Financial Statements

June 30, 2017 and 2016

WENTWORTH INSTITUTE OF TECHNOLOGY, INC

Financial Statements

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Mayer Hoffman McCann P.C.
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Independent Auditors' Report

Board of Trustees
Wentworth Institute of Technology, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Wentworth Institute of Technology, Inc. (the "Institute"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

MHM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wentworth Institute of Technology, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

October 30, 2017
Boston, Massachusetts

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	$ 19,836,199	$ 24,359,264
Investments - short-term	19,768,863	19,676,504
Student accounts receivable (net of allowance for doubtful accounts of $600,000 in 2017 and $500,000 in 2016)	1,742,633	1,808,690
Other receivables	2,834,166	2,405,571
Student loans receivable	4,285,692	4,537,403
Prepaid expenses and deposits	2,208,576	2,316,385
Deposits with bond trustees	42,258,711	-
Funds restricted for property acquisitions	-	466,364
Pledges receivable, net	4,339,581	5,563,137
Investments - pooled	93,402,254	83,453,469
Investments - nonpooled	3,513,688	3,198,438
Property and equipment, net	214,512,513	205,541,758
Total assets	$ 408,702,876	$ 353,326,983
Liabilities and net assets:		
Accounts payable and accrued expenses	$ 4,162,325	$ 4,207,756
Accounts payable, construction	2,817,825	4,927,520
Accrued salaries and wages	2,553,256	2,208,380
Unearned tuition, fees and deposits	15,607,598	16,514,543
Obligation on charitable annuity agreements	3,196,945	3,435,103
Obligation on interest rate swap agreements	9,992,088	16,205,693
Asset retirement obligations	641,474	1,236,967
Accumulated postretirement benefit obligation	2,558,235	2,599,050
Bonds payable	149,234,432	108,290,414
Perkins and other government advances	3,791,278	3,737,429
Total liabilities	194,555,456	163,362,855
Commitments and contingencies		
Net assets:		
Unrestricted	175,686,300	153,266,202
Temporarily restricted	17,741,268	16,831,839
Permanently restricted	20,719,852	19,866,087
Total net assets	214,147,420	189,964,128
Total liabilities and net assets	$ 408,702,876	$ 353,326,983

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2017
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating:					
Revenues and gains:					
Student tuition and fees	$ 131,988,120	$ -	$ -	$ 131,988,120	$ 129,655,228
Less student aid	(46,417,583)	-	-	(46,417,583)	(46,766,690)
Net student tuition and fees	85,570,537	-	-	85,570,537	82,888,538
Auxiliary enterprises revenue	33,071,702	-	-	33,071,702	31,946,732
Gifts and bequests	971,264	536,396	-	1,507,660	1,431,640
Governmental appropriations	850,495	-	-	850,495	729,256
Interest income	362,400	21,701	-	384,101	409,568
Net realized and unrealized gain (loss) on short-term investments	(172,858)	-	-	(172,858)	336,239
Other income	1,442,871	29,163	-	1,472,034	825,936
Investment income used for operations	254,667	1,239,681	-	1,494,348	4,317,022
Net assets released from restrictions	1,600,527	(1,600,527)	-	-	-
Total operating revenues and gains	123,951,605	226,414	-	124,178,019	122,884,931
Expenses:					
Instruction	37,372,966	-	-	37,372,966	35,731,956
Auxiliary expenditures	5,435,886	-	-	5,435,886	5,120,720
Library	1,686,496	-	-	1,686,496	1,604,433
Student services	13,952,682	-	-	13,952,682	13,529,897
General administration	21,647,863	-	-	21,647,863	20,679,978
Institutional advancement	3,384,737	-	-	3,384,737	3,276,383
Physical plant	13,968,101	-	-	13,968,101	14,403,530
Depreciation and amortization	14,262,966	-	-	14,262,966	14,296,895
Interest expense	3,500,754	-	-	3,500,754	3,619,073
Other	2,382,475	-	-	2,382,475	2,218,712
Total operating expenses	117,594,926	-	-	117,594,926	114,481,577
Operating subtotal	6,356,679	226,414	-	6,583,093	8,403,354
Nonoperating:					
Gifts and bequests	42,961	826,136	843,500	1,712,597	3,773,069
Investment income	529,041	271,540	-	800,581	631,303
Net realized and unrealized gain (loss) on investments	6,698,809	3,658,690	10,265	10,367,764	(2,939,916)
Investment income used for operations	(254,667)	(1,239,681)	-	(1,494,348)	(4,317,022)
Net unrealized gain (loss) on interest rate swaps	6,213,605	-	-	6,213,605	(4,873,576)
Net assets released from restrictions	2,833,670	(2,833,670)	-	-	-
Nonoperating subtotal	16,063,419	683,015	853,765	17,600,199	(7,726,142)
Change in net assets	22,420,098	909,429	853,765	24,183,292	677,212
Net assets at beginning of year	153,266,202	16,831,839	19,866,087	189,964,128	189,286,916
Net assets at end of year	$ 175,686,300	$ 17,741,268	$ 20,719,852	$ 214,147,420	$ 189,964,128

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating:				
Revenues and gains:				
Student tuition and fees	$ 129,655,228	$ -	$ -	$ 129,655,228
Less student aid	(46,766,690)	-	-	(46,766,690)
Net student tuition and fees	82,888,538	-	-	82,888,538
Auxiliary enterprises revenue	31,946,732	-	-	31,946,732
Gifts and bequests	846,602	585,038	-	1,431,640
Governmental appropriations	729,256	-	-	729,256
Interest income	382,427	27,141	-	409,568
Net realized and unrealized gain on short-term investments	336,239	-	-	336,239
Other income	777,856	48,080	-	825,936
Investment income used for operations	3,138,293	1,178,729	-	4,317,022
Net assets released from restrictions	2,046,866	(2,046,866)	-	-
Total operating revenues and gains	123,092,809	(207,878)	-	122,884,931
Expenses:				
Instruction	35,731,956	-	-	35,731,956
Auxiliary expenditures	5,120,720	-	-	5,120,720
Library	1,604,433	-	-	1,604,433
Student services	13,529,897	-	-	13,529,897
General administration	20,679,978	-	-	20,679,978
Institutional advancement	3,276,383	-	-	3,276,383
Physical plant	14,403,530	-	-	14,403,530
Depreciation and amortization	14,296,895	-	-	14,296,895
Interest expense	3,619,073	-	-	3,619,073
Other	2,218,712	-	-	2,218,712
Total operating expenses	114,481,577	-	-	114,481,577
Operating subtotal	8,611,232	(207,878)	-	8,403,354
Nonoperating:				
Gifts and bequests	-	2,568,342	1,204,727	3,773,069
Investment income	421,659	184,442	25,202	631,303
Net realized and unrealized loss on investments	(2,230,513)	(672,542)	(36,861)	(2,939,916)
Investment income used for operations	(3,138,293)	(1,178,729)	-	(4,317,022)
Net unrealized loss on interest rate swaps	(4,873,576)	-	-	(4,873,576)
Net assets released from restrictions	3,572,311	(3,572,311)	-	-
Nonoperating subtotal	(6,248,412)	(2,670,798)	1,193,068	(7,726,142)
Change in net assets	2,362,820	(2,878,676)	1,193,068	677,212
Net assets at beginning of year	150,903,382	19,710,515	18,673,019	189,286,916
Net assets at end of year	$ 153,266,202	$ 16,831,839	$ 19,866,087	$ 189,964,128

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 24,183,292	$ 677,212
Gifts of stock and property	(1,294,841)	(263,627)
Contributions restricted for long-term investment	(1,693,883)	(3,549,939)
Net realized and unrealized (gain) loss on investments	(10,119,310)	2,247,357
Unrealized (gain) loss on interest swaps	(6,213,605)	4,873,576
Depreciation and amortization	14,262,966	14,296,895
Loss on sale and/or disposal of property and equipment	341,203	576,969
Changes in operating assets and liabilities:		
Student accounts and other receivables	(462,538)	(701,094)
Pledges receivable	1,271,270	(48,419)
Allowance for doubtful accounts	52,286	(10,019)
Prepaid expenses and deposits	107,809	(55,140)
Accounts payable, accrueds and unearned tuition, fees and deposits	(607,500)	(521,268)
Asset retirement obligations	(595,493)	(553,722)
Accumulated postretirement benefit obligation	(40,815)	14,495
Net cash provided by operating activities	19,190,841	16,983,276
Cash flows from investing activities:		
Purchases of property and equipment	(25,814,172)	(19,066,517)
Proceeds from sale of property and equipment	190,728	218,145
Proceeds from funds restricted for property acquisitions	466,364	9,500
Proceeds from sale of investments	19,062,369	26,638,578
Purchases of investments	(18,004,613)	(19,529,781)
Net student loans advanced	(373,855)	(737,405)
Proceeds from student loans	625,566	711,715
Net cash used in investing activities	(23,847,613)	(11,755,765)
Cash flows from financing activities:		
Net Perkins and other government advances	53,849	10,028
Payments for bond issuance costs	(445,861)	-
Change in funds held by trustees	(42,258,711)	-
Change in obligation on charitable annuity agreements	(238,158)	(350,173)
Gifts and bequests restricted for permanent endowment	612,344	1,601,448
Gifts and bequests restricted for acquisition of property and equipment	1,081,539	1,948,491
Proceeds from issuance of bonds	41,310,000	-
Proceeds from bond premium	3,690,680	-
Principal payments on bonds payable	(3,671,975)	(3,769,480)
Net cash provided by (used in) financing activities	133,707	(559,686)
Net increase (decrease) in cash and cash equivalents	(4,523,065)	4,667,825
Cash and cash equivalents at beginning of year	24,359,264	19,691,439
Cash and cash equivalents at end of year	$ 19,836,199	$ 24,359,264
Supplemental data:		
Noncash investing activity - Gifts of stock and property	$ 1,294,841	$ 263,627
Change in accounts payable from property and equipment	2,109,695	(3,845,612)
Interest paid	3,858,932	3,680,143

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

Note 1 – Nature of Business

Wentworth Institute of Technology, Inc. (the "Institute"), located in Boston, Massachusetts, is a not-for-profit, private educational institution founded in 1904 and accredited by the New England Association of Schools and Colleges. The Institute enrolls approximately 4,500 men and women in a variety of day and evening academic programs. The Institute's student population is predominately from the Northeast region of the United States. The Institute offers Baccalaureate degrees for 20 undergraduate programs and Masters degrees for 6 graduate programs.

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

Effective July 24, 2017, the Massachusetts Department of Higher Education granted the Institute status as a university.

Note 2 – Summary of Significant Accounting Policies

Basis of Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets include all resources, which are not subject to donor-imposed restrictions of more specific nature than those which only obligate the Institute to utilize funds in furtherance of its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Institute which fulfill the restriction.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been met and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Note 2 – Summary of Significant Accounting Policies – continued

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

- increases (decreases) in permanently restricted net assets if the terms of the contributions require these to be added to the principal;
-
- increases (decreases) in temporarily restricted net assets if the terms of the contributions or state law impose restrictions on the current use of the income or net gains; or

- increases (decreases) in unrestricted net assets in all other cases.

Nonoperating revenues include permanently restricted gifts, gifts for property and equipment, large estate gifts, deferred giving contributions, investment income and realized and unrealized gains and losses on long-term investments, realized and unrealized gains and losses on interest rate swaps, and net assets released from restrictions for capital acquisitions. To the extent investment income and gains are used for operations as defined by the spending rate policy (see Note 8), they are reclassified as investment income used for operations in the Statements of Activities. All other activity is classified as operating revenue.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant management estimates included in the financial statements relate to the allowance for doubtful loans, pledges and accounts receivable, useful lives of depreciable assets, fair value of certain investments, fair value of interest rate swap agreements, obligations under charitable annuity agreements, postretirement benefit obligations, asset retirement obligations, and the allocation of common expenses over program functions, and releases from donor restrictions.

Fair Value Measurements

The Institute reports required types of financial instruments in accordance with the fair value standards on a recurring and nonrecurring basis, depending on the underlying policy for the particular item. Recurring fair value measurements include the Institute's investment accounts, funds restricted for property acquisition, and interest rate swaps. Nonrecurring measurements include pledges, charitable annuity agreements, charitable remainder unitrusts, and asset retirement obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Institute reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Fair value standards also require the Institute to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in the values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Note 2 – Summary of Significant Accounting Policies – continued

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

> Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.
>
> Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value of an instrument may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For more information on the fair value of the Institute's financial instruments, see Note 7 – Fair Value Measurements.

<u>Cash and Cash Equivalents</u>

The Institute considers highly-liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment.

The Institute maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The Institute monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

<u>Student Accounts Receivable</u>

Student accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 90 days or the student no longer attends the Institute. Interest is not charged on receivables.

<u>Funds Restricted for Property Acquisitions</u>

Funds restricted for property acquisitions consist of donor restricted gifts that are earmarked for specific property, plant, and equipment acquisitions. These funds are separately invested from other investments of the Institute and consist principally of publicly traded money market and fixed income mutual funds.

<u>Deposits with Bond Trustees</u>

Deposits with bond trustees are reported at fair value using Level 1 inputs and consist of unexpended debt proceeds and funds held for debt service that have been invested in investment grade money market instruments and have been deposited with trustees as required under certain loan agreements.

Note 2 – Summary of Significant Accounting Policies – continued

Student Loans Receivable

Student loans receivable include amounts due from students under a federally sponsored loan program ("Perkins Loans") which are subject to significant restrictions, and other loan programs sponsored by the Institute.

Perkins loans receivable are carried at their estimated realizable value. Perkins funds may be recycled as new loans by the Institute after collection. However, in the event that the Institute no longer participates in the Perkins Loans program, the amounts are generally refundable to the Federal government and are recorded as liabilities in the Statements of Financial Position. Interest income is recorded when received. Loans receivable are considered past due if any portion of the receivable balance is more than 240 days past due. Interest and late fees on past due amounts are recorded when received. Loans that are in default and meet certain requirements are assigned to the Department of Education, which reduces the Perkins loans refundable advances.

Institute funds loaned to students are carried at their estimated realizable value net of present value discount. Interest income is recorded when received. Institute loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recorded as a reduction of bad debt expense. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 240 days. Interest and late fees on past due amounts are recorded when received. Allowances for uncollectible loans are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

Investments

Investments are reported at fair value. The Institute's short-term investments primarily consist of publicly-traded fixed income mutual funds and certificates of deposit and are available for general operating purposes. Pooled investments are endowment funds and funds functioning as endowments. Nonpooled investments are primarily comprised of two perpetual trusts.

The Institute utilizes an investment adviser to assist with investment strategies, selection and monitoring, which provides the Institute access to expertise relative to oversight of its investments.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition, or fair value at the date of donation for contributed assets. Fair value of donated property and equipment is effectively recorded using Level 3 market inputs. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains or losses are included in unrestricted net assets. Interest incurred on tax-exempt debt used to finance building construction is added to the cost of the asset, net of the amortization of the bond premium and any income earned on temporarily invested debt proceeds during construction.

Interest Rate Swap Agreements

The Institute reports the value of its interest rate swaps at fair value using Level 2 inputs. Net payments or receipts (for the difference between variable and fixed rate) under the swap agreements, are included in interest expense in the Statements of Activities. The change in fair value of the swaps is included in nonoperating net unrealized gain or loss on interest rate swaps.

Note 2 – Summary of Significant Accounting Policies – continued

Split-Interest Agreements

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable gift annuities held and administered by the Institute whereby the Institute is obligated to make specified payments to the donors and other beneficiaries over the agreements' terms. Upon termination of the agreements, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established; the liability is adjusted as distributions are made and for changes in the present value of estimated future distributions. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established.

The initially recorded fair value of the donated investments is determined based on the underlying nature of the investments received which have generally represented Level 1 measurements. The initially recorded fair value of liabilities of split-interest agreements have generally represented Level 2 measurements.

For certain charitable gift annuities, the use of the remaining assets to be received by the Institute upon termination of the agreement are restricted to acquisition of property.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by others. The present value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenue as of the dates the trusts are established. The carrying amount of the assets is adjusted for changes in the estimates of future receipts.

The Institute has received interests in split-interest agreements from donors consisting of irrevocable charitable remainder unitrusts held and administered by the Institute whereby the Institute is obligated to make specified distributions to the donor over the trust's term. Upon termination of the trust, the Institute will receive the remaining assets. The present value of the estimated future distributions to beneficiaries from these trusts are recorded as a liability as of the dates the trusts are established; the liability is adjusted as distributions are made and for changes in the estimated present value of future distributions. The difference between the trust assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the trusts are established.

The present value of estimated future cash receipts and estimated future payments to beneficiaries for all types of split-interest agreements are calculated using various discount rates based on beneficiary life expectancies and other actuarial assumptions.

Asset Retirement Obligations

The Institute recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. Fair value is estimated using Level 3 income and market inputs. When the liability is initially recorded, the Institute capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded will be recognized as a gain or loss in the Statements of Activities as unrestricted revenues or expenses.

Note 2 – Summary of Significant Accounting Policies – continued

Revenue Recognition

A substantial portion of the Institute's revenue is derived from student tuition and fees and auxiliary enterprises, such as food, housing services and facility rentals provided by the Institute. Tuition, fees and auxiliary revenue are recognized as revenue in the period in which they are earned. Student reservation deposits along with advance payments for tuition and auxiliary enterprises are recognized as revenue when the related educational services are provided.

Gifts are recognized as revenue upon receipt. Unconditional promises to give are recorded at fair value when initially pledged based on the present value using a risk adjusted discount rate taking into account expected collections. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate (ranging from 2.72% to 5.02%) to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in gift revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management revises its estimate of the allowance for doubtful accounts based on history of collections and knowledge acquired about specific facts relating to outstanding items while the initial discount rate is used over the life of the related pledge. The initial recorded fair value is considered a Level 2 fair value measurement. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the allowance. An account is considered uncollectible when all collection efforts have been exhausted. Conditional promises to give are not included as revenue until the conditions are substantially met. Contributions are reflected as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor restrictions. Amounts received with donor imposed restrictions that are recorded as temporarily restricted revenues are reclassified to unrestricted net assets when the time or purpose restriction has been satisfied.

Guarantees

The Institute accounts for guarantees at fair value when initially made. Subsequent adjustments are made based upon facts and circumstances over the life of the guarantee.

Tax Status

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

Uncertain Tax Positions

The Institute accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Institute has identified its tax status as a tax exempt entity and its determinations over which of its revenues are related and unrelated as its only significant tax positions. However, the Institute has determined that such tax positions do not result in an uncertainty requiring recognition. The Institute is not currently under examination by any taxing jurisdiction. The Institute's Federal and state tax returns are generally open to examination for three years following the date filed.

Note 2 – Summary of Significant Accounting Policies – continued

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation.

Subsequent Events

The Institute has evaluated subsequent events through October 30, 2017, the date the financial statements were issued.

Note 3 – Other Receivables

Other receivables consist of the following at June 30, 2017 and 2016:

	2017	2016
Charitable remainder unitrusts	$ 1,837,530	$ 1,328,365
Student financial assistance	40,227	522,490
Other	956,409	554,716
	$ 2,834,166	$ 2,405,571

Note 4 – Student Loans Receivable

Student loans receivable at June 30, 2017 and 2016 consist of the following:

	Perkins Loans	Institute Loans	Total
June 30, 2017			
Current	$ 3,147,332	$ 247,634	$ 3,394,966
1 - 240 days past due	151,291	18,790	170,081
241 days - two years past due	111,454	24,649	136,103
Two - five years past due	268,605	112,809	381,414
Greater than five years past due	369,461	36,960	406,421
Student loans receivable, gross	4,048,143	440,842	4,488,985
Less allowance for uncollectible loans	-	203,293	203,293
Student loans receivable, net	$ 4,048,143	$ 237,549	$ 4,285,692

Note 4 – Student Loans Receivable – continued

June 30, 2016	Perkins Loans	Institute Loans	Total
Current	$ 3,375,960	$ 358,665	$ 3,734,625
1 - 240 days past due	77,235	17,962	95,197
241 days - two years past due	89,932	51,972	141,904
Two - five years past due	282,823	105,990	388,813
Greater than five years past due	322,982	11,357	334,339
Student loans receivable, gross	4,148,932	545,946	4,694,878
Less allowance for uncollectible loans	-	157,475	157,475
Student loans receivable, net	$ 4,148,932	$ 388,471	$ 4,537,403

The activity for the allowance for uncollectible loans for the years ended June 30, 2017 and 2016 consists of the following:

	Institute Loans
Balance as of June 30, 2015	$ 265,627
Change in provision for uncollectible loans	(108,152)
Balance as of June 30, 2016	157,475
Change in provision for uncollectible loans	45,818
Balance as of June 30, 2017	$ 203,293

Perkins Loans are guaranteed by the Federal government and, therefore, no allowance is made for uncollectible loans under the program. Institute Loans is a loan program that began in the fall of 2009 and ended in 2011 with terms similar to the Perkins Loan program, including forbearance of interest while a student is enrolled full-time at Wentworth or another institute of higher education.

Note 5 – Pledges Receivable

Pledges receivable at June 30, 2017 and 2016 are expected to be realized in the following time frames:

	2017	2016
Up to one year	$ 2,361,778	$ 2,040,238
One to five years	2,136,182	3,829,736
Five to ten years	81,000	75,000
More than ten years	134,000	149,000
	4,712,960	6,093,974
Less present value discount	184,495	294,239
	4,528,465	5,799,735
Less allowance for uncollectibles	188,884	236,598
Pledges receivable, net	$ 4,339,581	$ 5,563,137

Conditional promises to give, due to uncertainties with regard to their realization and valuation, are not estimated by management and are recognized as pledges receivable if and when the specific conditions are met. Conditional promises to give expected to be received in fiscal year ending June 30, 2018 were approximately $11,000,000 at June 30, 2017.

Note 6 – Investments

Total return on investments for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Investment income, net of fees	$ 1,083,881	$ 985,412
Net realized gains	1,845,333	1,401,374
Net unrealized gains (losses)	8,240,064	(3,640,755)
Total return on investments	$ 11,169,278	$ (1,253,969)

The following is a reconciliation of total investment return to amounts reported in the Statements of Activities for the years ended June 30, 2017 and 2016:

	2017	2016
Total return on investments	$ 11,169,278	$ (1,253,969)
Bank interest, net of fees	100,801	55,459
Gain (loss) on split-interest agreements	98,311	(371,108)
Other	11,198	6,812
Total	$ 11,379,588	$ (1,562,806)

Note 6 – Investments – continued

	2017	2016
Per Statements of Activities		
Operating		
Interest income	$ 384,101	$ 409,568
Net realized and unrealized gain (loss) on short-term investments	(172,858)	336,239
Nonoperating		
Investment income	800,581	631,303
Net realized and unrealized gain (loss) on investments	10,367,764	(2,939,916)
Total	$ 11,379,588	$ (1,562,806)

Management, advisory, and performance fees were $492,592 and $496,312 for the years ended June 30, 2017 and 2016, respectively, and are netted with realized and unrealized gains or losses. Certain investment managers net their investment fees against returns, and accordingly, such amounts are not included in the aforementioned fees.

Note 7 – Fair Value Measurements

The valuation of the Institute's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at June 30, 2017 and 2016:

June 30, 2017	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets					
Investments – short term	$ 19,768,863	$ -	$ -	$ -	$ 19,768,863
Deposits with bond trustees	42,258,711	-	-	-	42,258,711
Investments – pooled					
Cash and cash equivalents	295,270	-	-	-	295,270
Domestic equity funds	17,577,701	-	-	3,365,735	20,943,436
International equity funds	13,134,179	-	-	7,101,123	20,235,302
Fixed income funds	8,410,942	-	-	4,253,389	12,664,331
Hedge funds	1,117,051	-	-	22,104,743	23,221,794
Real property and commodity funds	6,782,920	-	-	3,793,789	10,576,709
Private equity and venture funds	-	-	-	5,465,412	5,465,412
Total investments - pooled	47,318,063	-	-	46,084,191	93,402,254
Investments – nonpooled	2,843,756	-	669,932	-	3,513,688
Total assets at fair value	$ 112,189,393	$ -	$ 669,932	$ 46,084,191	$ 158,943,516
Liabilities					
Obligation on interest rate swap agreements	$ -	$ 9,992,088	$ -	$ -	$ 9,992,088

Note 7 – Fair Value Measurements – continued

June 30, 2016	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Assets					
Investments – short term	$ 19,676,504	$ -	$ -	$ -	$ 19,676,504
Funds restricted for property acquisitions	466,364	-	-	-	466,364
Investments – pooled					
Cash and cash equivalents	66,721	-	-	-	66,721
Domestic equity funds	17,225,476	-	-	-	17,225,476
International equity funds	9,842,942	-	-	5,808,931	15,651,873
Fixed income funds	9,123,665	-	-	4,313,813	13,437,478
Hedge funds	1,000,955	-	-	21,102,071	22,103,026
Real property and commodity funds	6,609,523	-	-	3,911,599	10,521,122
Private equity and venture funds	-	-	-	4,447,773	4,447,773
Total investments - pooled	43,869,282	-	-	39,584,187	83,453,469
Investments – nonpooled	2,569,766	-	628,672	-	3,198,438
Total assets at fair value	$ 66,581,916	$ -	$ 628,672	$ 39,584,187	$ 106,794,775
Liabilities					
Obligation on interest rate swap agreements	$ -	$ 16,205,693	$ -	$ -	$ 16,205,693

At June 30, 2017 and 2016, the Institute had $16,699,675 and $12,218,631, respectively, of investments measured at NAV with redemption periods of 90 days or less, and $29,384,516 and $27,365,556, respectively, with redemption periods of over 90 days.

The Institute owns mutual funds and alternative investment vehicles that, under certain unusual circumstances, managers may alter redemption provisions of their investment vehicles, which could impact the ultimate liquidity of such funds.

Private equity and venture funds have unfunded commitments of $3,949,846 at June 30, 2017.

Beneficial interests in perpetual trusts included in Level 3 consist of trusts with marketable underlying investments; however, the Institute's share of the trust is not marketable.

Note 7 – Fair Value Measurements – continued

The following table presents the Institute's changes in perpetual trusts for the years ended June 30, 2017 and 2016 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Investments nonpooled
Balance as of June 30, 2015	$ 671,523
Unrealized loss	(42,851)
Balance as of June 30, 2016	628,672
Unrealized gain	41,260
Balance as of June 30, 2017	$ 669,932

Note 8 – Endowment

The Institute's endowment consists of approximately 128 donor-restricted and 12 board-restricted individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted in Massachusetts, as requiring the preservation of the original value of a gift of funds with permanent restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies the following as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

Note 8 – Endowment – continued

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $59,367 at June 30, 2016. There were no funds with deficiencies at June 30, 2017. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The Institute's endowment is managed to provide for the long-term support of the Institute. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain a total return that exceeds the spending rate plus inflation. The intent of this objective is to preserve, over time, the principal value of the assets as measured in inflation-adjusted terms.

Spending Policy

It is the Institute's policy to distribute annually up to 5% of a trailing three-year average fair value of the endowment. This spending rate was adopted by the Board of Trustees in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future. Units in the pool are assigned on the basis of market value at the time funds to be invested are received, and income is distributed quarterly thereafter on a per-unit basis. All realized and unrealized gains and losses arising from pooled investments are allocated to participating funds based on their respective number of units held on a quarterly basis. Permanently restricted individual endowed funds with a deficiency as of June 30 will receive no distribution in the subsequent fiscal year.

For the fiscal years ended 2017 and ending 2018, the Board of Trustees has designated only a portion of the Institute's Board-designated endowment funds for support of current operations and will not apply the full 5% draw. The distribution from the individual Board-designated endowment funds and the individual donor-restricted endowment funds were $254,667 and $1,239,681, respectively, for the year ended June 30, 2017 and are estimated to be $250,000 and $1,250,000, respectively, for the year ending June 30, 2018. However, the Board retains the discretion to modify its spending or transfer additional Board-designated endowment funds for other institutional purposes beyond the originally budgeted amount of spending.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute 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 Institute targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Institute seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Under the Institute's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds as unrestricted and temporarily restricted net assets depending if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds with unrestricted funds being charged if no accumulated unspent gains remain.

Note 8 – Endowment – continued

The following is the composition of endowment assets and those functioning as endowment assets by net asset class as of June 30, 2017 and 2016:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
June 30, 2017				
Donor-restricted endowment funds	$ -	$ 10,096,008	$ 16,981,716	$ 27,077,724
Board-designated endowment funds	67,014,631	-	-	67,014,631
Total endowment as of June 30, 2017	$ 67,014,631	$ 10,096,008	$ 16,981,716	$ 94,092,355

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
June 30, 2016				
Donor-restricted endowment funds	$ (59,367)	$ 8,181,993	$ 16,353,903	$ 24,476,529
Board-designated endowment funds	59,636,308	-	-	59,636,308
Total endowment as of June 30, 2016	$ 59,576,941	$ 8,181,993	$ 16,353,903	$ 84,112,837

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment as of July 1, 2015	$ 64,210,920	$ 9,842,814	$ 15,685,984	$ 89,739,718
Gifts, additions, and reclassifications	49,871	6,444	667,919	724,234
Return on endowment				
Interest and dividends, net of fees	346,022	167,261	-	513,283
Net realized and unrealized loss	(1,891,579)	(655,797)	-	(2,547,376)
Expenditures				
Investment income used for operations	(3,138,293)	(1,178,729)	-	(4,317,022)
Endowment as of June 30, 2016	59,576,941	8,181,993	16,353,903	84,112,837
Gifts, additions, and reclassifications	7,509	11,573	627,813	646,895
Return on endowment				
Interest and dividends, net of fees	538,133	225,111	-	763,244
Net realized and unrealized gain	7,146,715	2,917,012	-	10,063,727
Expenditures				
Investment income used for operations	(254,667)	(1,239,681)	-	(1,494,348)
Endowment as of June 30, 2017	$ 67,014,631	$ 10,096,008	$ 16,981,716	$ 94,092,355

Note 9 – Property and Equipment

Property and equipment are stated at cost or, if received as gifts, at fair value as of the date of the gift, less accumulated depreciation, and consist of the following at June 30, 2017 and 2016:

	Estimated Useful Life in Years	2017	2016
Land		$ 13,392,323	$ 13,392,323
Buildings and building improvements	20 to 40	296,608,658	273,824,015
Equipment	2 to 10	47,734,185	44,172,194
Land improvements	10 to 20	7,025,254	7,011,889
Construction in progress		8,209,738	14,215,223
		372,970,158	352,615,644
Less accumulated depreciation		(158,457,645)	(147,073,886)
Property and equipment, net		$ 214,512,513	$ 205,541,758

Depreciation expense for the years ended June 30, 2017 and 2016 was $14,150,532 and $14,190,653, respectively. During the years ended June 20, 2017 and 2016, the Institute capitalized interest of $673,208 and $61,170, respectively.

The Institute sold and/or disposed of $3,300,704 and $3,873,569 of property and equipment with accumulated depreciation of $2,768,773 and $3,078,455 for proceeds of $190,728 and $218,145 for the years ended June 30, 2017 and 2016, respectively. A loss on sale and/or disposal of property and equipment of $341,203 and $576,969 was included in other expenses in the Statements of Activities for the years ended June 30, 2017 and 2016, respectively. Net proceeds from an insurance claim for property damage of $928,687 was included in other income in the Statements of Activities for the year ended June 30, 2017.

Note 10 – Split-Interest Agreements

Split-interest agreements included in the Statements of Financial Position at June 30, 2017 and 2016 consist of the following:

	Discount Rates Used for Valuation	2017	2016
Charitable gift annuities			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	3.8% to 9.9%	$3,196,945	$3,321,517
Charitable remainder unitrusts held and administered by the Institute			
Present value of distributions to beneficiaries included in Obligation on charitable annuity agreements	7.0%	-	113,586
Total		$3,196,945	$3,435,103
Charitable remainder unitrusts held and administered by others			
Net present value included in other receivables	5.0%	$1,837,530	$1,328,365

Note 11 – Asset Retirement Obligations

A liability for conditional asset retirement obligations related to environmental contamination is reported on the Statements of Financial Position at June 30, 2017 and 2016. The activity for asset retirement obligations for the years ended June 30, 2017 and 2016 is included in other expenses in the Statements of Activities and consists of the following:

	2017	2016
Beginning balance	$1,236,967	$ 1,790,689
Remediation	(417,374)	(672,638)
Accretion	37,734	50,375
(Gain) loss	(215,853)	68,541
Ending balance	$ 641,474	$ 1,236,967

Note 12 – Pension and Postretirement Benefit Plans

Pension Plan

The Institute sponsors a defined contribution plan under IRC Section 403(b). The plan covers all employees who meet eligibility requirements. Contributions to the plan are made by the Institute at 10% of an employee's salary. Employees make voluntary deferred salary contributions to the plan subject to statutory limits. Total pension expense for the plan was $3,731,829 and $3,592,257 for the years ended June 30, 2017 and 2016, respectively.

Note 12 – Pension and Postretirement Benefit Plans – continued

Supplemental Retirement Plans

The Institute sponsors a deferred compensation plan under IRC Section 457(b) for the purpose of providing deferred compensation to allow a select group of employees to accumulate retirement assets. At June 30, 2017 and 2016, the Institute held assets included in the Statements of Financial Position in Investments – nonpooled of $284,001 and $234,284, respectively, associated with these agreements. These investments are designated by the Institute to pay future deferred compensation liabilities included in the Statements of Financial Position in accrued salaries and wages of $284,001 and $234,284 as of June 30, 2017 and 2016, respectively. The Institute sponsors a nonqualified supplemental executive retirement plan for the purpose of providing deferred compensation to a select group of employees. The plan is intended to be an unfunded plan, though voluntary contributions may be made to a grantor trust. Total expense for the plan was $27,822 and $26,313 for the years ended June 30, 2017 and 2016, respectively. No contribution has been made to a grantor trust as of June 30, 2017.

Postretirement Benefit Plan

The Institute provides certain medical and dental benefits for substantially all former employees who retired after attaining specific age and service requirements. The cost of providing these benefits is shared with the retiree, and the Institute has capped the subsidy it provides to retirees at the level in effect since 1993. The plan was amended in 2001 to include only eligible employees that had achieved fifty years of age and ten years of service at the Institute at December 31, 2001. Employees who did not meet these criteria and employees hired after December 31, 2001 are not eligible for retiree benefits. The plan is unfunded. The estimated expected contribution for the year ending June 30, 2018 is $237,000.

The funded status of the plan as of June 30, 2017 and 2016 is as follows:

	2017	2016
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	203,696	199,290
Plan participants' contributions	325,148	306,528
Benefits paid	(493,548)	(479,776)
Allocation for expected benefit payments (implicit subsidy)	(35,296)	(26,042)
Fair value of plan assets at end of year	-	-
Change in benefit obligation		
Accumulated postretirement benefit obligation at beginning of year	2,599,050	2,584,555
Interest cost	98,843	117,190
Plan participants' contributions	325,148	306,528
Benefits paid	(528,844)	(505,818)
Actuarial loss	64,038	96,595
Accumulated postretirement benefit obligation at end of year	2,558,235	2,599,050
Funded status at end of year	$ (2,558,235)	$ (2,599,050)

Note 12 – Pension and Postretirement Benefit Plans – continued

Net periodic postretirement benefit cost for the years ended June 30, 2017 and 2016 consists of the following:

	2017	2016
Interest cost on accumulated postretirment benefit obligation	$ 98,843	$ 117,190
Amortization of net actuarial loss	118,448	106,139
Net periodic postretirement benefit cost	$ 217,291	$ 223,329

The estimated net actuarial loss that will be amortized into net periodic benefit cost over the next fiscal year is $112,000.

For measurement purposes, a 5.00% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2017 and 2016. The medical premiums currently exceed the maximum monthly employer subsidy; therefore, a trend rate no longer applies to the medical benefits.

The effect of a 1% increase in the health care cost trend rate is an increase of $212,485 in the accumulated postretirement benefit obligation and an increase of $8,648 in the service and interest cost components of the net postretirement benefit. The effect of a 1% decrease in the health care cost trend rate is a decrease of $184,792 in the accumulated postretirement benefit obligation and a decrease of $7,604 in the service and interest cost components of the net postretirement benefit.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.25% and 4.00% as of June 30, 2017 and 2016, respectively.

Estimated future benefit payments, net of participant contributions, are as follows:

Year Ending June 30,	Amounts Due
2018	$ 237,000
2019	240,000
2020	231,000
2021	221,000
2022	212,000
2023 through 2027	908,000
Total	$ 2,049,000

Note 13 – Bonds Payable and Interest Rate Swap Agreements

Bonds payable, consisting entirely of various issues of Massachusetts Development Finance Agency, are as follows at June 30, 2017 and 2016:

		Interest Rate				
	Maturity	Type	2017	2016	2017	2016
2017 Issue	10/1/2046	Fixed	5.00%	-	$ 41,310,000	$ -
2015A Issue	10/1/2033	Variable	1.43%	1.00%	31,955,000	33,645,000
2015B Issue	10/1/2035	Variable	1.43%	1.00%	10,990,000	10,990,000
2013A Issue	9/1/2044	Variable	1.73%	1.24%	42,265,032	43,197,424
2013B Issue	10/1/2030	Variable	1.73%	1.24%	20,266,667	21,316,250
					146,786,699	109,148,674
Unamortized premium					3,639,420	-
Bond issuance costs, net					(1,191,687)	(858,260)
Total bonds payable					$ 149,234,432	$ 108,290,414

On February 16, 2017, the Institute issued Massachusetts Development Finance Agency Series 2017 Revenue Bonds in the amount of $41,310,000. Proceeds from the bonds are being utilized for the construction, furnishing and equipping of a new academic building expected to be occupied in the spring of 2019. The Series 2017 Revenue Bonds were issued with an original premium of $3,690,680 which is being amortized over the life of the bond. The Institute also incurred $445,861 in costs associated with this issue.

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Bond issuance costs of $1,582,824 and $1,136,963 are included in bonds payable, net of accumulated amortization of $391,137 and $278,703, at June 30, 2017 and 2016, respectively. Amortization expense was $112,434 and $106,242 for the years ended June 30, 2017 and 2016, respectively.

All of the bonds contain certain restrictive covenants, including limitations on obtaining additional debt, restrictions on the sale of assets, submission of annual audited financial statements, and are collateralized by the Institute's unrestricted revenue. The Series 2015A, 2015B, 2013A and 2013B bonds also contain certain restrictive covenants to meet debt coverage and liquidity ratios.

The required principal amounts to be paid on the bonds payable are as follows:

Year Ending June 30,	Amounts Due
2018	$ 4,658,209
2019	4,781,424
2020	4,934,094
2021	5,118,685
2022	5,321,198
Thereafter	121,973,089
Total	$ 146,786,699

Note 13 – Bonds Payable and Interest Rate Swap Agreements – continued

Interest Rate Swap Agreements

The Institute uses interest rate swaps to manage interest rate risk exposure. The Institute's interest rate swaps effectively mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt or payment of floating rate amounts in exchange for making fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The Institute does not enter into derivative instruments for trading or speculative purposes. All of the Institute's interest rate swaps have been recorded in the Statements of Financial Position at fair value. Changes in fair value are recorded as nonoperating net unrealized gain (loss) on interest rate swaps in the Statements of Activities.

As a result of the use of derivative instruments, the Institute is exposed to the risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the Institute only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2017 and 2016, all of the counterparties to the Institute's interest rate swaps had investment grade ratings. The interest rate swap agreements contain provisions in which the counterparty could elect to terminate the agreement should the credit rating of the Institute or affiliated entities to the swap fall below investment grade.

If this were to occur, the Institute could be required to terminate the swap agreement at its then fair value, which could result in the potential for cash outflows or the posting of a collateral account depending on the fair value of the swap at the time of the termination of the agreement. The agreements also require the posting of collateral by the Institute if the mark to market swap liability exceeds a certain threshold. At June 30, 2017, the swap liabilities did not meet the collateral provision requirements.

The Institute had the following swaps outstanding at June 30, 2017 and 2016:

	2017			
Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Liability
USD-LIBOR-BBA x 0.72 (.08%)	1.75%	2/1/2023	$ 41,815,032	$ (873,042)
USD-LIBOR-BBA x 0.67 (.08%)	3.30%	10/1/2030	9,950,000	(1,281,475)
USD-LIBOR-BBA x 0.67 (.08%)	3.57%	10/1/2033	31,600,000	(5,643,946)
USD-LIBOR-BBA x 0.67 (.08%)	3.62%	10/1/2035	11,345,000	(2,193,625)
Total			$ 94,710,032	$ (9,992,088)

Note 13 – Bonds Payable and Interest Rate Swap Agreements – continued

	2016			
Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Liability
USD-LIBOR-BBA x 0.72 (.08%)	1.75%	2/1/2023	$ 42,832,522	$ (2,727,488)
USD-LIBOR-BBA x 0.67 (.07%)	3.30%	10/1/2030	10,495,000	(1,984,934)
USD-LIBOR-BBA x 0.67 (.07%)	3.57%	10/1/2033	32,870,000	(8,312,781)
USD-LIBOR-BBA x 0.67 (.07%)	3.62%	10/1/2035	11,765,000	(3,180,490)
Total			$ 97,962,522	$ (16,205,693)

The Institute is required to maintain certain funds with the bond trustees. Funds held by bond trustees were as follows at June 30, 2017:

	2017
Debt service funds:	
2013A Issue	$ 150,628
2013B Issue	125,698
Project funds:	
2017 Issue	41,982,385
Total	$ 42,258,711

There were no funds held with the bond trustees at June 30, 2016. Interest income on the project funds amounted to $150,085 in 2017 and is offset against the cost of the asset.

Note 14 – Commitments and Contingencies

The Institute is committed under long-term operating leases for the rental of certain equipment and under long-term agreements for receipt of certain services. The commitments expire at various dates through July 31, 2020. Rental and service expenses incurred under the operating leases and service agreements for the years ended June 30, 2017 and 2016 were $3,205,927 and $3,410,549, respectively.

At June 30, 2017, the minimum annual commitments under these agreements are as follows:

Year Ending June 30,	Commitments
2018	$ 3,099,804
2019	3,050,140
2020	2,660,405
2021	197,542
Total minimum commitments	$ 9,007,891

The Institute has outstanding construction contracts of approximately $41,400,000 at June 30, 2017 (see Note 15).

Note 14 – Commitments and Contingencies – Continued

The Institute is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot be determined, the Institute believes that an eventual liability, if any, will not have a material effect on the Institute's financial position.

The Institute participates in the Massachusetts Institute Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in Consumer Price Index plus 2%. This could result in discounts on tuition charged to students in the future.

All funds expended by the Institute in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2017.

The Institute has a number of other agreements with organizations and schools offering a number of opportunities and advantages for students. One such agreement provides access to academic programs and co-curricular activities at five other colleges in direct proximity to the Institute's campus.

The Institute has an employment agreement with its president through May 2019 that stipulates a variety of business terms typical in the education sector.

Certain faculty, physical plant, and public safety employees of the Institute are subject to collective bargaining agreements which expire April 30, 2019, June 30, 2019, and December 31, 2019, respectively.

For the year ended June 30, 2017, the Institute had a partially self-insured medical plan (the "Plan") for certain medical benefits covering employees and certain retirees. The Plan was self-insured, with stop-loss insurance providing coverage for claims in excess of $125,000 per participant in a calendar year, up to a lifetime stop-loss coverage limit of $1,000,000 per participant. An accrual of $270,000 was recorded for benefit claims incurred but not reported at June 30, 2017 and 2016.

The Institute participates in a self-insured health insurance captive (the "Captive") in order to manage its health insurance costs. The Institute is an equity participant in the Captive that currently includes eleven other educational institutions. As a participant, the Institute is liable for its pro-rata share of any losses beyond the Captive's ability to fund such losses after total participants' equity is liquidated.

The Institute is a participant in a workers' compensation self-insured group (the "Group"). Workers' compensation expense is determined based on annual premiums less dividends received plus the Institute's prorated share of any excess of liabilities, if applicable. Net expense under the Group was $231,177 and $190,641 for the years ended June 30, 2017 and 2016, respectively.

Specific excess reinsurance has been purchased to provide for statutory benefits and $1,000,000 employer's liability, subject to a $500,000 per occurrence retention.

The Institute is jointly and severally liable, in connection with the workers' compensation self-insured group, for the following:

- Any unfunded obligation of the Group which it may become legally obligated to pay, in respect to any fund year or part thereof that the Institute participated in the Group.

- All necessary assessments and charges, as determined by the group trustee, to be paid into the Group at required intervals.

Note 15 – Related Party Transactions

Members of the Institute's Board of Trustees may, from time to time, be associated, either directly or indirectly, with companies doing business with the Institute. The Institute has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the Board of Trustees. When such a relationship exists, the Institute requires that any such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the Institute.

The Institute expended $775,224 for a construction contract for the year ended June 30, 2017 and has an outstanding construction contract of approximately $41,400,000 at June 30, 2017, with a company whose employee is a trustee of the Institute. Contributions are also periodically received from members of the Board of Trustees.

Note 16 – Net Assets

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

Net investment in plant is the value of buildings and equipment after accumulated depreciation and associated debt, net of deposits with bond trustees.

Board-designated are funds added to the endowment by the Board of Trustees to provide investment income to support operations. These amounts may only be used with the approval of the Board of Trustees.

	2017	2016
Undesignated	$ 1,686,351	$ (2,325,116)
Net investment in plant	106,895,318	96,014,377
Board-designated funds operating as endowment	67,104,631	59,636,308
Endowment unrealized losses	-	(59,367)
Unrestricted net assets	$ 175,686,300	$ 153,266,202

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

Net realized and unrealized gains on investments, in accordance with GAAP and UPMIFA, represents unappropriated net gains on permanently restricted endowment investments.

Scholarships represent amounts received with donor restrictions for student scholarships which have not yet been expended for their designated purposes.

Instruction represents amounts received with donor restrictions for instructional purposes which have not yet been expended for their designated purposes.

Physical plant represents amounts received with donor restrictions for capital additions and improvements which have not yet been expended for their designated purposes.

Note 16 – Net Assets – continued

Other represents amounts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Split-interest agreements represent future interests in trusts received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

Pledges, net represents pledges received with donor restrictions for various purposes which have not yet been expended for their designated purposes.

	2017	2016
Accumulated unspent gains on permanently restricted:		
Scholarships	$ 6,738,049	$ 5,169,891
Instruction	2,020,779	1,626,538
Physical plant	144,612	84,480
Other	151,186	129,179
Total accumulated unspent gains	9,054,626	7,010,088
Purpose restricted:		
Scholarships	1,766,754	1,802,242
Instruction	1,007,217	1,031,215
Physical plant	131,314	551,535
Other	554,120	427,967
Split-interest agreements	2,259,899	1,602,212
Pledges, net	2,967,338	4,406,580
Total purpose restricted	8,686,642	9,821,751
Temporarily restricted net assets	$ 17,741,268	$ 16,831,839

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following at June 30:

Scholarships represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for student scholarships and is recorded in temporarily restricted net assets until appropriated for expenditure.

Instruction represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for instructional purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Physical plant represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for physical plant expenditures and is recorded in temporarily restricted net assets until appropriated for expenditure.

Other represents amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Other trusts represent funds invested with third parties; the earnings on which are spent for various purposes.

Pledges, net represents pledged amounts restricted by donors against any expenditure of principal. Substantially all the income earned on principal is to be used for various purposes and is recorded in temporarily restricted net assets until appropriated for expenditure.

Note 16 – Net Assets – continued

	2017	2016
Endowed funds – scholarships	$ 13,675,971	$ 13,058,158
Endowed funds – instruction	2,488,436	2,478,436
Endowed funds – physical plant	651,000	651,000
Endowed funds – other	166,309	166,309
Split-interest agreements	2,365,893	2,355,627
Pledges, net	1,372,243	1,156,557
Permanently restricted net assets	$ 20,719,852	$ 19,866,087

Increases or decreases in fair value associated with split-interest agreements are reflected as permanently restricted given that appropriation of such gains is under the control of a third party.

Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restriction were for the following purposes for the years ended June 30, 2017 and 2016:

	2017	2016
Scholarships	$ 1,252,298	$ 1,575,139
Instruction	173,922	346,564
Physical plant	17,897	13,378
Other	156,410	111,785
Total operating net assets released from restrictions	$ 1,600,527	$ 2,046,866
Instruction	$ 128,614	$ 260,598
Physical plant	2,705,056	3,311,713
Total nonoperating net assets released from restrictions	$ 2,833,670	$ 3,572,311

Note 17 – Functional Expenses

Total operating expenses of the Institute by function for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Instruction	$ 46,313,375	$ 44,770,333
Auxiliary expenditures	25,592,765	25,476,593
Library	2,623,871	2,548,687
Student services	16,678,556	16,347,937
General administration	22,910,122	22,000,004
Institutional advancement	3,476,237	3,338,023
Total operating expenses	$ 117,594,926	$ 114,481,577

Depreciation, maintenance, interest and other expenses have been allocated to the above functions. Methods used in allocating these expenses include actual expenses incurred and percentage of square footage utilized by each functional area. Advertising costs are expensed to their associated functions when incurred and were $1,466,059 and $1,209,423 for the years ended June 30, 2017 and 2016, respectively.