KPMG

ENDICOTT COLLEGE

Financial Statements

June 30, 2019
(with comparative information for June 30, 2018)

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Endicott College:

We have audited the accompanying financial statements of Endicott College, which comprise the statement of financial position as of June 30, 2019, 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 U.S. generally accepted accounting principles; 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 Endicott College as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2(k) to the financial statements, during the year ended June 30, 2019, Endicott College adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the College's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopted ASU 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 2(k) that were applied to adopt ASU 2016-14 retrospectively in the 2018 financial statements. In our opinion, all adjustments are appropriate and have been properly applied.

KPMG LLP

October 24, 2019

ENDICOTT COLLEGE

Statement of Financial Position

June 30, 2019
(with comparative information for June 30, 2018)

Assets		**2019**	**2018**
Cash and cash equivalents	$	21,499,598	16,392,659
Accounts and loans receivables, net (note 4)		3,151,807	3,154,416
Contributions receivable, net (note 5)		2,159,093	2,344,263
Deposits with bond trustee (note 10)		4,819,064	19,112,601
Other assets		827,622	780,299
Long-term investments, at fair value (note 6)		95,783,043	88,837,545
Land, buildings, improvements, and equipment, net (notes 8 and 10)		262,834,742	242,212,463
Total assets	$	391,074,969	372,834,246
Liabilities and Net Assets			
Accounts payable and accrued expenses (note 9)	$	9,096,527	8,458,198
Student deposits and deferred revenue		9,993,237	9,608,499
Bonds, notes, and leases payable, net (note 10)		93,666,941	97,347,954
Fair value of interest rate swaps (note 10)		7,557,389	5,620,699
Refundable advances – U.S. government grants		677,416	603,275
Total liabilities		120,991,510	121,638,625
Net assets:			
Without donor restrictions		255,662,747	238,214,555
With donor restrictions (note 11)		14,420,712	12,981,066
Total net assets		270,083,459	251,195,621
Total liabilities and net assets	$	391,074,969	372,834,246

See accompanying notes to financial statements.

ENDICOTT COLLEGE

Statement of Activities

Year ended June 30, 2019
(with summarized information for the year ended June 30, 2018)

	2019			
	Without donor restrictions	**With donor restrictions**	**Total**	**2018 Total**
Operating:				
Revenues:				
Tuition and fees, net of financial aid	$ 73,276,686	—	73,276,686	71,542,486
Residence and dining fees	38,169,883	—	38,169,883	37,393,251
Net student fees (note 2)	111,446,569	—	111,446,569	108,935,737
Contributions	1,211,633	530,722	1,742,355	2,979,929
Federal and state grants	625,006	—	625,006	774,973
Investment income	2,581,062	—	2,581,062	1,785,771
Other income	2,478,607	—	2,478,607	2,465,342
Conference and education services	8,348,995	—	8,348,995	7,777,349
Net assets released from restrictions (note 12)	1,037,033	(1,037,033)	—	—
Total revenues	127,728,905	(506,311)	127,222,594	124,719,101
Expenses:				
Instruction	36,205,428	—	36,205,428	33,211,204
Academic support	12,611,924	—	12,611,924	12,900,015
Student services	15,183,298	—	15,183,298	15,442,225
Institutional support	16,171,636	—	16,171,636	15,460,913
Conference and education services	9,016,540	—	9,016,540	8,215,371
Other auxiliary services	20,777,289	—	20,777,289	20,141,594
Total expenses	109,966,115	—	109,966,115	105,371,322
Increase in net assets from operations	17,762,790	(506,311)	17,256,479	19,347,779
Nonoperating:				
Contributions	—	1,945,574	1,945,574	1,035,946
Investment income	1,125,592	496,883	1,622,475	3,550,402
Change on interest rate swap agreement (note 10)	(1,936,690)	—	(1,936,690)	1,990,154
Loss on extinguishment of debt (note 10)	—	—	—	(550,361)
Net assets released from restrictions (note 12)	496,500	(496,500)	—	—
Total nonoperating	(314,598)	1,945,957	1,631,359	6,026,141
Increase in net assets	17,448,192	1,439,646	18,887,838	25,373,920
Net assets at beginning of year	238,214,555	12,981,066	251,195,621	225,821,701
Net assets at end of year	$ 255,662,747	14,420,712	270,083,459	251,195,621

See accompanying notes to financial statements.

ENDICOTT COLLEGE

Statement of Cash Flows

Year ended June 30, 2019
(with summarized information for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Increase in net assets	$ 18,887,838	25,373,920
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,402,018	8,006,386
Change in fair value of interest rate swaps	1,936,690	(1,990,154)
Net realized and unrealized gains	(1,345,845)	(3,251,243)
Contributions for long-term investments	(1,765,490)	(1,020,933)
Loss on extinguishment of debt	—	550,361
Changes in accounts and loans receivables, net	(32,905)	(224,746)
Changes in contributions receivable, net	185,170	(472,994)
Changes in other assets	(15,920)	(1,022,721)
Changes in accounts payable and accrued expenses	(35,202)	(181,142)
Changes in student deposits and deferred revenues	384,738	108,188
Net cash provided by operating activities	26,601,092	25,874,922
Cash flows from investing activities:		
Purchases of equipment and building improvements	(28,350,763)	(21,496,074)
Change in deposits with bond trustee	14,293,537	(19,112,601)
Purchase of investments	(25,596,405)	(36,172,342)
Proceeds from sales and maturities of investments	19,996,751	29,702,324
Change in loans receivable	35,514	(67,694)
Net cash used in investing activities	(19,621,366)	(47,146,387)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	34,793,000
Payments on bonds	(1,995,464)	(9,768,875)
Proceeds from term loan and capital lease	38,996	29,735
Payments on notes payable and loans	(1,755,950)	(1,701,495)
Contributions for long-term investment	1,765,490	1,020,933
Change in government grants refundable	74,141	(8,530)
Net cash (used in) provided by financing activities	(1,872,787)	24,364,768
Net increase in cash and cash equivalents	5,106,939	3,093,303
Cash and cash equivalents, beginning of year	16,392,659	13,299,356
Cash and cash equivalents, end of year	$ 21,499,598	16,392,659
Supplemental data:		
Cash paid for interest	$ 3,263,486	3,133,414

See accompanying notes to financial statements.

(1) Background and History

Endicott College (Endicott or the College) is located on a 235-acre oceanfront campus in Beverly, Massachusetts, 30 miles north of the City of Boston. Founded in 1939, Endicott is a private coeducational, not-for-profit, nonsectarian institution of higher education. In 1944, the College was approved by the Commonwealth of Massachusetts to grant Associate in Arts and Associate in Science degrees and in 1952 received accreditation from the New England Association of Schools and Colleges. Founded as a two-year institution "to educate women for greater independence and an enhanced position in the workplace," Endicott became a two-plus-two year institution in 1988 and became a four-year coeducational institution in 1994. Today, all undergraduate College day program students are Bachelor degree applicants. Master's level programs were offered beginning in 1996. Doctoral programs were offered beginning in 2012.

Endicott College seeks to provide an education built upon a combination of theory and practice, which is tested through internships and work experience. The College supports two major educational components: the Undergraduate College and the Van Loan School of Graduate and Professional Studies.

The Undergraduate College offers Bachelor of Fine Arts, Bachelor of Arts, and Bachelor of Science degrees. Undergraduate enrollment as of fall 2018 was approximately 2,834 students. Approximately 92% of the full-time traditional undergraduate students live on campus.

The Van Loan School of Graduate and professional Studies grants Associate in Arts, Associate in Science, Bachelor of Arts, Bachelor of Science, Master of Arts, Master of Education, Master of Fine Arts, Master of Science, Master of Business administration, Doctor of Education and Doctor of Philosophy degrees. Enrollment in the Van Loan School, including programs in Beverly, Boston and other sites in Massachusetts, Madrid, Spain, Leysin, Switzerland, Prague and Czech Republic was 2,278 students in fall 2018. In addition to degree programs, professional development programs and consulting are offered through the Van Loan School.

(2) Summary of Significant Accounting Policies

(a) Basis of Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

(b) Classification of Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *With donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the College, the passage of time, or be maintained in perpetuity.
- *Without donor restrictions* – Net assets not subject to donor-imposed stipulations.

(c) Statement of Activities

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's undergraduate and graduate programs as well as internally and externally managed conference and events services. Endowment activities relating to the College's investments and the valuation changes on the interest rate swap agreements are reported as nonoperating revenue.

Revenues are reported as increases and expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and endowment income subject to donor-imposed stipulations that are met in the same reporting period are reported as support for net assets without donor restrictions. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The College reports contributions of land, buildings, or equipment as nonoperating support without donor restriction unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as nonoperating support without donor restrictions, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as nonoperating support with donor restrictions until the assets are acquired and placed in service.

Dividends, interest, and net gains (losses) on investments are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the current use of the income or net gains; and
- as increases (decreases) in net assets without donor restrictions in all other cases.

Expenses associated with fundraising activities of the College were $1,453,555 and $1,219,607 in 2019 and 2018, respectively, which are included principally in institutional support in the statement of activities.

(d) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the College considers cash equivalents as investments with maturities at date of purchase of three months or less.

(e) Fair Value Measurements

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments are measured and reported at fair value using a hierarchy that prioritizes inputs used to measure fair value into one of the following three categories:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date;

Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for assets or liabilities are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible, Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability.

(f) Land, Buildings, Improvements, and Equipment

Land, buildings, improvements, and equipment are stated at cost, except for donated assets, which are recorded at fair market value at the date of gift. Depreciation is computed using the straight-line method over the related assets' estimated useful economic lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

(g) Bond Issue Costs

Bond issue costs are amortized using the effective interest rate method over the life of the associated bond issue.

(h) Revenue Recognition from Contracts with Customers

Revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration expected to be entitled for in exchange for the provision of the goods or services.

Tuition and Fees, Residence and Dining Fees

A contract is entered into when a student enrolls in a program and covers a course or semester. The contract consists of one performance obligation if the student is enrolled in only academic course work and multiple performance obligations if the contract contains residence and/or dining services. Tuition and fee revenue occurs when the student begins attending the course and is recognized ratably over the academic period. Housing and dining revenue is recognized when the student begins using the services and is recognized over the period that the services are provided.

Revenue is presented at transaction price, determined by annual published rates less institutional financial aid awarded to qualifying students. The billing and academic cycles vary whether the student is enrolled in the Undergraduate College or in the Van Loan School for Graduate and Professional Studies. For the year ended June 30, 2019, the College recorded $111.4 million in revenue from tuition and fees, housing and dining revenue net of financial aid of $36.8 million. For the year ended June 30, 2018, the College recorded $108.9 million in revenue from tuition and fees, housing and dining revenue net of financial aid of $34.3 million.

Payments received in advance of services rendered are recognized as a contract liability and reported as deferred revenue and student deposits on the statement of financial position. This amounted to $7.3 million and $7.4 million as of June 30, 2019 and 2018, respectively, and will be recognized when earned, primarily in the subsequent fiscal year.

Conference and Education Services

Conference and education service revenue consists of direct contracts with customers for Misselwood Events and a contract with an external service provider for goods and services provided at the Wylie Inn and Conference Center. Performance obligations vary based on the contract entered into and can contain a combination of venue rental, food and beverage, and lodging, Revenue is recognized when the event occurs. Deposits and advanced payments are recognized as deferred revenue on the statement of financial position and amounted to $458,734 and $368,035 as of June 30, 2019 and June 30, 2018, respectively.

(i) 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 reporting period. Such estimates include the valuation of contributions, loans, and other receivables, and the useful lives of buildings, improvements, and equipment. Actual results could differ from those estimates.

(j) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College believes it has taken no significant uncertain tax positions.

The College generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code. ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is “more likely than not” to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the College must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more likely than not" threshold are recorded as a tax expense in the current year. The College has analyzed all open tax years, defined by the statutes of limitations, for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the College include Federal and the state of Massachusetts. As of June 30, 2019, open Federal and Massachusetts tax years for the College include the tax years ended June 30, 2013, through June 30, 2018. The College has no examinations in progress. The College believes it has no significant uncertain tax positions.

(k) New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance requires the College to reduce the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily and permanently restricted net assets. In addition, it increases qualitative and quantitative disclosure regarding liquidity and availability of resources and presentation of expenses by natural and functional classification in a single location.

The College retrospectively adopted this standard during fiscal year 2019. Net asset reclassifications resulting from the adoption of standard, as of June 30, 2018, are as follows:

	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 238,212,210	—	238,212,210
Temporarily restricted	—	3,867,927	3,867,927
Permanently restricted	—	9,115,484	9,115,484
Reclassifications to implement ASU 2016-14:			
Underwater endowments	2,345	(2,345)	—
	$ 238,214,555	12,981,066	251,195,621

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the College's 2018 statement of activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

(l) Prior Year Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2018, from which the summarized information was derived before the adjustments described in note 2(k) that were applied to adopt ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities* retrospectively.

(m) Reclassification

Certain 2018 balances have been reclassified to conform to the 2019 presentation.

(3) Liquidity

As of June 30, 2019, the College has the following financial assets available to meet its general expenditures, which includes operating expenses, scheduled principal payments on debt, and capital construction costs not financed by debt were as follows:

Cash and cash equivalents	$	21,356,139
Accounts receivable, net		2,379,414
Contributions		284,800
Deposits with bond trustee		4,819,064
Investments		110,295
Forecasted fiscal year 2020 endowment appropriation		248,900
Total financial assets available within 12 months	$	29,198,612

Included in the financial assets not available for expenditure within 12 months, the College had $84,949,890 of board-designated endowment as of June 30, 2019. The amounts from those funds could be made available if necessary, subject to approval by the Board of Trustees and investment liquidity provisions. However, the College does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of the annual budget process.

In addition to the financial resources available to meet expenditures over the next 12 months, the College anticipates collecting sufficient operating revenues to cover general expenditures. Cash flows from operating revenue have seasonal fluctuations due to the timing of tuition billings, conferencing and events, and contributions received.

(4) Accounts Receivable and Loans Receivables, Net

Accounts receivable and loans receivables, net, consisted of the following as of June 30:

		2019	2018
Student accounts receivable, net	$	1,505,245	1,489,214
Other accounts receivable		874,169	857,295
Loans receivable, net		772,393	807,907
	$	3,151,807	3,154,416

Student accounts receivable are net of an allowance for uncollectible accounts of approximately $450,000 and $407,000 as of June 30, 2019 and 2018, respectively.

Loans receivable are net of an allowance for uncollectible loans of approximately $57,000 as of June 30, 2019 and 2018, respectively.

(5) Contributions Receivable

Contributions receivable consisted of the following as of June 30:

		2019	2018
Unconditional promises expected to be collected in:			
Less than one year	$	1,110,333	282,131
One year to five years		1,099,882	2,177,734
Five years and thereafter		60,700	53,950
		2,270,915	2,513,815
Less present value discount (0.72% to 2.73%) and allowance for uncollectible pledges		(111,822)	(169,552)
	$	2,159,093	2,344,263

(6) Investments

(a) Strategy

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

(b) Reporting Basis

Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. The College also holds shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity and real asset strategies which are valued using current estimates at fair value based upon net asset value (NAV) unless they are determined to have a readily determinable fair value. These valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the College's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets. NAV is used as a practical expedient to estimate the fair value of the College's interest in these funds, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. The College has assessed the NAV provided by the external managers and believes the amounts reported represent a reasonable estimate of fair value.

The following tables summarize the College's investments by major category in the fair value hierarchy as of June 30, 2019 and 2018, as well as related strategy, liquidity and funding commitments:

June 30, 2019	Level 1	Total	Liquidity	Days' notice
Investments at fair value:				
Cash and cash equivalents	$ 591,655	591,655		
Money market accounts	1,196,491	1,196,491		
Registered investment companies:				
Fixed income	12,712,900	12,712,900		
U.S. equities	20,133,850	20,133,850		
Non-U.S. equities	27,968,921	27,968,921		
Real assets	1,558,328	1,558,328		
Comingled trusts:				
U.S. and global fixed income	110,295	110,295		
U.S. equities	3,762,671	3,762,671		
Real assets	3,657,236	3,657,236		
Multiple strategies	8,129,084	8,129,084		
Investments at fair value	79,821,431	79,821,431		

June 30, 2019	Level 1	Total	Liquidity	Days' notice
Investments measured at NAV:				
Hedged strategies:				
Off-shore funds	$ —	11,359,493	Varies (1)	Varies (2)
Private equity:				
Venture funds	—	1,150,564	Illiquid (3)	Not applicable
Real estate	—	3,451,555	Illiquid (3)	Not applicable
Total investments	$ 79,821,431	95,783,043		

(1) Redemption or liquidation period is quarterly, semi-annually, or annually.

(2) Between 30–90 days' notice is required.

(3) These funds are expected to liquidate within 5–10 years. Unfunded future commitments aggregate $8,672,000.

June 30, 2018	Level 1	Total	Liquidity	Days' notice
Investments at fair value:				
Cash and cash equivalents	$ 2,718,063	2,718,063		
Money market accounts	1,177,710	1,177,710		
Registered investment companies:				
Fixed income	9,765,097	9,765,097		
U.S. equities	15,851,647	15,851,647		
Non-U.S. equities	21,053,515	21,053,515		
Real assets	1,817,832	1,817,832		
Comingled trusts:				
U.S. and global fixed income	115,692	115,692		
U.S. equities	3,873,745	3,873,745		
Real assets	3,037,521	3,037,521		
Multiple strategies	17,782,577	17,782,577		
Investments at fair value	77,193,399	77,193,399		
Investments measured at NAV:				
Hedged strategies:				
Off-shore funds	—	8,081,484	Varies (1)	Varies (2)
Private equity:				
Venture funds	—	816,073	Illiquid (3)	Not applicable
Real estate	—	2,746,589	Illiquid (3)	Not applicable
Total investments	$ 77,193,399	88,837,545		

(1) Redemption or liquidation period is quarterly, semi-annually, or annually.

(2) Between 30–90 days' notice is required.

(3) These funds are expected to liquidate within 5–10 years. Unfunded future commitments aggregate $3,420,000.

(c) Commitments

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the College may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The College cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

Certain hedge funds of funds contain "rolling" lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the College makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

(7) Endowment

The College's endowment consists of 123 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

(a) Relevant Law

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the Board of Trustees to exercise its discretion in determining the appropriate level of expenditure from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and, 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. In accordance with appropriate accounting standards, the College classifies as the amounts to be held in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund consists of accumulated investment income on the gift, until appropriated for spending by the Board of Trustees.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature that are reported as underwater funds or reductions in net assets with donor restrictions and totaled $588 and $2,345 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the contributions with donor restrictions.

Endowment funds consist of the following as of June 30, 2019:

		With donor restrictions		
	Without donor restrictions	Original gift	Accumulated gains (losses)	Total
Board-designated	$ 84,949,890	—	—	84,949,890
Donor-restricted:				
Other	—	9,288,056	1,434,804	10,722,860
Total endowment funds	$ 84,949,890	9,288,056	1,434,804	95,672,750

Endowment funds consist of the following as of June 30, 2018:

		With donor restrictions		
	Without donor restrictions	Original gift	Accumulated gains (losses)	Total
Board-designated	$ 79,344,872	—	—	79,344,872
Donor-restricted:				
Underwater	—	457,737	(2,345)	455,392
Other	—	7,672,421	1,249,168	8,921,589
Total endowment funds	$ 79,344,872	8,130,158	1,246,823	88,721,853

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

		Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment funds, July 1, 2018	$	79,344,872	9,376,981	88,721,853
Investment return:				
Investment income		2,302,481	276,630	2,579,111
Net appreciation		1,125,593	220,252	1,345,845
Total		3,428,074	496,882	3,924,956
Contributions		2,176,944	1,157,898	3,334,842
Appropriation of endowment assets for expenditure		—	(308,901)	(308,901)
Endowment funds, June 30, 2019	$	84,949,890	10,722,860	95,672,750

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

		Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment funds, July 1, 2017	$	70,786,152	8,216,186	79,002,338
Investment return:				
Investment income		1,788,115	296,813	2,084,928
Net appreciation		2,996,358	254,885	3,251,243
Total		4,784,473	551,698	5,336,171
Contributions		3,774,247	880,356	4,654,603
Appropriation of endowment assets for expenditure		—	(271,259)	(271,259)
Endowment funds, June 30, 2018	$	79,344,872	9,376,981	88,721,853

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature that are reported as reductions in unrestricted net assets totaled $0 and $2,345, respectively, as of June 30, 2019 and 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions.

(c) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that are intended to ensure a total return (yield plus capital appreciation) necessary to at least preserve, but expected to enhance (in real dollar terms) endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period of time as well as board-designated funds. At June 30, 2019, Board-designated funds are net assets without donor restrictions and account for approximately 88.8% of the total endowment.

To satisfy its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income and alternative investments in a 55-20-25% ratio to achieve its long-term return objectives within prudent risk constraints.

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

Under the College's current endowment spending policy, which is conservative when measured against the guidelines specified under state law, income and dividends are reinvested and appropriations (draws) are made only for donor-stipulated purposes; that amount is typically less than 1% of the endowment. Generally, the maximum draw is no greater than 5% of the average fair value of each individual donor-restricted endowment investment. A total of $308,901 and $271,259 was appropriated in 2019 and 2018, respectively. The amount appropriated for spending in 2019 and 2018 was less than the maximum allowed due to prior years' economic conditions. The College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate greater than planned payouts. Further, the College has committed to an annual transfer from operations to help build the endowment.

(8) Land, Buildings, Improvements, and Equipment

The College's investment in plant as of June 30 is as follows:

	Estimated lives	2019	2018
Land	—	$ 10,884,132	10,884,132
Construction in process	—	3,875,209	17,977,711
Buildings and land improvements	50 years	306,495,044	265,641,991
Furniture, equipment, and books	3–10 years	25,362,751	23,108,817
Motor vehicles and similar assets	3 years	1,508,658	1,488,846
		348,125,794	319,101,497
Less accumulated depreciation		(85,291,052)	(76,889,034)
		$ 262,834,742	242,212,463

Depreciation expense charged to operations amounted to $8,402,018 and $8,006,386 in 2019 and 2018, respectively.

(9) Accounts Payable and Accrued Expenses

The College's accounts payable and accrued expenses consist of the following as of June 30:

		2019	2018
Accounts payable and accrued expenses related to building projects and equipment	$	3,589,242	2,915,711
Accounts payable		1,471,751	1,477,574
Accrued interest expense		270,779	280,243
Accrued salaries payable		2,164,872	2,504,890
Accrued vacation		1,521,496	1,186,874
Other accrued expenses		78,387	92,906
	$	9,096,527	8,458,198

(10) Bonds, Notes, and Leases Payable

(a) Bonds Payable

On March 31, 2015, the College entered into an agreement with the Massachusetts Development Finance Agency (MDFA) for an $18,000,000 Revenue Bond, Series 2015. The bond was purchased by People's United Bank for the purpose of constructing a new residence hall on campus which was completed in September 2015. The Bond has a fifteen-year term and carries a fixed interest rate of 2.50%. The balance as of June 30, 2019 and 2018 was $16,613,420 and $17,063,414, respectively.

On March 15, 2017 the College entered into an agreement with MDFA for a $32,625,000 Revenue Bond, Series 2017. The bond was purchased by Bank of America for the purpose of refinancing both the Series 2012 MHEFA Revenue Bond as well as a taxable term loan with Bank of America from August 2012 and for the payment of closing costs. The bond has a seven-year term and carries a variable interest rate of 68% of the one month LIBOR rate plus 0.70%. The interest rate at June 30, 2019 and 2018 was 2.70% and 2.49%, respectively. The balance as of June 30, 2019 and 2018 was $31,030,000 and $32,300,000, respectively. In addition to this refinancing, the College partially terminated a portion of its interest rate swaps associated with the variable rate debt in order to correctly align the amortization of the interest rate swaps with the underlying debt.

In conjunction with the College's issuances of variable-rate debt, the College entered into interest rate swap agreements with a financial institution counterparty for the purpose of swapping the variable rates on the underlying debt for fixed rates. The interest rates on the Series B and Series C swap agreements are 4.425% and 4.40% with termination dates of October 1, 2018 and October 1, 2023. The interest rates on the Series D and Series E swap agreements are 4.165% and 3.82% with termination dates of May 1, 2024 and October 1, 2037 respectively. The value of the swap instruments, which is recorded as a liability of $7,557,389 as of June 30, 2019 and $5,620,699 as of June 30, 2018, represents the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates and other market factors. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair value at subsequent reporting dates. If the College repays the debt on schedule, the value of each swap will reach zero at its final maturity. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 in the fair value hierarchy.

On December 6, 2017, the College entered into an agreement with MDFA for a $25,900,000 Revenue Bond, Series 2017B. The bond was purchased by People's United Bank for the purpose of constructing an academic center on campus. The parking garage was completed in August 2018 and Phase 1 of this project was completed on June 1, 2019. Phase 2 is scheduled to be completed in December 2020. The Bond has a thirty-year term and carries a fixed interest rate of 2.87%. The balance as of June 30, 2019 and 2018 was $25,900,000.

On December 6, 2017, the College entered into an agreement with MDFA for an $8,893,000 Revenue Refunding Bond, Series 2017C. The bond was purchased by People's United Bank for the purpose of refinancing a $10,000,000 Series F Bond. The Bond has a twenty-four year term and carries a fixed interest rate of 2.84%. As a result of the refinancing, the College recorded a loss on extinguishment of debt of $550,361. The balance as of June 30, 2019 and 2018 was $8,486,148 and $8,761,618, respectively.

(b) Deposits with Bond Trustee

Deposits with bond trustee include amounts held by People's United Bank under the requirements of the Series 2017B revenue bond agreement. This fund, comprised of cash, is carried at fair market value. The balance was $4,819,064 and $19,112,601 as of June 30, 2019 and 2018, respectively.

(c) Notes Payable

(i) Line of Credit

The College maintains its line of credit with Bank of America for $8,500,000 available through April 29, 2020. The interest rate charged as of June 30, 2019 is the LIBOR Rate plus zero percentage points. No amounts were outstanding as of June 30, 2019 and 2018.

(ii) Term Loan

On July 1, 2013 the College entered into a loan agreement in the amount of $10,000,000 with Bank of America for the purposes of repaying the College's existing term loan and funding various capital projects at the College at an interest rate of 2.60% per annum. The balance as of June 30, 2019 and 2018 was $8,205,361 and $8,528,814, respectively.

On January 27, 2016 the College entered into a loan agreement in the amount of $6,000,000 with Bank of America for the purposes of for the purpose funding the constructing a new residence hall on campus which was completed in September 2016. The loan has a 7-year term and carries a fixed interest rate of 2.38% per annum. The balance as of June 30, 2019 and June 30, 2018 was $3,565,000 and $4,499,000, respectively.

(iii) Capital Lease Line of Credit

On July 1, 2015 the College entered into a Lease Line of Credit with TD Bank in the amount of $854,679 for new IT networking equipment. The amount outstanding on the lease line of credit was $126,184 and $300,841 as of June 30, 2019 and 2018, respectively.

On January 1, 2016 the College entered into a Lease Line of Credit with TD Bank in the amount of $1,499,601 for new campus security systems and upgrades to existing equipment. The amount outstanding on the lease line of credit was $596,866 and $898,466 as of June 30, 2019 and 2018, respectively.

On July 14, 2017 the College entered into a Lease Line of Credit with Allstate Capital in the amount of $29,735 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2019 and 2018 was $10,406 and $20,139, respectively.

On August 1, 2018 the College entered into a Lease Line of Credit with Trimarc Financing Solutions in the amount of $38,966 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2019 was $26,487.

On an annual basis the College is required to meet various financial covenants.

The scheduled principal payments for all debt are as follows:

		Bonds	Leases	Term loans	Total
Year ending June 30:					
2020	$	2,058,261	510,950	1,294,502	3,863,713
2021		2,497,086	248,995	1,329,928	4,076,009
2022		2,839,968	—	1,361,025	4,200,993
2023		2,925,324	—	961,364	3,886,688
2024		3,013,344	—	6,823,542	9,836,886
2025 and thereafter		68,695,585	—	—	68,695,585
	$	82,029,568	759,945	11,770,361	94,559,874

Scheduled principal payments for all debt include unamortized issuance costs of $892,933 and $924,338 as of June 30, 2019 and 2018, respectively.

(11) Net Assets with Donor Restrictions

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

		2019	2018
Donor restricted endowments:			
Scholarship and fellowships	$	9,269,945	7,746,269
Endowed chairs		512,915	402,424
Other programming		940,000	1,228,288
Pledges receivable		2,159,093	2,344,263
Purpose restricted and other		1,538,759	1,259,822
Total with donor restrictions	$	14,420,712	12,981,066

(12) Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the purposes or occurrence of events specified by the donors as of June 30, 2019 and 2018 were as follows:

	2019	2018
Scholarship	$ 375,276	291,259
Capital purposes	496,500	132,500
Entrepreneurship and engineering	151,046	10,000
Center for Humanities	176,550	—
Other purposes	334,161	282,032
	$ 1,533,533	715,791

(13) Leases

Future minimum lease payments under noncancelable operating equipment leases through 2023 as of June 30, 2019 are as follows:

2020	$ 496,373
2021	174,187
2022	28,531
2023	13,526

Rent expense amounted to $640,918 and $545,522 in 2019 and 2018, respectively.

(14) Pension Plan

All full-time personnel are covered by the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) professional retirement plan, a defined contribution plan. The College incurred pension expense under this plan of $2,873,578 and $2,763,011 for the years ended June 30, 2019 and 2018, respectively.

(15) Natural Classification of Expenses

Expenses are presented by functional classification on the Statement of Activities. Program services include instruction, academic support, student services, conference and education services, and other auxiliary services. Supporting services include institutional support.

The College allocates expenses for fringe benefits, operation and maintenance of plant, depreciation, amortization, and interest expense across the functional categories. Fringe benefits are allocated based on the salary and wage expense at the end of the fiscal year. Operation of maintenance of plant, depreciation, amortization, and interest are allocated based on square footage.

(Continued)

The following presents expenses by natural and functional classification as of June 30, 2019 and 2018:

2019	Instruction	Academic Support	Student Services	Other Auxiliary Services	Conference and Education Services	Institutional Support	Total
Salaries and employee benefits	$ 28,410,507	10,271,112	8,763,290	4,304,014	1,318,134	9,338,867	62,405,924
Supplies and service contracts	2,472,775	848,217	1,924,105	8,592,648	5,991,383	3,448,245	23,277,373
Depreciation and amortization	2,186,568	266,487	954,059	3,917,889	775,547	354,470	8,455,020
Occupancy	985,175	120,004	429,728	1,765,391	349,345	160,004	3,809,647
Interest	666,421	81,220	290,777	1,194,092	236,371	108,035	2,576,916
Other operating expenses	1,483,982	1,024,884	2,821,339	1,003,255	345,760	2,762,015	9,441,235
	$ 36,205,428	12,611,924	15,183,298	20,777,289	9,016,540	16,171,636	109,966,115

2018	Instruction	Academic Support	Student Services	Other Auxiliary Services	Conference and Education Services	Institutional Support	Total
Salaries and employee benefits	$ 26,410,744	10,072,082	8,831,819	4,087,485	1,201,459	9,313,690	59,917,279
Supplies and service contracts	1,936,252	881,589	2,053,397	8,401,663	5,473,578	3,239,885	21,986,364
Depreciation and amortization	1,876,517	299,581	1,059,242	3,769,493	693,827	435,383	8,134,043
Occupancy	798,392	127,355	450,588	1,603,705	295,547	185,149	3,460,736
Interest	621,160	99,166	350,628	1,247,766	229,668	144,119	2,692,507
Other operating expenses	1,568,139	1,420,242	2,696,551	1,031,482	321,292	2,142,687	9,180,393
	$ 33,211,204	12,900,015	15,442,225	20,141,594	8,215,371	15,460,913	105,371,322

(16) Related Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy. The College has determined that for the fiscal year ended June 30, 2019, no significant relationships existed.

(17) Disclosure about Legal Claims

The College is subject to certain legal proceedings and claims that arose in the ordinary course of conducting its activities. Management has determined, after consultation with legal counsel, that the College has defensible positions and that any ultimate liabilities not covered by insurance will not materially affect the College's financial position.

(18) Subsequent Events

The College has evaluated subsequent events for potential recognition or disclosure through October 24, 2019 the date on which the financial statements were issued, and determined that no events occurred that warrant disclosure.