KPMG

ENDICOTT COLLEGE

Financial Statements

June 30, 2020
(with comparative information for June 30, 2019)

(With Independent Auditors' Report Thereon)

KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

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, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the College's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 28, 2020

ENDICOTT COLLEGE

Statement of Financial Position

June 30, 2020
(with comparative information for June 30, 2019)

Assets		2020	2019
Cash and cash equivalents	$	23,447,743	21,499,598
Accounts and loans receivables, net (note 4)		3,123,948	3,151,807
Contributions receivable, net (note 5)		1,693,958	2,159,093
Deposits with bond trustee (note 10)		234	4,819,064
Other assets		833,782	827,622
Investments, at fair value (note 6)		100,750,882	95,783,043
Land, buildings, improvements, and equipment, net (notes 8 and 10)		269,903,625	262,834,742
Total assets	$	399,754,172	391,074,969
Liabilities and Net Assets			
Accounts payable and accrued expenses (note 9)	$	7,118,701	9,096,527
Student deposits and deferred revenue		14,885,727	9,993,237
Bonds, notes, and leases payable, net (note 10)		93,885,381	93,666,941
Fair value of interest rate swaps (note 10)		10,073,016	7,557,389
Refundable advances – U.S. government grants		633,282	677,416
Total liabilities		126,596,107	120,991,510
Net assets:			
Without donor restrictions		258,164,224	255,662,747
With donor restrictions (note 11)		14,993,841	14,420,712
Total net assets		273,158,065	270,083,459
Total liabilities and net assets	$	399,754,172	391,074,969

See accompanying notes to financial statements.

ENDICOTT COLLEGE

Statement of Activities

Year ended June 30, 2020
(with summarized information for the year ended June 30, 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Operating:				
Revenues:				
Tuition and fees, net of financial aid	$ 74,854,868	—	74,854,868	73,276,686
Residence and dining fees	30,595,943	—	30,595,943	38,169,883
Net student fees (note 2)	105,450,811	—	105,450,811	111,446,569
Contributions	986,507	895,110	1,881,617	1,742,355
Federal and state grants	2,779,001	—	2,779,001	625,006
Investment income	2,529,179	—	2,529,179	2,581,062
Conference and education services	6,134,515	—	6,134,515	8,348,995
Other income	2,040,878	—	2,040,878	2,478,607
Net assets released from restrictions (note 12)	735,376	(735,376)	—	—
Total revenues	120,656,267	159,734	120,816,001	127,222,594
Expenses:				
Instruction	38,287,063	—	38,287,063	36,205,428
Academic support	12,549,980	—	12,549,980	12,611,924
Student services	14,305,918	—	14,305,918	15,183,298
Institutional support	16,989,700	—	16,989,700	16,171,636
Conference and education services	7,957,110	—	7,957,110	9,016,540
Other auxiliary services	19,381,344	—	19,381,344	20,777,289
Total expenses	109,471,115	—	109,471,115	109,966,115
Increase in net assets from operations	11,185,152	159,734	11,344,886	17,256,479
Nonoperating:				
Contributions	—	541,767	541,767	1,945,574
Investment income (loss)	(3,302,808)	9,981	(3,292,827)	1,622,475
Loss on disposal of fixed asset	(3,003,593)	—	(3,003,593)	—
Change on interest rate swaps (note 10)	(2,515,627)	—	(2,515,627)	(1,936,690)
Net assets released from restrictions (note 12)	138,353	(138,353)	—	—
Total nonoperating	(8,683,675)	413,395	(8,270,280)	1,631,359
Increase in net assets	2,501,477	573,129	3,074,606	18,887,838
Net assets at beginning of year	255,662,747	14,420,712	270,083,459	251,195,621
Net assets at end of year	$ 258,164,224	14,993,841	273,158,065	270,083,459

See accompanying notes to financial statements.

ENDICOTT COLLEGE

Statement of Cash Flows

Year ended June 30, 2020
(with comparative information for the year ended June 30, 2019)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	3,074,606	18,887,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		8,854,190	8,433,420
Loss on disposal of fixed asset		3,003,593	—
Change in fair value of interest rate swaps		2,515,627	1,936,690
Net realized and unrealized losses (gains)		3,594,963	(1,345,845)
Contributions for long-term investments		(579,970)	(1,765,490)
Changes in accounts and loans receivables, net		(26,720)	(32,905)
Changes in contributions receivable, net		465,135	185,170
Changes in other assets		(6,160)	(47,323)
Changes in accounts payable and accrued expenses		(134,241)	(35,202)
Changes in student deposits and deferred revenues		4,892,490	384,738
Net cash provided by operating activities		25,653,513	26,601,091
Cash flows from investing activities:			
Purchases of equipment and building improvements		(20,717,754)	(28,350,763)
Change in deposits with bond trustee		4,818,830	14,293,537
Purchase of investments		(14,427,338)	(25,596,405)
Proceeds from sales and maturities of investments		5,864,535	19,996,751
Change in loans receivable		54,579	35,514
Net cash used in investing activities		(24,407,148)	(19,621,366)
Cash flows from financing activities:			
Proceeds of borrowing from line of credit		4,000,000	—
Payments on bonds		(2,058,249)	(1,995,464)
Proceeds from term loan and capital lease		43,795	38,996
Payments on notes payable and loans		(1,819,602)	(1,755,950)
Contributions for long-term investment		579,970	1,765,490
Change in government grants refundable		(44,134)	74,141
Net cash provided by (used in) financing activities		701,780	(1,872,787)
Net increase in cash and cash equivalents		1,948,145	5,106,938
Cash and cash equivalents, beginning of year		21,499,598	16,392,659
Cash and cash equivalents, end of year	$	23,447,743	21,499,597
Supplemental data:			
Cash paid for interest	$	3,357,261	3,263,486
Change in accounts payable related to property and equipment		1,845,585	673,531

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 nine academic schools which house associate, bachelor, master and doctoral programs.

Traditional undergraduate students can enroll in the Bachelor of Fine Arts, Bachelor of Arts, and Bachelor of Science degrees. Traditional undergraduate enrollment as of fall 2019 includes 2,889 full-time students. Approximately 93% live on campus. The Van Loan School of Professional Studies enrolls a non-traditional adult undergraduate population and offers an Associate in Science, Bachelor of Arts, and Bachelor of Science degrees. Fall 2019 enrollment totaled 283 students.

Graduate degree programs at Endicott College include a 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 in addition to Post-Baccalaureate and Post-Master's certificates. In addition to degree programs, Endicott College offers non-degree professional development courses at the master's level. Enrollment in graduate-level courses and programs in Beverly, Boston, and other sites in Massachusetts, Madrid, Spain, and Leysin, Switzerland totaled 1,760 students in fall 2019.

(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 (U.S. GAAP), 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 valuation changes on the interest rate swaps 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. When resources with donor restriction (including endowment income appropriated under the spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from revenue with donor restriction to revenue without donor restriction.

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 $1,710,355 and $1,453,555 in 2020 and 2019, respectively, which are included principally in institutional support in the statement of activities.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the College considers investments acquired with an original maturity date of three months or less to be cash equivalents, unless they are part of longterm investment funds. Cash equivalents included in funds held by bond trustee and endowment assets are not considered cash and cash equivalents for the purpose of the statement of cash flows.

(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, 2020, the College recorded $105.4 million in revenue from tuition and fees, housing and dining revenue net of financial aid of $39.9 million. 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.

As a result of the COVID-19 pandemic, the College decided to close the residential campus effective March 30, 2020. Due to this closure, the College issued credits to students for room and board charges based on a prorated amount. These credits amounted to $6.6 million for room and $2.6 million for board charges for the fiscal year ended June 30, 2020.

Payments received in advance of services rendered are recognized as a contract liability and reported as student deposits and deferred revenue on the statement of financial position. This amounted to $12.3 million and $7.3 million as of June 30, 2020 and 2019, respectively, and will be recognized when earned, primarily in the subsequent fiscal year.

As a result of the COVID-19 pandemic, the College received $2,062,000 from the Higher Education Emergency Relief Fund (HEERF). In accordance with the provisions of the HEERF awards, half of the funding was provided to students in the form of emergency financial aid grants, with the remaining funds utilized to support institutional expenditures related to the pandemic.

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 $382,178 and $458,734 as of June 30, 2020 and June 30, 2019, respectively.

(i) Risks and Uncertainties – Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the College's finances, the College could experience material adverse effects posed by the risks, or our stakeholders' perceptions of the risks, related to COVID-19. As a result of the pandemic, beginning in March 2020, the College suspended in-person education and other campus-based activities, resulting in foregone revenues, the most significant of which resulted from the refunding of a portion of residence and dining revenues, as described in note 2(h). Although the College incurred certain incremental costs due to the pandemic, including transitioning to online education and work environments, it also experienced reductions in certain other recurring costs, such as travel and utilities. In addition, as described in note 2(h), the College received certain funding under the CARES Act to provide aid to students during the year ended June 30, 2020.

The pandemic could continue to materially affect the College's ability to conduct its operations, the cost of its operations, and the generation of certain revenue, including from enrollment, campus housing, international activities, and other operating activities, as well as from financial markets and fundraising, and such effects could be consequential to the College. The full extent of the impact of COVID-19 on the College will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the 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.

(k) 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 is required to assess uncertain tax positions and has determined that there were no such positions that are material to the 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, 2019, from which the summarized information was derived.

(m) Reclassification

Certain 2019 balances have been reclassified to conform to the 2020 presentation.

(3) Liquidity

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, as of June 30:

		2020	2019
Cash and cash equivalents	$	23,324,710	21,356,139
Accounts receivable, net		2,406,134	2,379,414
Contributions receivable due in one year or less, net		368,943	284,800
Deposits with bond trustee		234	4,819,064
Investments, at fair value		3,435,062	110,295
Budgeted fiscal year endowment appropriation		354,515	248,900
Total financial assets available within one year	$	29,889,598	29,198,612

Included in the financial assets not available for expenditure within one year, the College had $86,125,440 and $84,949,890 of board-designated endowment funds as of June 30, 2020 and 2019, respectively. 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 within one year, 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:

		2020	2019
Student accounts receivable, net	$	1,713,738	1,505,245
Other accounts receivable		692,396	874,169
Loans receivable, net		717,814	772,393
	$	3,123,948	3,151,807

Student accounts receivable are net of an allowance for uncollectible accounts of approximately $466,000 and $450,000 as of June 30, 2020 and 2019, respectively.

Loans receivable are net of an allowance for uncollectible loans of approximately $57,000 as of June 30, 2020 and 2019, respectively.

(5) Contributions Receivable

Contributions receivable consisted of the following as of June 30:

		2020	2019
Unconditional promises expected to be collected in:			
Less than one year	$	86,100	1,110,333
One year to five years		1,599,170	1,099,882
Five years and thereafter		59,600	60,700
		1,744,870	2,270,915
Less present value discount (0.29% to 2.73%) and allowance for uncollectible pledges		(50,912)	(111,822)
	$	1,693,958	2,159,093

(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, 2020 and 2019, as well as related strategy, liquidity and funding commitments:

June 30, 2020	Level 1	Total	Liquidity	Days' notice
Investments at fair value:				
Cash equivalents	$ 173,919	173,919		
Money market accounts	1,033,766	1,033,766		
Registered investment companies:				
Fixed income	15,152,814	15,152,814		
U.S. equities	22,193,373	22,193,373		
Non-U.S. equities	24,581,854	24,581,854		
Real assets	969,097	969,097		
Comingled trusts:				
U.S. and global fixed income	141,139	141,139		
U.S. equities	3,440,437	3,440,437		
Non-U.S. equities	3,924,792	3,924,792		
Real assets	3,741,152	3,741,152		
Multiple strategies	7,981,249	7,981,249		
Investments at fair value	83,333,592	83,333,592		
Investments measured at NAV:				
Hedged strategies:				
Off-shore funds	—	12,175,544	Varies (1)	Varies (2)
Private equity:				
Venture funds	—	2,333,059	Illiquid (3)	Not applicable
Real estate	—	2,908,687	Illiquid (3)	Not applicable
Total investments	$ 83,333,592	100,750,882		

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

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

(3) These funds are expected to liquidate within 5–10 years. Unfunded future commitments aggregate $7,135,537.

June 30, 2019		Level 1	Total	Liquidity	Days' notice
Investments at fair value:					
Cash equivalents	$	433,380	433,380		
Money market accounts		1,196,491	1,196,491		
Registered investment companies:					
Fixed income		12,712,900	12,712,900		
U.S. equities		20,292,125	20,292,125		
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		
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 $8,602,000.

(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 129 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 $2,620 and $588 as of June 30, 2020 and 2019, 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, 2020:

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains (losses)	Total
Board-designated	$ 86,125,440	—	—	86,125,440
Donor-restricted:				
Underwater	—	50,795	(2,620)	48,175
Other	—	9,975,142	1,167,063	11,142,205
Total endowment funds	$ 86,125,440	10,025,937	1,164,443	97,315,820

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

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: 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

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

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Endowment funds, July 1, 2019	$ 84,949,890	10,722,860	95,672,750
Investment return:			
Investment income	2,165,968	302,145	2,468,113
Net depreciation	(3,302,799)	(292,164)	(3,594,963)
Total	(1,136,831)	9,981	(1,126,850)
Contributions	2,312,381	737,882	3,050,263
Appropriation of endowment assets for expenditure	—	(280,343)	(280,343)
Endowment funds, June 30, 2020	$ 86,125,440	11,190,380	97,315,820

(Continued)

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

(b) 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. Board-designated funds are net assets without donor restrictions and account for approximately 88.5% and 88.8% of the total endowment as of June 30, 2020 and 2019, respectively.

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.

(c) 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 $280,343 and $308,901 was appropriated in 2020 and 2019, respectively. The amount appropriated for spending in 2020 and 2019 was less than the maximum allowed due to 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	2020	2019
Land	—	$ 10,884,132	10,884,132
Construction in process	—	13,453,652	3,875,209
Buildings and land improvements	50 years	307,274,915	306,495,044
Furniture, equipment, and books	3–10 years	26,861,996	25,362,751
Motor vehicles and similar assets	3 years	1,631,132	1,508,658
		360,105,827	348,125,794
Less accumulated depreciation		(90,202,202)	(85,291,052)
		$ 269,903,625	262,834,742

Depreciation expense charged to operations amounted to $8,801,693 and $8,402,018 in 2020 and 2019, respectively.

(9) Accounts Payable and Accrued Expenses

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

	2020	2019
Accounts payable and accrued expenses related to building projects and equipment	$ 1,745,657	3,589,242
Accounts payable	270,864	1,471,751
Accrued interest expense	93,485	270,779
Accrued salaries payable	2,710,067	2,164,872
Accrued vacation	1,651,119	1,521,496
Other accrued expenses	647,509	78,387
	$ 7,118,701	9,096,527

(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, 2020 and 2019 was $16,153,020 and $16,613,420, 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 as of June 30, 2020 and 2019 was 0.88% and 2.70%, respectively. The balance as of June 30, 2020 and 2019 was $29,715,000 and $31,030,000, 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 swaps 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 C, Series D and Series E swaps are 4.40%, 4.165% and 3.82% with termination dates of October 1, 2023, May 1, 2024 and October 1, 2037 respectively. The value of the swap instruments, which is recorded as a liability of $10,073,016 as of June 30, 2020 and $7,557,389 as of June 30, 2019, 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, 2020 and 2019 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%. The balance as of June 30, 2020 and 2019 was $8,203,299 and $8,486,148, 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 $234 and $4,819,064 as of June 30, 2020 and 2019, 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, 2021. The interest rate charged as of June 30, 2020 is the LIBOR Rate plus zero percentage points. The balance was $4,000,000 and $0 as of June 30, 2020 and 2019, respectively.

(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, 2020 and 2019 was $7,873,859 and $8,205,361, 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, 2020 and June 30, 2019 was $2,602,000 and $3,565,000, 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 $0 and $126,184 as of June 30, 2020 and 2019, 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 $236,611 and $596,866 as of June 30, 2020 and 2019, 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, 2020 and 2019 was $0 and $10,406, 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, 2020 and 2019 was $13,495 and $26,488, respectively.

On September 1, 2019 the College entered into a Lease Line of Credit with Trimarc Financing Solutions in the amount of $43,795 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2020 was $28,534.

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	Line of Credit	Total
Year ending June 30:						
2021	$	2,497,086	264,695	1,329,928	4,000,000	8,091,709
2022		2,839,968	13,944	1,361,025	—	4,214,937
2023		2,925,324	—	961,364	—	3,886,688
2024		3,013,344	—	6,823,542	—	9,836,886
2025		3,104,388	—	—	—	3,104,388
2026 and thereafter		65,591,208	—	—	—	65,591,208
	$	79,971,318	278,639	10,475,859	4,000,000	94,725,816

Scheduled principal payments for all debt include unamortized issuance costs of $840,435 and $892,933 as of June 30, 2020 and 2019, respectively.

(11) Net Assets with Donor Restrictions

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

		2020	2019
Donor restricted endowments:			
Scholarship and fellowships	$	9,680,497	9,269,945
Endowed chairs		540,720	512,915
Other programming		969,163	940,000
Pledges receivable		1,693,958	2,159,093
Purpose restricted and other		2,109,503	1,538,759
Total with donor restrictions	$	14,993,841	14,420,712

(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, 2020 and 2019 were as follows:

		2020	2019
Scholarship	$	383,904	375,276
Capital purposes		138,353	496,500
Entrepreneurship and engineering		141,458	151,046
Center for Humanities		80,454	176,550
Other purposes		129,560	334,161
	$	873,729	1,533,533

(13) Leases

Future minimum lease payments under noncancellable operating equipment leases expiring through 2024 as of June 30, 2020 are as follows:

2021	$	552,126
2022		254,611
2023		84,229
2024		45,915

Rent expense amounted approximately to $751,000 and $641,000 in 2020 and 2019, 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 $3,016,196 and $2,873,578 for the years ended June 30, 2020 and 2019, 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.

The following presents expenses by natural and functional classification as of June 30, 2020 and 2019:

	2020						
	Instruction	Academic Support	Student Services	Other Auxiliary Services	Conference and Education Services	Institutional Support	Total
Salaries and employee benefits	$ 30,814,109	10,521,026	8,963,620	4,182,320	1,318,530	10,003,652	65,803,257
Supplies and service contracts	2,244,858	833,914	1,499,940	7,280,204	4,958,570	4,211,402	21,028,888
Depreciation and amortization	2,289,799	279,068	999,100	4,102,858	812,160	371,205	8,854,190
Occupancy	1,155,839	140,792	504,171	2,071,214	409,863	187,723	4,469,602
Interest	672,680	81,983	293,508	1,205,307	238,591	109,049	2,601,118
Other operating expenses	1,109,778	693,197	2,045,579	539,441	219,396	2,106,669	6,714,060
	$ 38,287,063	12,549,980	14,305,918	19,381,344	7,957,110	16,989,700	109,471,115

	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

(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 years ended June 30, 2020 and 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 28, 2020 the date on which the financial statements were issued, and determined that no events occurred that warrant disclosure.