wheaton college massachusetts

FINANCIAL STATEMENTS

June 30, 2019 and 2018

WHEATON COLLEGE

Financial Statements

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Financial Statements:

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Independent Auditors' Report

The Board of Trustees
Wheaton College
Norton, Massachusetts

We have audited the accompanying financial statements of Wheaton College, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, the College adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

October 18, 2019
Boston, Massachusetts

WHEATON COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 4,409,796	$ 3,028,645
Short-term investments	5,342,284	7,515,802
Receivables and other assets	1,832,843	2,601,373
Deposits held by bond trustees	10,038,765	32,596,477
Contributions receivable, net	6,935,183	6,607,243
Student loans receivable, net	2,271,944	2,718,955
Investments	220,459,665	221,671,931
Restricted cash	4,082,423	1,116,793
Land, buildings and equipment, net	120,345,448	103,021,534
Total assets	$ 375,718,351	$ 380,878,753
Liabilities and net assets		
Accounts payable and accrued expenses	$ 7,663,655	$ 8,239,111
Deposits and deferred revenues	1,412,635	1,077,024
Annuity and life income obligations	1,528,086	2,159,885
Government advances for student loans	2,332,627	2,322,318
Asset retirement obligations	1,671,766	1,575,081
Bonds and leases payable	67,782,660	68,324,283
Total liabilities	82,391,429	83,697,702
Net assets		
Without donor restrictions	105,382,030	111,179,716
With donor restrictions	187,944,892	186,001,335
Total net assets	293,326,922	297,181,051
Total liabilities and net assets	$ 375,718,351	$ 380,878,753

WHEATON COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Operating revenues:				
Tuition and fees - net of scholarships and grants of $54,267,692 and $47,537,516 respectively	$ 36,035,494		$ 36,035,494	$ 36,630,923
Room and board	21,128,061		21,128,061	20,021,979
Net student revenues	57,163,555		57,163,555	56,652,902
Other auxiliary services	3,460,918		3,460,918	3,144,535
Private gifts, bequests, and grants	3,263,839	$ 2,239,028	5,502,867	7,328,363
Government grants and contracts	514,787		514,787	517,403
Other revenues	1,421,196	38,773	1,459,969	564,169
Endowment return utilized for operations	3,364,291	7,120,806	10,485,097	10,312,786
Net assets released from restrictions	10,495,578	(10,495,578)	-	-
Total operating revenues	79,684,164	(1,096,971)	78,587,193	78,520,158
Operating expenses:				
Instruction	31,346,572		31,346,572	29,831,509
Academic support	5,395,893		5,395,893	5,082,503
Student services	14,767,712		14,767,712	15,035,040
Institutional support	16,936,525		16,936,525	16,635,745
Auxiliary services	15,992,196		15,992,196	15,755,095
Total operating expenses	84,438,898	-	84,438,898	82,339,892
Operating subtotal	(4,754,734)	(1,096,971)	(5,851,705)	(3,819,734)
Nonoperating:				
Private gifts and pledges	191,025	3,088,951	3,279,976	3,944,071
Loss on defeasance of debt			-	(1,143,698)
Net investment return	2,130,314	7,072,383	9,202,697	12,220,830
Endowment return utilized for operations	(3,364,291)	(7,120,806)	(10,485,097)	(10,312,786)
Nonoperating subtotal	(1,042,952)	3,040,528	1,997,576	4,708,417
Change in net assets	(5,797,686)	1,943,557	(3,854,129)	888,683
Net assets at beginning of year	111,179,716	186,001,335	297,181,051	296,292,368
Net assets at end of year	$ 105,382,030	$ 187,944,892	$ 293,326,922	$ 297,181,051

The accompanying notes are an integral part of the financial statements.

WHEATON COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Operating revenues:			
Tuition and fees - net of scholarships and grants of $47,537,516	$ 36,630,923		$ 36,630,923
Room and board	20,021,979		20,021,979
Net student revenues	56,652,902		56,652,902
Other auxiliary services	3,144,535		3,144,535
Private gifts, bequests, and grants	3,026,037	$ 4,302,326	7,328,363
Government grants and contracts	517,403		517,403
Other revenues	521,378	42,791	564,169
Net assets released from restrictions	10,333,463	(10,333,463)	-
Endowment return utilized for operations	3,485,946	6,826,840	10,312,786
Total operating revenues	77,681,664	838,494	78,520,158
Operating expenses:			
Instruction	29,831,509		29,831,509
Academic support	5,082,503		5,082,503
Student services	15,035,040		15,035,040
Institutional support	16,635,745		16,635,745
Auxiliary services	15,755,095		15,755,095
Total operating expenses	82,339,892	-	82,339,892
Operating subtotal	(4,658,228)	838,494	(3,819,734)
Nonoperating:			
Private gifts and pledges	50,000	3,894,071	3,944,071
Net assets released from restrictions	682,166	(682,166)	-
Loss on defeasance of debt	(1,143,698)		(1,143,698)
Net investment return	2,963,797	9,257,033	12,220,830
Endowment return utilized for operations	(3,485,946)	(6,826,840)	(10,312,786)
Nonoperating subtotal	(933,681)	5,642,098	4,708,417
Change in net assets	(5,591,909)	6,480,592	888,683
Net assets at beginning of year	116,771,625	179,520,743	296,292,368
Net assets at end of year	$ 111,179,716	$ 186,001,335	$ 297,181,051

The accompanying notes are an integral part of the financial statements.

WHEATON COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (3,854,129)	$ 888,683
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, amortization and accretion	7,450,519	7,671,464
Net losses on asset disposal and asset retirement obligations	31,093	163,289
Loss on defeasance of debt	-	1,143,698
Net realized and unrealized gains on investments	(7,442,967)	(7,102,749)
Proceeds from sales of land, building and equipment	-	42,495
Contributions restricted for long-term investments	(3,695,043)	(5,868,947)
Provision for uncollectible accounts	(360,562)	754,507
Change in operating assets and liabilities:		
Receivables and other assets	726,530	136,530
Contributions receivable	74,622	656,574
Accounts payable and accrued expenses	209,135	1,733,467
Deposits and deferred revenue	335,611	(975,618)
Net cash used in operating activities	(6,525,191)	(756,607)
Cash flows from investing activities:		
Student loans issued	(18,000)	(508,220)
Student loans repaid	465,011	674,875
Purchase of land, buildings and equipment	(25,749,105)	(4,782,433)
Change in funds restricted for property acquisitions	(2,965,630)	(1,116,793)
Sales of investments	143,973,299	28,411,393
Purchases of investments	(133,144,548)	(28,015,060)
Net cash used in investing activities	(17,438,973)	(5,336,238)
Cash flows from financing activities:		
Change in funds held by bond trustees	22,557,712	(31,995,827)
Proceeds from drawdown of bonds	-	55,110,000
Proceeds from bond premium	-	9,491,213
Bond financing costs	-	(542,597)
Payments on bonds and leases payable	(285,951)	(34,832,355)
Change in annuity and life income obligations	(631,799)	(23,407)
Investment in life income and annuity funds	-	50,000
Change in advances for student loans	10,310	(81,308)
Contributions, grants and investment income restricted for investment in endowment and facilities	3,695,043	5,818,947
Net cash provided by financing activities	25,345,315	2,994,666
Change in cash and cash equivalents	1,381,151	(3,098,179)
Cash and cash equivalents at beginning of year	3,028,645	6,126,824
Cash and cash equivalents at end of year	$ 4,409,796	$ 3,028,645
Supplemental data:		
Noncash investing activity: Gifts of stock	$ 1,877,257	$ 1,726,180
Fixed asset additions remaining in accounts payable	1,248,480	2,033,071
Equipment acquired under capital lease obligation	-	29,111
Interest paid	2,963,535	1,481,754

The accompanying notes are an integral part of the financial statements.

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 1,750 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.

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 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.

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 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 net asset value 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.

Cash and Cash Equivalents and Short-Term Investments
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. Included in cash is $770,542 and $170,789 of funds held for the Federal Perkins Loan Program ("Perkins Loans") at June 30, 2019 and 2018, respectively, which is described more fully later in these notes.

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.

Restricted Cash
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.

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 catalog as agreed in advance of the delivery 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 on behalf payments being made by the 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 $417,000 and $375,000 as of June 30, 2019 and 2018, respectively. The College has no contract assets as of June 30, 2019 and 2018.

Deposits Held by Bond Trustees
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.

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 2% to 7%) 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.

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

Investments

Investments include endowment, charitable gift annuities, pooled life income funds, perpetual trusts and unrestricted operating investments. Investments are reported at fair value. Fair value is determined pursuant to the fair value measurements policy.

Net investments return (loss) 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:

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. Works of art and rare books are considered inexhaustible because they have historical or cultural value that will be preserved and, therefore, are not subject to depreciation.

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 2.0% 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 unrestricted other revenue. The asset retirement obligation outstanding is $1,671,766 and $1,575,081 as of June 30, 2019 and 2018, respectively.

Statement of Activities

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

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

Tuition, fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students; 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 twenty nine 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 Department of Education 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 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.

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.

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 Statements of Functional Expenses present 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 fund-raising activities of the College, which amounted to $4,975,429 and $5,053,446 for the years ended June 30, 2019 and 2018, 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 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.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the current presentation. Such reclassifications had no effect on net changes in net assets.

New Accounting Pronouncements

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

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

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

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

The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, evolving to a two net asset classes from what had previously been three and investment return.

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

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

The financial statement standards were applied to all periods presented with the new categories as prescribed by the standard which increased net assets without donor restriction by $13,392 and decreased net assets with donor restrictions by $13,392 resulting from the reclassification of underwater endowment funds.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events
The College has evaluated subsequent events through October 18, 2019 the date the financial statements were issued.

3. <u>Liquidity and Availability</u>
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 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.

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

	June 30, 2019
Cash and cash equivalents	$ 3,639,254
Short-term investments	5,342,284
Accounts Receivable, net	1,020,598
Contributions receivable for general expenditure due in one year or less	1,363,895
Endowment spending rate distributions and appropriations	10,723,500
Total	$ 22,089,531

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 $41,935,039 is subject to the annual spending rate of 5 percent as described in Footnote 9. 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's annual budget approval and appropriation), these amounts could be made available if necessary.

The College's restricted cash of $4,082,423 is available for use for debt service for capital projects funded by donor support.

As described in Note 10, 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.

4. Financing Receivables

Student loans receivable consist of the following at June 30:

	2019	2018
Perkins loans	$ 2,214,056	$ 2,653,554
College loans	242,888	250,401
	2,456,944	2,903,955
Less allowance for doubtful accounts:	(185,000)	(185,000)
Student loans receivable, net	$ 2,271,944	$ 2,718,955

Loans past due amounted to approximately $760,000 as of June 30, 2019 and 2018, respectively.

5. Contributions Receivable

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

	2019	2018
Unconditional promises to give		
One year or less	$ 3,092,918	$ 3,372,309
Two to five years	2,015,500	2,274,850
More than five years	928,421	948,420
	6,036,839	6,595,579
Less		
Allowance for uncollectibles	(1,141,920)	(1,544,482)
Unamortized discount	(501,899)	(583,502)
Total Unconditional promises to give	4,393,020	4,467,595
Contributions receivable held in outside trusts	2,542,163	2,139,648
Total	$ 6,935,183	$ 6,607,243

Conditional promises to give, due to uncertainties with regard to their realizability and valuation, are not estimated by management and are recognized as pledges receivable if and when the specific conditions are met. Conditional promises to give were approximately $48,800,000 at June 30, 2019.

6. Fair Value Measurements and Investments

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

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	-
Cash and cash equivalents held in split-interest agreements	99,886	-	-	99,886	-
Money market funds	46,887	-	46,887	-	-
Domestic and international equities funds	2,106,834	-	347,162	1,759,673	-
Beneficial interest in perpetual trusts	780,635	-	-	-	780,635
Real property and commodities funds	266,538	-	-	266,538	-
Other	1,013,379	-	-	858,879	154,500
Total other investments	7,477,220	-	1,035,633	5,506,452	935,135
Total investments	220,459,665	78,480,781	135,537,297	5,506,452	935,135
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	-	-
Total other assets	19,463,472	-	19,463,472	-	-
Total	$239,923,137	$ 78,480,781	$155,000,769	$ 5,506,452	$ 935,135

2018	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Endowment investments:					
Cash and short-term investments	$ 27,457,085	$ -	$ 27,457,085	$ -	$ -
Equities					
U.S. equities funds	45,744,744	-	45,744,744	-	-
Multi-strategy equity funds	9,728,272	-	9,728,272	-	-
International equity funds	35,582,414	-	35,582,414	-	-
Emerging markets equity funds	6,788,329	-	6,788,329	-	-
Hedge funds					
Hedged Equity - Developed Markets	38,783,301	38,783,301	-	-	-
Opportunistic Credit/Distressed funds	19,738,899	10,320,683	9,418,216	-	-
Private equity	15,553,746	15,553,746	-	-	-
Real property and commodities funds					
Real estate	1,747,840	1,747,840	-	-	-
Timber	2,449,810	2,449,810	-	-	-
Commodities	8,306,488	41,077	8,265,411	-	-
Endowment investments	211,880,928	68,896,457	142,984,471	-	-
Other investments:					
Real estate	1,680,601	-	-	1,680,601	-
Fixed income - Developed markets	2,679,554	-	609,809	2,069,745	-
Cash and cash equivalents held in split-interest agreements	134,207	-	-	134,207	-
Money market funds	42,873	-	42,873	-	-
Domestic and international equities funds	3,061,858	-	334,350	2,727,508	-
Beneficial interest in perpetual trusts	783,624	-	-	-	783,624
Real property and commodities funds	417,130	-	-	417,130	-
Other	991,156	-	-	836,656	154,500
Total other investments	9,791,003	-	987,032	7,865,847	938,124
Total investments	221,671,931	68,896,457	143,971,503	7,865,847	938,124
Other Assets:					
Short-term Investments					
Money market funds	7,515,802	-	7,515,802	-	-
Deposits held by bond trustees - Project fund					
Money market funds	29,479,411	-	29,479,411	-	-
Deposits held by bond trustees - Debt service fund					
Money market funds	3,117,066	-	3,117,066	-	-
Restricted cash					
Money market funds	1,116,793	-	1,116,793	-	-
Total other assets	41,229,072	-	41,229,072	-	-
Total	$262,901,003	$ 68,896,457	$185,200,575	$ 7,865,847	$ 938,124

The College had unfunded commitments of $14,333,937 and $19,507,147 at June 30, 2019 and 2018, respectively.

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

	2019		2018	
Less than 1 year	$ 192,816,979	91%	$ 191,401,202	90%
Illiquid	20,165,465	9%	20,479,726	10%
	$ 212,982,444	100%	$ 211,880,928	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. The College has elected not to present a rollforward of Level 3 items given their relative insignificance.

7. Land, Buildings and Equipment

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

	2019	2018
Land and land improvements	$ 14,687,526	$ 14,602,122
Buildings and building improvements, including fixed equipment	177,519,888	176,765,617
Equipment	13,570,499	13,071,973
Library books and artwork	614,181	604,731
Automobiles	517,880	463,180
Construction in progress	27,084,649	3,587,534
	233,994,623	209,095,157
Accumulated depreciation	(113,649,175)	(106,073,623)
Land, buildings and equipment, net	$ 120,345,448	$ 103,021,534

The College capitalizes the interest cost related to outstanding debt on qualifying assets. Interest cost capitalized was $969,022 and $540,019 for the years ended June 30, 2019 and 2018, respectively.

Equipment includes assets recorded under capital leases of $517,957 at June 30, 2019 and 2018, respectively. Accumulated depreciation on the assets amounted to $335,516 and $237,746 for the years ended June 30, 2019 and 2018, respectively.

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 $207,615,777 and $205,912,436 at June 30, 2019 and 2018, respectively. Pool B funds are designated by the Board of Trustees to fund capital projects and had a fair value of $5,366,668 and $5,968,492 at June 30, 2019 and 2018, 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.

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:

	2019	2018
Fair value of underwater endowment funds	$ -	$ 2,648,920
Original endowment gift amount	-	2,662,312
Deficiencies of underwater endowment	$ -	$ (13,392)

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%).

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 (5.0%) of the average market value of the Pool A funds for the twenty quarters of the five prior fiscal years for 2019 and 2018. Permanently restricted individual endowed funds 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 2020	Actual 2019	Actual 2018
Pool A distribution based on average market value	$ 9,603,500	$ 9,357,396	$ 8,945,373
Additional marketing distribution from Pool A	-	-	522,413
Additional new initiatives draw from Pool A	275,000	375,000	-
Reduction in distribution for underwater funds	-	(92,299)	-
Total Pool A distribution	$ 9,878,500	$ 9,640,097	$ 9,467,786
Pool B distribution	845,000	845,000	845,000
Total endowment distribution	$ 10,723,500	$ 10,485,097	$ 10,312,786

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 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.

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 gains	-	60,894,538	60,894,538
Total endowed net assets	$ 41,935,039	$ 171,047,406	$ 212,982,445

Endowment net assets consist of the following at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:	$ 43,090,935	$ -	$ 43,090,935
Donor-restricted endowment funds			
Original donor - restricted gift amount and amounts required to be maintained in perpetuity by the donor		106,738,824	106,738,824
Accumulated gains		62,051,169	62,051,169
Total endowed net assets	$ 43,090,935	$ 168,789,993	$ 211,880,928

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
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	73,541	3,321,746	3,395,287
Endowment return utilized for operations	(3,364,291)	(7,120,806)	(10,485,097)
Endowment net assets, June 30, 2019	$ 41,935,038	$ 171,047,407	$ 212,982,445

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	$ 43,551,630	$ 161,496,501	$ 205,048,131
Investment return:			
Investment income	959,224	1,854,000	2,813,224
Net appreciation	2,066,027	7,250,641	9,316,668
Total investment return	3,025,251	9,104,641	12,129,892
Gifts and additions	-	5,015,691	5,015,691
Endowment return utilized for operations	(3,485,946)	(6,826,840)	(10,312,786)
Endowment net assets, June 30, 2018	$ 43,090,935	$ 168,789,993	$ 211,880,928

9. Bonds 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 and capital leases are as follows at June 30:

	Maturity	Interest rate	2019	2018
Massachusetts Development Finance Authority (MDFA)				
(a) Series H (2017)	January 1, 2053	fixed - 5%	55,110,000	55,110,000
Town of Norton				
(a) Connection Loan	December 1, 2036	fixed - 2.54%	2,216,179	2,315,563
(b) Construction Loan	December 1, 2036	fixed - 2.4%	1,731,521	1,810,300
			59,057,700	59,235,863
		Unamortized premium	9,084,449	9,355,625
		Debt issuance costs, net	(519,342)	(534,846)
		Total bonds payable	67,622,807	68,056,642
Capital leases	June 1, 2017-December 1, 2021	various	159,853	267,641
		Total bonds and leases payable	$ 67,782,660	$ 68,324,283

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

2020	2,967,467
2021	3,515,618
2022	4,038,408
2023	4,071,644
2024	4,121,557
Thereafter	40,502,859
	59,217,553
Unamortized premium	9,084,449
Debt issuance costs	(519,342)
Total	$ 67,782,660

In December 2017, the College paid off its Series G-1 fixed rate bonds. Also in December 2017, the College issued Series H MDFA fixed rate bonds of $55,110,000 with a premium of $9,491,213. The proceeds from this issue were used to refund the Series F and Series G-2 bonds as well as fund the construction of a new dormitory and renovations to academic spaces. These transactions resulted in a loss on defeasance of $1,143,698 and is included in non-operating activities in the Statement of Activities for the year ended June 30, 2018.

Debt issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Debt issuance costs of $542,597, net of accumulated amortization of $23,255 and $7,751 are included in bonds and leases payable at June 30, 2019 and 2018, respectively. Amortization expense was $15,504 and $24,860 for the years ended June 30, 2019 and 2018, respectively.

The College has an available unsecured line of credit in the amount of $7,500,000 at June 30, 2019 and 2018, 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 13, 2019. At June 30, 2019 and 2018 there were no amounts outstanding on the line.

10. Net Assets

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

	Without Donor Restrictions	With Donor Restrictions	Total
Detail of Net Assets			
Operating funds:			
Designated for specific purposes	$ 3,471,469		3,471,469
Net investment in plant	59,975,522		59,975,522
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		165,740	165,740
Total operating funds	63,446,991	5,620,366	69,067,357
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

The net assets are summarized as follows as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Detail of Net Assets			
Operating funds:			
Designated for specific purposes	$ 4,282,416		4,282,416
Net investment in plant	63,806,365		63,806,365
Capital improvements		437,169	437,169
Financial aid		2,311,149	2,311,149
Instruction		1,974,269	1,974,269
Academic support		483,426	483,426
Other		313,267	313,267
Total operating funds	68,088,781	5,519,280	73,608,061
Contributions receivable and planned giving arrangements:		11,692,062	11,692,062
Endowment funds:			
Board-designated endowment funds	43,090,935		43,090,935
Endowment unrealized losses		(13,392)	(13,392)
Instruction		54,470,679	54,470,679
Financial aid		73,708,019	73,708,019
Academic support		20,746,024	20,746,024
Capital improvements and general operations		19,878,663	19,878,663
Total endowment funds	43,090,935	168,789,993	211,880,928
Total net assets	$ 111,179,716	$ 186,001,335	$ 297,181,051

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, 2019 and 2018 were for the following purposes:

	2019	2018
Capital improvements	$ 592,677	$ 1,299,513
Financial aid	5,604,890	5,683,740
Instruction	3,385,986	3,123,275
Academic support and other	912,025	909,101
Net assets released from restrictions	$ 10,495,578	$ 11,015,629

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.

13. Functional Expenses

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

2019

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations & 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	2,829,311	275,265	919,798	666,162	2,157,012	876,402	7,723,950
Professional 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	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 & maintenance allocation	2,699,687	498,390	1,347,757	1,584,835	6,655,382	(12,786,051)	0
Total functional expenses	$ 31,346,572	$ 5,395,893	$ 14,767,712	$ 16,936,525	$ 15,992,196	-	$ 84,438,898

2018

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Services	Operations & Maintenance	Total
Salaries and wages	$14,414,643	$ 2,392,851	$ 6,682,020	$ 7,306,296	$ 268,123	$ 4,897,271	$ 35,961,204
Employee benefits	4,384,940	667,589	1,996,904	2,316,436	132,490	1,611,992	11,110,351
Depreciation, amortization and accretion	2,864,373	275,251	957,148	645,941	2,133,756	946,327	7,822,796
Professional services	318,597	214,043	1,304,321	2,438,049	32,420	641,123	4,948,553
Dining contract	-	-	-	-	4,913,199	-	4,913,199
Experiental learning and program support	3,240,982	1,116	520,842	31,340	885	-	3,795,165
Utilities and insurance	-	-	-	-	147,168	3,123,201	3,270,369
Travel, hospitality and events	382,060	111,868	1,108,592	513,557	474,618	15,627	2,606,322
Supplies and equipment	447,735	59,371	395,011	568,169	85,614	907,517	2,463,417
Interest	871,717	20,878	17,132	18,728	584,229	110,979	1,623,663
Other	262,150	856,962	632,323	1,192,257	367,004	514,158	3,824,854
	27,187,197	4,599,929	13,614,293	15,030,773	9,139,506	12,768,195	82,339,892
Operations & maintenance allocation	2,644,312	482,574	1,420,747	1,604,972	6,615,590	(12,768,195)	-
Total functional expenses	$29,831,509	$ 5,082,503	$15,035,040	$16,635,745	$15,755,095	-	$ 82,339,892

14. Benefit Plans

The College has a defined contribution pension plan that is designed to meet the requirements of Section 403(b) of the Internal Revenue Code. 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 $2,787,493 and $2,812,597 for the years ended June 30, 2019 and 2018, respectively.

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

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, 2019 and 2018, the expense was $157,477 and $154,541, respectively.

The College has long-term contracts with outside service vendors for bookstore operations and food services through June 30, 2020. 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.

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.

At June 30, 2019, the College has outstanding construction/engineering contracts of $2,529,689.

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, 2019.

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 has a partially self-insured medical plan (the "Plan") for certain medical benefits covering employees and certain retirees. The Plan is self-insured, with stop-loss insurance providing coverage for claims in excess of $125,000 per participant in a calendar year. An accrual of $425,000 and $350,000 was recorded for benefit claims incurred but not reported at June 30, 2019 and 2018, respectively.