WENTWORTH INSTITUTE OF TECHNOLOGY

Financial Statements

June 30, 2019 and 2018

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.

Financial Statements

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Financial Statements:

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 "university"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wentworth Institute of Technology, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in 2019, the University adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our Opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

November 13, 2019
Boston, Massachusetts

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets:		
Cash and cash equivalents	$ 24,420,620	$ 23,891,303
Short-term investments	20,647,709	20,091,315
Receivables and other assets, net	4,616,475	4,797,703
Deposits with bond trustees	400,782	17,444,897
Pledges receivable, net	4,163,960	4,329,602
Student loans receivable, net	3,510,017	4,082,944
Investments	119,101,604	115,570,746
Property and equipment, net	257,585,599	240,250,361
Total assets	$ 434,446,766	$ 430,458,871
Liabilities and net assets:		
Accounts payable and accrued expenses	$ 7,836,283	$ 7,704,729
Construction payables	5,253,581	6,899,187
Unearned tuition, fees and deposits	16,597,009	16,458,554
Obligation on charitable annuity agreements	146,448	128,700
Obligation on interest rate swap agreements, net	9,051,093	6,050,076
Asset retirement obligations	742,989	696,055
Accumulated postretirement benefit obligation	2,263,265	2,155,993
Bonds payable	139,765,050	144,547,987
Government advances for student loans	3,810,349	3,752,129
Total liabilities	185,466,067	188,393,410
Net assets:		
Without donor restrictions	200,086,817	195,374,897
With donor restrictions	48,893,882	46,690,564
Total net assets	248,980,699	242,065,461
Total liabilities and net assets	$ 434,446,766	$ 430,458,871

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2019
(with comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Operating revenues:				
Student tuition and fees, net of student aid of $48,194,142 in 2019 and $47,246,143 in 2018	$ 91,272,964	$ -	$ 91,272,964	$ 88,619,125
Student room and board, net of student aid of $892,714 in 2019 and $854,086 in 2018	32,254,720	-	32,254,720	30,878,472
Auxiliary enterprises	3,152,433	-	3,152,433	3,456,546
Gifts and bequests	824,343	1,360,666	2,185,009	1,802,339
Government grants	976,108	-	976,108	871,540
Interest income	895,983	24,656	920,639	564,881
Other income	427,730	144,838	572,568	343,805
Investment return used for operations	2,477,772	1,313,654	3,791,426	1,680,737
Net assets released from restrictions	2,079,029	(2,079,029)	-	-
Total operating revenues	134,361,082	764,785	135,125,867	128,217,445
Operating expenses:				
Instruction	55,546,961	-	55,546,961	51,305,231
Academic support	4,495,904	-	4,495,904	4,269,776
Student services	19,922,143	-	19,922,143	18,572,907
Auxiliary services	27,420,542	-	27,420,542	27,476,073
Institutional support	18,732,128	-	18,732,128	19,216,506
Fundraising services	4,327,221	-	4,327,221	4,170,941
Total operating expenses	130,444,899	-	130,444,899	125,011,434
Operating subtotal	3,916,183	764,785	4,680,968	3,206,011
Nonoperating:				
Gifts and bequests	179,532	2,262,904	2,442,436	11,991,631
Investment return	4,300,664	2,283,613	6,584,277	7,931,287
Investment return used for operations	(2,477,772)	(1,313,654)	(3,791,426)	(1,680,737)
Net realized and unrealized gain on split-interest agreements	-	-	-	2,527,837
Net unrealized (loss)/gain on interest rate swaps	(3,001,017)	-	(3,001,017)	3,942,012
Net assets released from restrictions	2,090,452	(2,090,452)	-	-
Reclassifications	(296,122)	296,122	-	-
Nonoperating subtotal	795,737	1,438,533	2,234,270	24,712,030
Change in net assets	4,711,920	2,203,318	6,915,238	27,918,041
Net assets at beginning of period	195,374,897	46,690,564	242,065,461	214,147,420
Net assets at end of period	$ 200,086,817	$ 48,893,882	$ 248,980,699	$ 242,065,461

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Operating revenues:			
Student tuition and fees, net of student aid of $47,246,143 in 2018	$ 88,619,125	$ -	$ 88,619,125
Student room and board, net of student aid of $854,086 in 2018	30,878,472	-	30,878,472
Auxiliary enterprises	3,456,546	-	3,456,546
Gifts and bequests	813,271	989,068	1,802,339
Government grants	871,540	-	871,540
Interest income	543,012	21,869	564,881
Other income	306,006	37,799	343,805
Investment return used for operations	231,292	1,449,445	1,680,737
Net assets released from restrictions	2,578,934	(2,578,934)	-
Total operating revenues	128,298,198	(80,753)	128,217,445
Operating expenses:			
Instruction	51,305,231	-	51,305,231
Academic support	4,269,776	-	4,269,776
Student services	18,572,907	-	18,572,907
Auxiliary services	27,476,073	-	27,476,073
Institutional support	19,216,506	-	19,216,506
Fundraising services	4,170,941	-	4,170,941
Total operating expenses	125,011,434	-	125,011,434
Operating subtotal	3,286,764	(80,753)	3,206,011
Nonoperating:			
Gifts and bequests	1,581,088	10,410,543	11,991,631
Investment return	5,200,852	2,730,435	7,931,287
Investment return used for operations	(231,292)	(1,449,445)	(1,680,737)
Net realized and unrealized gain on split-interest agreements	2,527,837	-	2,527,837
Net unrealized gain on interest rate swaps	3,942,012	-	3,942,012
Net assets released from restrictions	3,381,336	(3,381,336)	-
Nonoperating subtotal	16,401,833	8,310,197	24,712,030
Change in net assets	19,688,597	8,229,444	27,918,041
Net assets at beginning of period	175,686,300	38,461,120	214,147,420
Net assets at end of period	$ 195,374,897	$ 46,690,564	$ 242,065,461

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(with comparative totals for 2018)

	2019							
	Instruction	Academic Support	Student Services	Auxiliary Services	Institutional Support	Fundraising Services	Total	2018 Total
Operating expenses:								
Salaries and wages	$ 31,587,320	$ 2,226,069	$ 8,381,864	$ 2,834,631	$ 7,738,609	$ 2,698,332	$ 55,466,825	$ 53,022,443
Employee benefits	7,532,711	520,932	1,999,406	682,793	1,956,612	705,420	13,397,874	11,760,264
Professional services	600,028	78,698	2,233,244	41,182	2,217,745	152,578	5,323,475	5,442,390
Dining services	52,115	28,655	526,226	4,442,613	118,270	19,537	5,187,416	4,890,345
Advertising and promotion	902,601	16,587	953,316	44,299	854,674	163,916	2,935,393	2,971,983
Supplies	843,552	457,699	278,834	33,670	567,782	93,891	2,275,428	2,085,044
Information technology	1,290,279	96,451	338,615	36,720	377,289	111,963	2,251,317	2,169,833
Travel and conferences	512,301	82,026	1,057,913	33,563	231,774	95,235	2,012,812	1,942,967
Study abroad	1,086,958	-	-	-	-	-	1,086,958	1,082,268
Other expenses	288,298	136,886	1,196,632	97,253	2,303,077	190,024	4,212,170	3,489,806
Net loss on asset disposals	-	-	-	-	113,021	-	113,021	2,179,888
Occupancy, utilities and repairs	4,275,800	378,064	1,512,833	7,318,859	1,425,850	47,632	14,959,038	14,314,908
Depreciation and amortization	5,239,051	473,837	1,443,260	9,145,841	479,010	48,693	16,829,692	16,272,883
Interest	1,335,947	-	-	2,709,118	348,415	-	4,393,480	3,386,412
Total operating expenses	$ 55,546,961	$ 4,495,904	$ 19,922,143	$ 27,420,542	$ 18,732,128	$ 4,327,221	$ 130,444,899	$ 125,011,434

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

	Instruction	Academic Support	Student Services	Auxiliary Services	Institutional Support	Fundraising Services	Total
Operating expenses:							
Salaries and wages	$ 30,322,080	$ 1,978,650	$ 8,292,894	$ 2,860,177	$ 7,203,007	$ 2,365,635	$ 53,022,443
Employee benefits	6,679,508	450,391	1,782,327	622,414	1,652,498	573,126	11,760,264
Professional services	535,172	82,206	2,097,970	93,181	2,266,501	367,360	5,442,390
Dining services	59,839	30,352	380,466	4,246,526	108,855	64,307	4,890,345
Advertising and promotion	1,236,600	12,911	725,368	25,810	726,329	244,965	2,971,983
Supplies	734,007	419,576	237,907	31,571	597,143	64,840	2,085,044
Information technology	1,277,805	82,166	344,612	38,533	326,367	100,350	2,169,833
Travel and conferences	405,122	161,211	999,824	31,096	253,371	92,343	1,942,967
Study abroad	1,082,268	-	-	-	-	-	1,082,268
Other expenses	347,441	160,024	835,525	176,075	1,770,018	200,723	3,489,806
Net loss on asset disposals	-	-	-	100,000	2,079,888	-	2,179,888
Occupancy, utilities and repairs	3,718,788	394,020	1,427,053	7,319,080	1,407,314	48,654	14,314,909
Depreciation and amortization	4,557,865	498,269	1,448,961	9,242,670	476,479	48,638	16,272,882
Interest	348,736	-	-	2,688,940	348,736	-	3,386,412
Total operating expenses	$ 51,305,231	$ 4,269,776	$ 18,572,907	$ 27,476,073	$ 19,216,506	$ 4,170,941	$ 125,011,434

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

WENTWORTH INSTITUTE OF TECHNOLOGY, INC.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 6,915,238	$ 27,918,041
Gifts of stock and property	(1,120,096)	(307,162)
Contributions restricted for long-term investment	(1,867,004)	(10,561,830)
Net realized and unrealized gain on investments	(6,046,955)	(7,323,550)
Net unrealized loss/(gain) on interest swaps	3,001,017	(3,942,012)
Depreciation and amortization	16,829,692	16,272,882
Loss on sale and/or disposal of property and equipment	113,021	2,179,888
Changes in operating assets and liabilities:		
Receivables and other assets	181,228	1,987,672
Pledges receivable	189,982	1,393
Allowance for doubtful accounts	(24,340)	8,586
Accounts payable, accrueds and unearned tuition, fees and deposits	270,009	1,840,104
Asset retirement obligations	46,934	54,581
Accumulated postretirement benefit obligation	107,272	(402,242)
Net cash provided by operating activities	18,595,998	27,726,351
Cash flows from investing activities:		
Purchases of property and equipment	(36,157,464)	(40,175,071)
Proceeds from sale of property and equipment	231,987	63,896
Proceeds from sale of investments	12,355,755	91,673,666
Purchases of investments	(9,275,956)	(103,020,211)
Net student loans advanced	-	(428,000)
Cash collected on student loans	572,927	630,748
Net cash used in investing activities	(32,272,751)	(51,254,972)
Cash flows from financing activities:		
Net Perkins and other government advances	58,220	(39,149)
Change in funds held by trustees	17,044,115	24,813,814
Change in obligation on charitable annuity agreements	17,748	(3,068,245)
Gifts and bequests restricted for endowment	692,459	9,743,039
Gifts and bequests restricted for acquisition of property and equipment	1,174,545	818,791
Principal payments on bonds payable	(4,781,017)	(4,684,525)
Net cash provided by financing activities	14,206,070	27,583,725
Net increase in cash and cash equivalents	529,317	4,055,104
Cash and cash equivalents at beginning of period	23,891,303	19,836,199
Cash and cash equivalents at end of period	$ 24,420,620	$ 23,891,303
Supplemental data:		
Noncash investing activity - Gifts of stock and property	$ 1,120,096	$ 307,162
Change in accounts payable from property and equipment	1,645,606	(4,081,362)
Interest paid	5,472,634	5,561,942

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

Note 1 – Nature of Business

Wentworth Institute of Technology, Inc. (the "university"), located in Boston, Massachusetts, is a private, coeducational institution founded in 1904 and accredited by the New England Commission of Higher Education, Inc. among other accrediting bodies. The university provides academic, residential and other services to a diverse student population of approximately 4,400, predominately from the Northeast region of the United States, as well as from approximately 30 U.S. states and 66 foreign countries.

The university's mission and core purpose is to empower, inspire and innovate through experiential learning and offers masters, bachelors, and associate degrees, in addition to certificate programs. The university participates in student financial aid programs sponsored by the United States Department of Education ("DOE") and to a much lesser extent state programs. These programs facilitate the payment of substantial portions of student tuition and other expenses incurred by students when they meet certain eligibility requirements as determined by the university's financial aid office. Such determinations are subject to after the fact review by the funders.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

The university considers highly-liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at cost. Cash and cash equivalents included $897,913 and $308,723 of monies held for the Federal Perkins Loan Program at June 30, 2019 and 2018, respectively. Cash equivalents held by investment managers are considered part of investments given the expectation of near-term reinvestment. The university maintains its cash balances at several financial institutions, which at times may exceed federally insured limits. The university monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Short-Term Investments

Short-term investments are reported at fair market values pursuant to the fair value policies as described later in this section.

Receivables and Other Assets

Receivables and other assets consist of student accounts receivable, other receivables, prepaid expenses and deposits and are reported at their estimated net realizable value. Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or room and board activity. Payments for tuition, fees, room and board charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on student accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the university. Student accounts are not collateralized.

Management estimates the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts 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 university. Interest is not charged on receivables.

Note 2 – Summary of Significant Accounting Policies – continued

Deposits with Bond Trustees

Deposits with bond trustees are reported at fair value. Fair value is determined as per the fair value policies described later in this section. Such amounts are held pending incurring qualified construction expenditures in connection with the building of the science center and for debt service payments.

Pledges Receivable

Pledges receivable represent contributions verifiably committed by donors that are scheduled for payment in the future. They are initially recorded at their fair value per the fair value polices described later in this section. This is considered a nonrecurring fair value method which utilizes Level 2 inputs which requires the use of risk adjusted discount rates to account for the inherent risk associated with the expected future cash flows. Amortization of the discount is included in gift revenue in accordance with donor-imposed restrictions, if any. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections 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. An account is considered uncollectible when all collection efforts have been exhausted.

Student Loans Receivable and Government Advances for Student Loans

Student loans receivable are primarily comprised of loans issued under the Perkins Loan program which is sponsored by the DOE and operated by the university, subject to federal eligibility requirements. The program has been funded over multiple years with federal funds along with a modest match from the university. Any un-loaned amounts are held in a restricted cash account which is included in cash and cash equivalents. The advances of federal funds are ultimately repayable should the program cease, or should the university elect to no longer participate in the program, and accordingly, such advances (subject to certain adjustments) are classified as liabilities in the statements of financial position. The university utilizes the services of a third party for billing, collection, and other requirements associated with these programs. Credit risk is mitigated within the DOE programs given the ability of the university to place non-performing loans with the DOE thus reducing the federal advances, and accordingly, reserves have not been deemed necessary. The university also has a small pool of institutional loans.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The university utilizes an investment consultant to assist with investment strategies, selection and monitoring, which provides the university access to expertise relative to oversight of its investments.

Fair Value Measurements

The university 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. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measurements include the university's short-term investments, deposits with bond trustees, investments and interest rate swaps. Nonrecurring measurements include pledges, charitable annuity agreements, 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)

Note 2 – Summary of Significant Accounting Policies – continued

to determine fair value. In addition, the university 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 university 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.

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.

Property and Equipment

Property and equipment are capitalized using a threshold at cost when the expected future life is one year or more at the date of acquisition. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are expensed as incurred. 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 net assets without donor restrictions. Interest costs are capitalized during the construction period of long-lived assets as part of the cost of the asset.

Unearned Tuition, Fees and Deposits

Academic sessions in progress are allocated to earned and unearned tuition, fees, room and board based on the amount of class time elapsed to the total duration of the related instruction as of year-end. Student deposits and advance payments are also included in this account.

Substantially all amounts included in unearned tuition, fees, room, board and deposits at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for

Note 2 – Summary of Significant Accounting Policies – continued

tuition, fees, room and board revenue. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

Obligation on Charitable Annuity Agreements

The university has entered into charitable annuity agreements from donors which generally include the receipt of funds up front in exchange for a promise to make specified payments to the donors and other beneficiaries over the agreements' terms. The present value of the estimated future payments to beneficiaries is recorded as a liability as of the dates the agreements are established. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue in the period in which such an arrangement is entered into. This is considered a nonrecurring fair value method per the fair value polices earlier in this section with this computation utilizing Level 2 inputs which requires the use of discount rates. The liability is adjusted as distributions are made and for changes in the present value of estimated future distributions over the life of the agreement. The present value of estimated future cash receipts and estimated future payments to beneficiaries are calculated using various discount rates (ranging from 2.9% to 8.7%) based on beneficiary life expectancies and other actuarial assumptions.

Obligation on Interest Rate Swap Agreements

Interest rate swaps are reported at fair value as per the fair value policies earlier in this section. Net settlements on swaps are included in interest expense. The change in fair value of the swaps is included in nonoperating as a net unrealized gain or loss on interest rate swaps.

Asset Retirement Obligations

Asset retirement obligations are initially recorded at their fair value per the fair value polices described earlier in this section. This is considered a nonrecurring fair value method which utilizes Level 3 inputs which requires the use of discount rates to estimate the present value of the obligation. When the liability is initially recorded, the university 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 or any change in assessment of the likely cost or timing of such settlement, any difference between will be recognized as a gain or loss as it becomes known.

Accumulated Postretirement Benefit Obligation

The university provides certain medical and dental benefits for eligible employees. This program was frozen in 2001 whereby new and certain existing employees would no longer be eligible to participate. Benefits are capped. The plan is unfunded. Management has elected to omit detailed actuarial disclosures for its accumulated postretirement benefit obligations given the modest level of obligations under this plan. The estimated expected contribution for the year ending June 30, 2020 is $220,000.

Bonds Payable

Bonds payable are stated together with premiums, discounts and issuance costs with those amounts being amortized over the term of the related debt agreement.

Income Tax Status

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

Note 2 – Summary of Significant Accounting Policies – continued

Uncertain Tax Positions

The university 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 university 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 university has determined that such tax positions do not result in an uncertainty requiring recognition. The university is not currently under examination by any taxing jurisdiction. The university’s Federal and state tax returns are generally open to examination for three years following the date filed.

Net Assets

The accompanying financial statements have been prepared to focus on the university 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 and reported as follows:

Net Assets Without Donor Restrictions include all resources, which are not subject to donor-imposed restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for the endowment. The university’s policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and related debt as well as undesignated funds.

Net Assets With Donor Restrictions include donor-imposed restrictions that may be temporary in nature and may expire either because of the passage of time or because certain actions are taken by the university which fulfill the restriction. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate that resources be maintained in perpetuity.

Revenue Recognition and Deposits and Deferred Revenue

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed 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 net assets released from restrictions between the classes of net assets.

A substantial portion of the university’s revenue is derived from student tuition, fees, room and board provided by the university. Tuition, fees, room and board revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recognized as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of its satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Note 2 – Summary of Significant Accounting Policies – continued

Payments made by third parties such as DOE relative to loans and grants to students are a mechanism to facilitate payments on behalf of students, and accordingly, such funding does not represent revenue of the university.

Gifts, including unconditional promises to give, are initially recorded as revenue at fair value as either without or with donor restrictions in the period when verifiably committed by the donor. Fair value is determined as per the fair value polices described earlier for pledges. Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the absence or existence of donor-imposed restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are released to net assets without donor restrictions when the time and/or purpose restriction has been satisfied.

The university reports gifts of property, plant and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The university reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Nonoperating revenues include endowment type gifts, gifts for property and equipment, large estate gifts, deferred giving contributions and changes impacting those amounts, investment returns not allocated to operations under the spending policy, unrealized gains and losses on interest rate swaps and net assets released from restrictions for capital acquisitions. All other activity is classified as operating revenue.

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operation and maintenance of plant expenses are allocated to program and supporting activities based upon a periodic assessment of facilities usage. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

Reclassifications

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

New Accounting Pronouncements

In 2019, the university adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle-based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The

Note 2 – Summary of Significant Accounting Policies – continued

guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The university adopted this standard using the modified retrospective approach on July 1, 2018.

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

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

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

The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

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

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

The financial statement standards were applied to all periods presented with the new categories as prescribed by the standard with impact to total reported amounts as with donor restrictions and without.

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

Use of Estimates

The preparation of financial statements in conformity with 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

Note 2 – Summary of Significant Accounting Policies – continued

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.

Subsequent Events

The university has evaluated subsequent events through November 13, 2019, the date the financial statements were issued.

Note 3 – Liquidity and Availability

The university regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The university has various sources of liquidity at its disposal, including cash and cash equivalents, short-term investments and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the university considers all expenditures related to its ongoing teaching as well as the conduct of services undertaken to support those activities to be general expenditures. Student Perkins loans receivable are not included in the analysis as principal and interest on these loans are generally refundable to the Federal government and are, therefore, not available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the university generally operates with a budget surplus and thus anticipates collecting more than sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statements of Cash Flows which identifies the sources and uses of the university's cash and shows positive cash generated by operations for the years ended June 30, 2019 and 2018.

Although not expected to be needed, the spendable yet restricted portion of the university's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

As of June 30, 2019, the following table shows the amount of financial assets available within one year of the Statement of Financial Position date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	$ 23,522,707
Short-term investments	20,647,709
Receivables and other assets, net	2,329,454
Pledges receivable for general expenditures due in one year or less	1,840,677
Investment income appropriated for operations	4,850,000
Investments not encumbered by donor or board restrictions	372,447
Total financial assets available to meet general expenditures over the next 12 months	$ 53,562,994

Note 4 – Receivables and Other Assets

Receivables and other assets consist of the following at June 30:

	2019	2018
Student accounts receivable	$ 1,784,789	$ 1,769,350
Other receivables	1,044,665	997,877
Prepaid expenses and deposits	2,287,021	2,530,476
Less allowance for doubtful accounts	(500,000)	(500,000)
Receivables and other assets, net	$ 4,616,475	$ 4,797,703

Note 5 – Deposits with Bond Trustees

Funds held by bond trustees were as follows at June 30:

	2019	2018
Debt service funds	$ 400,782	$ 313,428
Project funds	-	17,131,469
Deposits with bond trustees	$ 400,782	$ 17,444,897

Interest income on the project funds amounted to $106,466 and $444,961 in 2019 and 2018, respectively, and is offset against interest costs for purposes of determining amounts to capitalize in connection with construction.

Note 6 – Pledges Receivable

Pledges receivable are expected to be realized as follows at June 30:

	2019	2018
Up to one year	$ 2,336,952	$ 2,242,481
One to five years	1,895,442	2,110,394
Five to ten years	264,167	281,250
More than ten years	134,000	186,000
	4,630,561	4,820,125
Less present value discount	(293,471)	(293,053)
	4,337,090	4,527,072
Less allowance for uncollectibles	(173,130)	(197,470)
Pledges receivable, net	$ 4,163,960	$ 4,329,602

Note 6 – Pledges Receivable – continued

Conditional promises to give were approximately $13,000,000 at June 30, 2019 and are not recorded as revenue or assets until the conditions are met.

Note 7 – Student Loans Receivable

Student loans receivable consist of the following at June 30:

	2019	2018
Perkins loans	$ 3,415,228	$ 3,927,764
University loans	276,647	350,336
Student loans receivable, gross	3,691,875	4,278,100
Less allowance for uncollectible loans:		
Beginning of year	(195,156)	(203,293)
Change in provision for uncollectible loans	13,298	8,137
End of year	(181,858)	(195,156)
Student loans receivable, net	$ 3,510,017	$ 4,082,944

Loans past due amounted to $1,307,467 and $1,176,858 as of June 30, 2019 and 2018, respectively.

Note 8 – Fair Value and Investments

The valuation of the university's financial instruments measured on a recurring basis using the fair value hierarchy consisted of the following at June 30:

	2019				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments:					
Fixed income funds	$ 19,600,897	$ -	$ -	$ -	$ 19,600,897
Certificates of deposit	1,001,560	-	-	-	1,001,560
Money market funds	45,252	-	-	-	45,252
Total short-term investments	20,647,709	-	-	-	20,647,709
Deposits with bond trustees:					
Money market funds	400,782	-	-	-	400,782
Total deposits with bond trustees	400,782	-	-	-	400,782
Endowment investments:					
Cash and cash equivalents	1,425,482	-	-	-	1,425,482
U.S. equity funds	29,316,215	-	-	-	29,316,215
Global equity funds	-	-	-	11,787,170	11,787,170
International equity funds	9,485,524	-	-	7,488,669	16,974,193
Emerging markets equity funds	5,559,308	-	-	-	5,559,308
Fixed income funds	8,846,157	-	-	10,230,509	19,076,666
Hedge funds	-	-	-	16,643,583	16,643,583
Public real asset funds	6,049,466	-	-	-	6,049,466
Private real asset funds	-	-	-	1,092,668	1,092,668
Private equity funds	-	-	-	8,217,724	8,217,724
Total endowment investments	60,682,152	-	-	55,460,323	116,142,475
Other investments:					
Beneficial interest in perpetual trusts	1,886,514	-	700,168	-	2,586,682
Supplemental retirement plans	372,447	-	-	-	372,447
Total other investments	2,258,961	-	700,168	-	2,959,129
Total investments	62,941,113	-	700,168	55,460,323	119,101,604
Liabilities:					
Obligation on interest rate swap agreements	$ -	$ 9,051,093	$ -	$ -	$ 9,051,093

Note 8 – Fair Value and Investments – continued

	2018				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Short-term investments:					
Fixed income funds	$ 19,046,431	$ -	$ -	$ -	$ 19,046,431
Certificates of deposit	749,048	-	-	-	749,048
Money market funds	295,836	-	-	-	295,836
Total short-term investments	20,091,315	-	-	-	20,091,315
Deposits with bond trustees:					
Money market funds	17,444,897	-	-	-	17,444,897
Total deposits with bond trustees	17,444,897	-	-	-	17,444,897
Endowment investments:					
Cash and cash equivalents	2,427,241	-	-	-	2,427,241
U.S. equity funds	26,868,609	-	-	-	26,868,609
Global equity funds	-	-	-	11,120,763	11,120,763
International equity funds	9,682,087	-	-	6,584,000	16,266,087
Emerging markets equity funds	4,843,300	-	-	-	4,843,300
Fixed income funds	10,093,968	-	-	11,329,986	21,423,954
Hedge funds	-	-	-	15,525,807	15,525,807
Public real asset funds	5,495,308	-	-	-	5,495,308
Private real asset funds	-	-	-	1,591,155	1,591,155
Private equity funds	-	-	-	7,071,735	7,071,735
Total endowment investments	59,410,513	-	-	53,223,446	112,633,959
Other investments:					
Beneficial interest in perpetual trusts	1,912,754	-	701,244	-	2,613,998
Supplemental retirement plans	322,789	-	-	-	322,789
Total other investments	2,235,543	-	701,244	-	2,936,787
Total investments	61,646,056	-	701,244	53,223,446	115,570,746
Liabilities:					
Obligation on interest rate swap agreements	$ -	$ 6,050,076	$ -	$ -	$ 6,050,076

Private equity funds have unfunded commitments of $8,965,594 at June 30, 2019. Beneficial interests in perpetual trusts included in Level 3 consist of trusts with marketable underlying investments; however, the university's share of the trust is not marketable. Management considers the Level 3 activity as not material and thus has elected not to present detailed disclosures.

Investments may be redeemed as follows at June 30:

	2019	2018
Daily	$ 86,185,102	$ 84,570,168
Quarterly	23,606,110	22,337,688
Illiquid	9,310,392	8,662,890
Total	$ 119,101,604	$ 115,570,746

Note 9 – Endowment Investments

The university's endowment consists of approximately 151 donor-restricted and 11 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 university 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 donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the university tracks in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. Donor-restricted amounts not retained in perpetuity are available to be appropriated for expenditure by the university in a manner consistent with the standard of prudence prescribed by UPMIFA considering the following:

- The duration and preservation of the fund
- The purposes of the university 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 university
- The investment policies of the university

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The university has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no funds with deficiencies at June 30, 2019 and management considered these amounts not to be significant at June 30, 2018.

Return Objectives and Risk Parameters

The university's endowment is managed to provide for the long-term support of the university. 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 university'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.

Note 9 – Endowment Investments – continued

The Board of Trustees follows a like policy relative to spending from its Board-designated endowment funds, however the university did not avail itself the full 5% draw in 2019 and 2018. The distribution from the Board-designated endowment funds and the donor-restricted endowment funds are estimated to be $3,250,000 and $1,600,000, respectively, for the year ending June 30, 2020. 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 university 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 university 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 university 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 university's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds with donor restrictions or without donor restrictions depending if the underlying funds have restrictions. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds being charged if no accumulated unspent gains remain.

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 77,032,820	$ -	$ 77,032,820
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	27,398,946	27,398,946
Accumulated gains	-	11,710,709	11,710,709
Total endowment funds	$ 77,032,820	$ 39,109,655	$ 116,142,475

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 75,206,862	$ -	$ 75,206,862
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	26,726,307	26,726,307
Accumulated gains	-	10,700,790	10,700,790
Total endowment funds	$ 75,206,862	$ 37,427,097	$ 112,633,959

Note 9 – Endowment Investments – continued

Changes in endowment net assets are as follows for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment as of July 1, 2017	$ 67,014,631	$ 27,077,724	$ 94,092,355
Gifts and additions	2,617,695	9,751,122	12,368,817
Reclassifications	339,578	(339,578)	-
Investment return	5,466,250	2,315,274	7,781,524
Appropriation of endowment assets pursuant to spend rate total return policy	-	(1,377,445)	(1,377,445)
Distribution from board-designated endowment pursuant to distribution policy	(231,292)	-	(231,292)
Endowment as of June 30, 2018	75,206,862	37,427,097	112,633,959
Gifts and additions	-	685,283	685,283
Investment return	4,303,730	2,219,129	6,522,859
Appropriation of endowment assets pursuant to spend rate total return policy	-	(1,221,854)	(1,221,854)
Distribution from board-designated endowment pursuant to distribution policy	(2,477,772)	-	(2,477,772)
Endowment as of June 30, 2019	$ 77,032,820	$ 39,109,655	$ 116,142,475

Note 10 – Net Assets

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

	2019		
Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 5,575,655	$ -	$ 5,575,655
Net investment in plant	117,478,342	-	117,478,342
Donor restricted for scholarship support	-	523,244	523,244
Donor restricted for instructional support	-	1,226,367	1,226,367
Donor restricted for facilities and other support	-	1,283,974	1,283,974
Pledges, net	-	4,163,960	4,163,960
Perpetual trusts:			
Restricted for scholarship support	-	2,586,682	2,586,682
Endowment funds:			
Board-designated endowment funds	77,032,820	-	77,032,820
Restricted for scholarship support	-	26,493,676	26,493,676
Restricted for instructional support	-	11,435,272	11,435,272
Restricted for facilities and other support	-	1,180,707	1,180,707
Total endowment funds	77,032,820	39,109,655	116,142,475
Total net assets	$ 200,086,817	$ 48,893,882	$ 248,980,699

	2018		
Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Operating funds:			
Undesignated	$ 7,716,819	$ -	$ 7,716,819
Net investment in plant	112,451,216	-	112,451,216
Donor restricted for scholarship support	-	444,670	444,670
Donor restricted for instructional support	-	1,218,458	1,218,458
Donor restricted for facilities and other support	-	656,740	656,740
Pledges, net	-	4,329,602	4,329,602
Perpetual trusts:			
Restricted for scholarship support	-	2,613,997	2,613,997
Endowment funds:			
Board-designated endowment funds	75,206,862	-	75,206,862
Restricted for scholarship support	-	25,340,963	25,340,963
Restricted for instructional support	-	11,007,244	11,007,244
Restricted for facilities and other support	-	1,153,773	1,153,773
Underwater endowments	-	(74,883)	(74,883)
Total endowment funds	75,206,862	37,427,097	112,633,959
Total net assets	$ 195,374,897	$ 46,690,564	$ 242,065,461

Note 10 – Net Assets – continued

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 restrictions were for the following purposes for the years ended June 30:

	2019	2018
Scholarships	$ 1,206,713	$ 1,953,678
Instruction	357,471	329,957
Physical plant	-	26,805
Other	514,845	268,494
Total operating net assets released from restrictions	$ 2,079,029	$ 2,578,934
Instruction	$ 20,203	$ 5,618
Split-Interest agreements	-	2,402,274
Physical plant	2,070,249	845,123
Other	-	128,321
Total nonoperating net assets released from restrictions	$ 2,090,452	$ 3,381,336

Note 11 – Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Life in Years	2019	2018
Land		$ 13,392,323	$ 13,392,323
Buildings and building improvements	10 to 40	361,899,811	306,030,838
Equipment	2 to 10	51,061,616	43,769,062
Land improvements	10 to 20	8,080,155	7,042,254
Construction in progress		2,645,731	37,901,754
		437,079,636	408,136,231
Less accumulated depreciation		(179,494,037)	(167,885,870)
Property and equipment, net		$ 257,585,599	$ 240,250,361

Depreciation expense was $16,708,588 and $16,151,778 for the years ended June 30, 2019 and 2018, respectively. The university capitalized interest associated with construction of long-lived assets of $841,663 and $1,592,316 during the years ended June 30, 2019 and 2018, respectively.

A net loss on asset disposals of property and equipment of $113,021 and $2,179,888 for the years ended June 30, 2019 and 2018, respectively, were included in Institutional support.

Note 12 – Benefit Plans

Defined Contribution Retirement Plan

The university sponsors a defined contribution retirement plan under IRC Section 403(b). The plan covers all employees who meet eligibility requirements. Contributions are equal to 10% of an employee's salary. Employees may also make voluntary deferred salary contributions to the plan subject to statutory limits. Total expense for the plan was $4,154,879 and $4,018,832 for the years ended June 30, 2019 and 2018, respectively.

Supplemental Retirement Plan

The university sponsors a deferred compensation plan under IRC Section 457(b) which allows select employees to make elective deferrals of compensation up to specified limits. The university held assets of $372,447 and $322,789 at June 30, 2019 and 2018, respectively, in investment with a corresponding amount in accrued expenses at year end.

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:

		Interest Rate				
	Maturity	Type	2019	2018	2019	2018
2017 Issue	10/1/2046	Fixed	5.00%	5.00%	$ 40,060,000	$ 40,700,000
2015A Issue	10/1/2033	Variable	2.39%	2.04%	28,920,000	30,280,000
2015B Issue	10/1/2035	Variable	2.39%	2.04%	10,465,000	10,910,000
2013A Issue	9/1/2044	Variable	2.66%	2.39%	40,139,490	41,215,507
2013B Issue	10/1/2030	Variable	2.66%	2.39%	17,736,667	18,996,667
					137,321,157	142,102,174
Bond premium, net					3,393,372	3,516,396
Bond issuance costs, net					(949,479)	(1,070,583)
Total bonds payable					$ 139,765,050	$ 144,547,987

The Series 2013 A and B bonds and the Series 2015 A and B bonds are variable rate bonds, privately placed with banks and have mandatory tender dates on February 15, 2023 and April 1, 2027, respectively. The university has the option to remarket these bonds at any time in any mode prior to the mandatory tender dates.

An original issue premium of $3,690,680 was received on the issuance of the Series 2017 bonds and is being amortized on the straight-line basis over the life of the bond resulting in amortization expense of $123,024 for the years ended June 30, 2019 and 2018.

Bond issuance costs are capitalized and amounted to $1,582,824 with such amount being amortized on the straight-line basis over the life of the bonds resulting in amortization expense of $121,104 for the years ended June 30, 2019 and 2018.

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

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 university's unrestricted revenue. Certain bonds also contain additional restrictive covenants to meet debt service coverage and liquidity ratios.

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

Year Ending June 30,	Amounts Due
2020	$ 4,934,094
2021	5,118,685
2022	5,321,198
2023	5,507,972
2024	5,713,003
Thereafter	110,726,205
Total	$ 137,321,157

Interest Rate Swap Agreements

The university uses interest rate swaps to manage interest rate risk exposure. The university's interest rate swaps 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 of a floating rate and the payment of a fixed rate over the life of the agreements without an exchange of the underlying principal amounts. The variable rate on the 2013A swap is based on 72% of the one month LIBOR-BBA Index, while the variable rate on the remaining swaps are based on 67% of the one month LIBOR-BBA Index. Net settlements are considered part of interest expense. The university does not enter into derivative instruments for trading or speculative purposes.

As a result of the use of derivative instruments, the university is exposed to the risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty risk, the university only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. The counterparties to the university's interest rate swaps had investment grade ratings at June 30, 2019 and 2018. The interest rate swap agreements contain provisions in which the counterparty could elect to terminate the agreement should the credit rating of the university or affiliated entities to the swap fall below investment grade. If this were to occur, the university 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 agreement with the termination date on October 1, 2033 also requires the posting of collateral by the university if the mark to market swap liability exceeds $10,000,000 and no such requirements were triggered as of June 30, 2019 and 2018.

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

The university had the following swaps outstanding at June 30:

	2019					2018
Debt Issuance Hedged	Interest Rate Received	Interest Rate Paid	Termination Date	Remaining Notional Amount	Fair Value Asset (Liability)	
2013A Issue	1.76%	1.75%	2/1/2023	$ 39,692,065	$ (787,220)	$ 335,900
2013B Issue	1.61%	3.30%	10/1/2030	8,810,000	(1,091,398)	(832,290)
2015A Issue	1.61%	3.57%	10/1/2033	28,920,000	(5,126,435)	(3,981,355)
2015B Issue	1.61%	3.62%	10/1/2035	10,465,000	(2,046,040)	(1,572,331)
Total				$ 87,887,065	$ (9,051,093)	$ (6,050,076)

Note 14 – Related Party Transactions

Members of the university's Board of Trustees may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university 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 university requires that any such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the university.

The university expended approximately $16,000,000 and $27,800,000 relative to a construction contract with a company whose employee is in a key position and is also a trustee of the university for the years ended June 30, 2019 and 2018, respectively

Note 15 – Commitments and Contingencies

The university 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 university believes that an eventual liability, if any, will not have a material effect on the university's financial position.

All funds expended by the university in connection with government grants are subject to review or audit by governmental agencies. There were no reviews or audits in process by governmental agencies as of June 30, 2019.

The university has entered into fixed-priced contracts for a portion of its energy needs. These contracts expire through October 2023 and the contracted usage is within the university's current needs.

The university has an employment agreement with its president through June 2024 that stipulates a variety of business terms typical in the education sector. Certain faculty, physical plant, and public safety employees of the university are subject to collective bargaining agreements which expire April 30, 2022, June 30, 2023 and December 31, 2019, respectively.

Note 15 – Commitments and Contingencies – continued

The university 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.

The university 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 four other colleges in direct proximity to the university's campus.

The university 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 June 30, 2023. Rental and service expenses incurred under the operating leases and service agreements were $3,197,497 and $3,389,317 for the years ended June 30, 2019 and 2018, respectively.

Minimum annual commitments under these agreements are as follows:

Year Ending June 30,	Commitments
2020	$ 2,874,063
2021	295,510
2022	48,404
2023	15,645
Total minimum commitments	$ 3,233,622

The university has a partially self-insured medical plan (the "Plan") for certain medical benefits covering employees and certain retirees. The Plan utilizes a stop-loss insurance 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 $346,000 and $324,000 was recorded for benefit claims incurred but not reported at June 30, 2019 and 2018, respectively.

The university participates in a self-insured health insurance captive (the "Captive") in order to manage its health insurance costs. The university is an equity participant in the Captive that currently includes a number of other educational institutions. As a participant, the university 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. Management believes the Captive is sufficiently capitalized and does not expect liabilities from this arrangement.

The university participates in a workers' compensation self-insured group (the "Group"). Workers' compensation expense is determined based on annual premiums less dividends received plus the university's prorated share of any excess of liabilities, if applicable. Net expense under the Group was $144,724 and $214,575 for the years ended June 30, 2019 and 2018, respectively. Specific excess reinsurance has been purchased to provide for statutory benefits and $1,000,000 for employer's liability, subject to a $500,000 per occurrence retention. Management believes the Group is sufficiently capitalized and does not expect liabilities from this arrangement.