 210,646,508

Note 8. Endowment Investments (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	$ 43,077,543	$ 168,803,385	$ 211,880,928
Net investment return:			
Investment income	467,857	3,346,871	3,814,728
Net appreciation	1,680,388	2,696,211	4,376,599
Total investment return	2,148,245	6,043,082	8,191,327
Gifts and additions	73,542	3,321,745	3,395,287
Endowment return utilized for operations	(3,364,291)	(7,120,806)	(10,485,097)
Endowment net assets, June 30, 2019	$ 41,935,039	$ 171,047,406	$ 212,982,445

Note 9. Bonds, Loans and Leases Payable

Revenue Bonds were issued through the Massachusetts Health and Educational Facilities Authority (MHEFA) for the acquisition, installation, construction, renovation and equipping of various academic, residential and administrative facilities. Bonds, loans and capital leases are as follows at June 30:

	Maturity	Interest Rate	2020	2019
Massachusetts Development Finance Authority (MDFA)				
(a) Series H (2017)	January 1, 2053	fixed - 5%	$ 52,440,000	$ 55,110,000
Town of Norton				
(a) Connection Loan	December 1, 2036	fixed - 2.54%	2,114,246	2,216,179
(b) Construction Loan	December 1, 2036	fixed - 2.4%	1,650,840	1,731,521
Payroll Protection Program (PPP)				
(a) PPP Loan	May 3, 2022	fixed - 1%	6,500,042	-
			62,705,128	59,057,700
	Unamortized premium		8,813,273	9,084,449
	Debt issuance costs, net		(503,839)	(519,342)
	Total bonds and loans payable		71,014,562	67,622,807
Capital leases	November 1, 2020 – December 1, 2021	various	70,430	159,853
	Total bonds, loans and leases payable		$ 71,084,992	$ 67,782,660

Note 9. Bonds, Loans and Leases Payable (Continued)

Maturities of outstanding bonds, loans and leases for each of the next five fiscal years, and to maturity, are as follows:

2021	$ 5,696,909
2022	8,382,589
2023	4,071,644
2024	4,121,557
2025	2,176,593
Thereafter	38,326,266
	62,775,558
Unamortized premium	8,813,273
Debt issuance costs	(503,839)
Total	$ 71,084,992

In April 2020, the College was granted a PPP Loan under the CARES Act. Under the terms of the PPP, the loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over two years with a deferral of payments for the first six months. The College intends to use the proceeds from the loan for qualifying expenses.

Debt issuance costs are capitalized and amortized over the life of the bonds. Debt issuance costs of $542,597, net of accumulated amortization of $38,759 and $23,255 are included in bonds, notes and leases payable at June 30, 2020 and 2019, respectively. Amortization expense was $15,504 for each of the years ended June 30, 2020 and 2019.

The College has an available unsecured line of credit in the amount of $7,500,000 at June 30, 2020 and 2019, respectively. The line of credit is to be available for working capital and capital projects. The interest rate on the line is the College's choice at the time of draw of either daily one month London Interbank Offered Exchange (LIBOR) plus 0.55% or Federal Funds Rate plus 0.50%. The credit agreement includes a 0.15% annual fee on the unused portion of the line, which is reflected in interest expense. The line of credit expires on December 11, 2020. At June 30, 2020 and 2019, there were no amounts outstanding on the line of credit.

Note 10. Net Assets

The net assets are summarized as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 20,462	$ -	$ 20,462
Net investment in plant	55,618,646	-	55,618,646
Capital improvements	-	5,485,884	5,485,884
Financial aid	-	1,666,430	1,666,430
Instruction	-	1,740,186	1,740,186
Academic support	-	804,970	804,970
Other	-	239,201	239,201
Total operating funds	55,639,108	9,936,671	65,575,779
Contributions receivable and planned giving arrangements:	-	11,898,905	11,898,905
Endowment funds:			
Board-designated endowment funds	39,742,418	-	39,742,418
Instruction	-	53,647,805	53,647,805
Financial aid	-	76,446,690	76,446,690
Academic support	-	19,342,444	19,342,444
Capital improvements and general operations	-	21,467,151	21,467,151
Total endowment funds	39,742,418	170,904,090	210,646,508
Total net assets	$ 95,381,526	$ 192,739,666	$ 288,121,192

Note 10. Net Assets (Continued)

The net assets are summarized as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 5,143,235	$ -	$ 5,143,235
Net investment in plant	58,303,756	-	58,303,756
Capital improvements	-	1,394,110	1,394,110
Financial aid	-	2,008,726	2,008,726
Instruction	-	1,520,985	1,520,985
Academic support	-	530,805	530,805
Other	-	165,741	165,741
Total operating funds	63,446,991	5,620,367	69,067,358
Contributions receivable and planned giving arrangements:	-	11,277,119	11,277,119
Endowment funds:			
Board-designated endowment funds	41,935,039	-	41,935,039
Instruction	-	54,186,263	54,186,263
Financial aid	-	76,124,560	76,124,560
Academic support	-	20,994,247	20,994,247
Capital improvements and general operations	-	19,742,336	19,742,336
Total endowment funds	41,935,039	171,047,406	212,982,445
Total net assets	$ 105,382,030	$ 187,944,892	$ 293,326,922

Note 11. Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of incurring expenses satisfying the restricted purposes or the occurrence of events specified by the donors. Net assets released from restrictions for the years ended June 30, 2020 and 2019, were for the following purposes:

	2020	2019
Capital improvements	$ 1,020,498	$ 592,677
Financial aid	5,528,416	5,604,890
Instruction	2,603,286	3,385,986
Academic support and other	765,517	912,025
Net assets released from restrictions	$ 9,917,717	$ 10,495,578

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 undergrad education, traditional graduate education, other continuing education programs, online programs and international programs. The College's revenue is predominately from undergraduate education.

Note 13. Functional Expenses

The following tables summarize the College's expenses allocated by function as of June 30:

	2020						
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and wages	$ 14,863,525	$ 2,516,937	$ 6,759,980	$ 7,678,357	$ 261,461	$ 4,698,892	$ 36,779,152
Employee benefits	4,683,961	715,866	2,055,926	1,885,396	126,130	1,767,381	11,234,660
Depreciation, amortization and accretion	2,785,261	267,577	919,504	601,224	2,719,523	809,410	8,102,499
Contract services	264,946	183,380	1,044,507	2,219,303	48,475	386,754	4,147,365
Student grants	-	-	669,257	-	-	-	669,257
Dining contract	-	-	-	-	4,201,919	-	4,201,919
Experiential learning and program support	3,294,099	4,131	522,415	9,706	-	-	3,830,351
Utilities and insurance	-	-	-	21,178	155,435	2,955,894	3,132,507
Travel, hospitality and events	422,588	56,429	727,229	216,577	316,639	7,759	1,747,221
Supplies and equipment	282,446	62,530	312,425	679,917	51,263	608,310	1,996,891
Interest	950,727	5,219	-	11,500	1,019,008	102,187	2,088,641
Other	214,321	819,573	560,045	1,105,885	148,120	399,735	3,247,679
	27,761,874	4,631,642	13,571,288	14,429,043	9,047,973	11,736,322	81,178,142
Operations and maintenance allocation	2,488,907	450,852	1,231,254	1,430,262	6,135,047	(11,736,322)	-
Total functional expenses	$ 30,250,781	$ 5,082,494	$ 14,802,542	$ 15,859,305	$ 15,183,020	$ -	$ 81,178,142

Note 13. Functional Expenses (Continued)

	2019						
	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations and Maintenance	Total
Salaries and wages	$ 14,552,005	$ 2,609,857	$ 6,881,957	$ 7,652,101	$ 270,430	$ 5,021,077	$ 36,987,427
Employee benefits	4,415,025	746,638	1,929,617	2,045,200	126,833	1,638,864	10,902,177
Depreciation, amortization and accretion	2,829,311	275,265	919,798	666,162	2,157,012	876,402	7,723,950
Contract services	373,542	184,902	1,180,891	2,567,005	37,188	488,181	4,831,709
Dining contract	-	-	-	-	5,120,736	-	5,120,736
Experiental learning and program services	4,399,727	5,405	524,394	31,938	988	-	4,962,452
Utilities and insurance	-	-	-	23,835	151,751	3,251,280	3,426,866
Travel, hospitality and events	561,767	108,028	1,122,093	490,208	522,033	14,979	2,819,108
Supplies and equipment	438,032	118,146	382,198	668,553	68,940	865,899	2,541,768
Interest	819,821	12,731	-	11,375	696,231	106,637	1,646,795
Other	257,655	836,531	479,007	1,195,313	184,672	522,732	3,475,910
	28,646,885	4,897,503	13,419,955	15,351,690	9,336,814	12,786,051	84,438,898
Operations and maintenance allocation	2,699,687	498,390	1,347,757	1,584,835	6,655,382	(12,786,051)	-
Total functional expenses	$ 31,346,572	$ 5,395,893	$ 14,767,712	$ 16,936,525	$ 15,992,196	$ -	$ 84,438,898

Note 14. Benefit Plans

The College has a defined contribution pension plan that is designed to meet the requirements of Section 403(b) of the IRC. The plan is administered by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF). Any College employee (excluding student employees) may make voluntary pre-tax contributions to the plan. Employees are eligible to receive a contribution to the plan from the College after meeting specific requirements. There is no required employee contribution in order to receive the College's contribution. The College's total pension expense was $2,843,521 and $2,787,493 for the years ended June 30, 2020 and 2019, respectively.

The College maintains a plan in accordance with Section 457(b) of the IRC. Under the terms of this plan, annual contributions are made by the College for highly-compensated employees.

Note 15. Commitments and Contingencies

The College has an agreement to lease certain land to a lessee. The agreement provides for the land ownership to be retained by the College and for the lessee to lease the property for 99 years. Concurrent with the land lease, the lessee constructed a medical center on the property and assumed the role of the College's health center and also is serving the residents of the Town of Norton. An agreement was entered into by the two parties whereby the College pays $100,000 annually for the aforementioned provided services and the rental of the space used by the College's employees who are housed at the center. This agreement is automatically renewable annually (unless otherwise agreed to by the parties) at a rate of $100,000 per year adjusted by the value of the CPI. For the years ended June 30, 2020 and 2019, the expense was $161,083 and $157,477, respectively.

The College has long-term contracts with outside service vendors for bookstore operations through May 31, 2025 and food services through June 30, 2021. Expenses incurred under these contracts are variable each year based on the number of students served and actual expenses incurred. These contracts include terms that are typical in the higher education sector.

Note 15. Commitments and Contingencies (Continued)

The College is engaged in several legal cases, which have arisen in the normal course of its operations. The College believes the outcome of these cases will have no material adverse effect on the financial position of the College.

All funds expended by the College in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2020.

The College has employment agreements with certain employees that range from one to five years which stipulate a variety of business terms typical in the education sector.

The College participates in a group captive insurance funding program for employee healthcare costs. Claim amounts for any one individual up to $125,000 are covered within a self-funded retention and paid for by the College. Claim amounts exceeding $125,000 are shared with other members of the group captive and paid by the group captive. Management believes that any liability arising from this contingency would not be material to the College's financial position. As of June 30, 2020 and 2019, the College had estimated liabilities for the self-funded retention of $520,000 and $425,000, which are included within receivables and other assets, net on the accompanying Statements of Financial Position. Total premium and self-funded retention costs under the program were $4,065,731 and $4,052,279 for the years ended June 30, 2020 and 2019, respectively.