FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE
JUNE 30, 2019 AND 2018

PINE MANOR COLLEGE

Contents
June 30, 2019 and 2018

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**Unmodified Opinion on Financial Statements Accompanied by Other Information –
Not-For-Profit Entity**

Independent Auditor's Report

To the Board of Trustees of
Pine Manor College:

Report on the Financial Statements

We have audited the accompanying financial statements of Pine Manor College (a Massachusetts corporation, not for profit) (the College) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets, cash flows and functional expenses 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 on page one present fairly, in all material respects, the financial position of Pine Manor College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
November 27, 2019

PINE MANOR COLLEGE

Statement of Financial Position
June 30, 2019

Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:			
Cash and cash equivalents	$ 121,519	$ 105,742	$ 227,261
Student accounts receivable, net of allowance for doubtful accounts of approximately $93,000	327,705	-	327,705
Other accounts receivable	329,518	-	329,518
Current portion of pledges receivable	183,090	633,333	816,423
Prepaid expenses and other	122,709	-	122,709
Total current assets	1,084,541	739,075	1,823,616
Assets Held Under Split-Interest Agreements	46,266	212,725	258,991
Investments	-	9,621,706	9,621,706
Pledges Receivable, net of current portion and discount	-	279,272	279,272
Due from (to) Funds	(1,009,654)	1,009,654	-
Property and Equipment, net	14,599,077	-	14,599,077
Interest Rate Swap Contracts in Gain Position	3,556	-	3,556
Total assets	$ 14,723,786	$ 11,862,432	$ 26,586,218
Liabilities and Net Assets			
Current Liabilities:			
Current portion of notes payable	$ 267,000	$ -	$ 267,000
Current portion of bond payable	271,384	-	271,384
Current portion of capital lease obligation	19,567	-	19,567
Accounts payable and accrued expenses	2,097,586	-	2,097,586
Deferred tuition and fees	990,778	-	990,778
Total current liabilities	3,646,315	-	3,646,315
Notes Payable, net of current portion	1,393,897	-	1,393,897
Bond Payable, net of current portion	4,667,564	-	4,667,564
Capital Lease Payable	85,240	-	85,240
Annuity Payment Obligation	46,266	-	46,266
Asset Retirement Obligation	220,975	-	220,975
Total liabilities	10,060,257	-	10,060,257
Net Assets:			
Without donor restrictions:			
Operating	(4,365,545)	-	(4,365,545)
Property and equipment	9,029,074	-	9,029,074
Total without donor restrictions	4,663,529	-	4,663,529
With donor restrictions	-	11,862,432	11,862,432
Total net assets	4,663,529	11,862,432	16,525,961
Total liabilities and net assets	$ 14,723,786	$ 11,862,432	$ 26,586,218

The accompanying notes are an integral part of these statements.

PINE MANOR COLLEGE

Statement of Financial Position
June 30, 2018

Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:			
Cash and cash equivalents	$ 437,339	$ 108,031	$ 545,370
Restricted cash	65,447	-	65,447
Student accounts receivable, net of allowance for doubtful accounts of approximately $264,000	177,578	-	177,578
Other accounts receivable	154,082	-	154,082
Current portion of pledges receivable	-	185,000	185,000
Prepaid expenses and other	159,707	-	159,707
Total current assets	994,153	293,031	1,287,184
Assets Held Under Split-Interest Agreements	49,151	204,441	253,592
Cash Surrender Value of Life Insurance, net of policy loans	580,616	-	580,616
Investments	-	9,607,790	9,607,790
Pledges Receivable, net of current portion and discount	-	170,602	170,602
Due from (to) Funds	(1,369,335)	1,369,335	-
Property and Equipment, net	15,037,672	-	15,037,672
Interest Rate Swap Contracts in Gain Position	67,955	-	67,955
Total assets	$ 15,360,212	$ 11,645,199	$ 27,005,411
Liabilities and Net Assets			
Current Liabilities:			
Note payable to a bank	$ 500,000	$ -	$ 500,000
Current portion of notes payable	271,603	-	271,603
Current portion of bond payable	259,697	-	259,697
Accounts payable and accrued expenses	1,735,671	-	1,735,671
Deferred tuition and fees	1,131,881	-	1,131,881
Total current liabilities	3,898,852	-	3,898,852
Notes Payable, net of current portion	1,655,649	-	1,655,649
Bond Payable, net of current portion	4,919,197	-	4,919,197
Annuity Payment Obligation	49,151	-	49,151
Asset Retirement Obligation	211,333	-	211,333
Total liabilities	10,734,182	-	10,734,182
Net Assets:			
Without donor restrictions:			
Operating	(4,638,051)	-	(4,638,051)
Property and equipment	9,264,081	-	9,264,081
Total without donor restrictions	4,626,030	-	4,626,030
With donor restrictions	-	11,645,199	11,645,199
Total net assets	4,626,030	11,645,199	16,271,229
Total liabilities and net assets	$ 15,360,212	$ 11,645,199	$ 27,005,411

The accompanying notes are an integral part of these statements.

PINE MANOR COLLEGE

Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Tuition and fees	$ 11,221,781	$ -	$ 11,221,781
Auxiliary enterprises	2,825,726	-	2,825,726
Less - student aid	(5,358,480)	-	(5,358,480)
Tuition, fees, and auxiliary enterprises, net	8,689,027	-	8,689,027
Rental income	3,483,379	-	3,483,379
Sales and services of educational activities	1,980,193	-	1,980,193
Grants and contributions	1,743,906	501,571	2,245,477
Investment return designated for current operations	652,000	-	652,000
Other income	421,478	-	421,478
Federal and state student aid	18,188	-	18,188
Net assets released from restrictions	335,910	(335,910)	-
Total operating revenue	17,324,081	165,661	17,489,742
Operating Expenses:			
Instruction	4,725,917	-	4,725,917
Academic services	836,921	-	836,921
Student services	4,083,077	-	4,083,077
Institutional support	3,840,716	-	3,840,716
Other expenses	414,792	-	414,792
Auxiliary enterprises	2,810,083	-	2,810,083
Independent operations	1,369,786	-	1,369,786
Total operating expenses	18,081,292	-	18,081,292
Changes in net assets from operations	(757,211)	165,661	(591,550)
Non-Operating Revenue (Expenses):			
Gain on sale of life insurance policies	896,933	-	896,933
Net unrealized loss on carrying value of interest rate swap contracts	(64,399)	-	(64,399)
Endowment contributions	-	2,500	2,500
Interest income (expense) on endowment borrowing	(37,824)	37,824	-
Investment return reduced by amount for current operations	-	11,248	11,248
Total non-operating revenue (expenses)	794,710	51,572	846,282
Changes in net assets	$ 37,499	$ 217,233	$ 254,732

The accompanying notes are an integral part of these statements.

PINE MANOR COLLEGE

Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Tuition and fees	$ 12,798,705	$ -	$ 12,798,705
Auxiliary enterprises	3,876,496	-	3,876,496
Less - student aid	(5,495,361)	-	(5,495,361)
Tuition, fees, and auxiliary enterprises, net	11,179,840	-	11,179,840
Rental income	2,417,101	-	2,417,101
Sales and services of educational activities	2,068,842	-	2,068,842
Grants and contributions	853,908	205,493	1,059,401
Investment return designated for current operations	727,678	-	727,678
Other income	495,952	-	495,952
Federal and state student aid	38,991	-	38,991
Net assets released from restrictions	285,864	(285,864)	-
Total operating revenue	18,068,176	(80,371)	17,987,805
Operating Expenses:			
Instruction	4,928,986	-	4,928,986
Academic services	844,843	-	844,843
Student services	3,796,812	-	3,796,812
Institutional support	3,926,320	-	3,926,320
Other expenses	492,075	-	492,075
Auxiliary enterprises	2,673,395	-	2,673,395
Independent operations	1,397,688	-	1,397,688
Total operating expenses	18,060,119	-	18,060,119
Changes in net assets from operations	8,057	(80,371)	(72,314)
Non-Operating Revenue (Expenses):			
Insurance proceeds applied to capital projects	62,712	-	62,712
Net unrealized gain on carrying value of interest rate swap contracts	53,761	-	53,761
Endowment contributions	-	3,501	3,501
Interest income (expense) on endowment borrowing	(44,754)	44,754	-
Investment return reduced by amount for current operations	-	(279,057)	(279,057)
Net assets released from capital restriction	38,314	(38,314)	-
Total non-operating revenue (expenses)	110,033	(269,116)	(159,083)
Changes in net assets	$ 118,090	$ (349,487)	$ (231,397)

PINE MANOR COLLEGE

Statements of Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, June 30, 2017	$ 4,507,940	$ 11,994,686	$ 16,502,626
Changes in net assets	118,090	(349,487)	(231,397)
Net Assets, June 30, 2018	4,626,030	11,645,199	16,271,229
Changes in net assets	37,499	217,233	254,732
Net Assets, June 30, 2019	$ 4,663,529	$ 11,862,432	$ 16,525,961

PINE MANOR COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Changes in net assets	$ 254,732	$ (231,397)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	834,879	892,262
Interest - amortization of debt issuance costs	25,000	22,416
Bad debts	216,994	268,758
Insurance proceeds applied to capital projects	-	(62,712)
Net unrealized (gains) losses on carrying value of interest rate swap contracts	64,399	(53,761)
Net realized and unrealized gains on investments	(504,026)	(282,469)
Change in discount on pledges receivable	(2,003)	7,632
Gain on sale of life insurance policies	(896,933)	-
Endowment contributions	(2,500)	(3,501)
Changes in operating assets and liabilities:		
Student accounts receivable	(367,121)	(217,846)
Other accounts receivable	(175,436)	(43,603)
Pledges receivable	(738,090)	(125,000)
Prepaid expenses and other	36,998	76,625
Accounts payable and accrued expenses	375,138	(517,084)
Deferred tuition and fees	(141,103)	218,526
Asset retirement obligation	9,642	11,047
Net cash used in operating activities	(1,009,430)	(40,107)
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	3,737,745	3,457,331
Purchases of investments	(3,247,635)	(3,366,776)
Decrease in contract receivable	-	500,000
Insurance proceeds applied to capital projects	-	62,712
Change in assets held under split-interest agreements	(5,399)	15,809
Net decrease in restricted cash	65,447	339,576
Change in annuity payment obligation	(2,885)	(13,660)
Proceeds from sale of life insurance policies	1,534,500	-
Change in cash surrender value of life insurance policies	(56,951)	(5,088)
Acquisition of property and equipment	(304,700)	(1,082,538)
Net cash provided by (used in) investing activities	1,720,122	(92,634)
Cash Flows from Financing Activities:		
Endowment contributions	2,500	3,501
Proceeds from notes payable	-	67,769
Net borrowing (repayment) on note payable to a bank	(500,000)	200,000
Principal payments on bond payable	(259,697)	(257,109)
Principal payments on notes payable	(271,604)	(270,356)
Net cash used in financing activities	(1,028,801)	(256,195)
Net Change in Cash and Cash Equivalents	(318,109)	(388,936)
Cash and Cash Equivalents:		
Beginning of year	545,370	934,306
End of year	$ 227,261	$ 545,370
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 310,340	$ 291,270
Supplemental Disclosure of Non-Cash Transactions:		
Property and equipment included in accounts payable	$ -	$ 13,223
Assets acquired with capital leases	$ 104,807	$ -

The accompanying notes are an integral part of these statements.

PINE MANOR COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Instruction	Academic Services	Student Services	Institutional Support	Other Expenses	Plant	Auxiliary Enterprises	Independent Operations	Total
Personnel and Related Costs:									
Salaries and wages	$ 2,123,421	$ 525,953	$ 1,878,851	$ 1,199,547	$ 140,375	$ 328,190	$ -	$ 596,448	$ 6,792,785
Payroll taxes and fringe benefits	387,882	64,524	403,397	269,855	27,877	76,925	-	126,639	1,357,099
Work study wages and student employment	27,152	7,364	53,294	3,037	-	-	-	12,755	103,602
Professional development	1,151	12,068	13,619	7,750	-	-	-	479	35,067
Total personnel and related costs	2,539,606	609,909	2,349,161	1,480,189	168,252	405,115	-	736,321	8,288,553
Occupancy:									
Utilities	-	-	-	-	-	1,085,682	-	-	1,085,682
Repairs and maintenance	-	-	-	-	-	773,772	-	-	773,772
Depreciation	-	-	-	-	-	464,619	-	-	464,619
Interest	-	-	-	-	-	196,190	-	-	196,190
Total occupancy	-	-	-	-	-	2,520,263	-	-	2,520,263
Other:									
Consulting and contracted services	6,470	8,657	734,169	910,715	-	119,165	-	-	1,779,176
Placement commission and fees	1,244,216	-	-	-	-	-	-	210,923	1,455,139
Room and board	33,206	3,593	42,122	15,243	117	-	1,155,650	128,769	1,378,700
Program supplies	67,321	38,565	161,598	15,670	664	64,773	-	21,825	370,416
Depreciation	-	-	-	-	-	370,260	-	-	370,260
Miscellaneous	16,381	29,511	-	200,900	-	-	-	49,012	295,804
Outside events	-	-	-	-	245,344	-	-	-	245,344
Bad debts	-	-	-	170,280	-	-	-	46,714	216,994
Insurance	-	-	-	145,961	-	-	-	2,446	148,407
Legal and professional fees	-	-	-	143,336	-	-	-	-	143,336
Interest	-	-	-	114,150	-	25,000	-	-	139,150
Student activities and events	-	-	138,158	-	-	-	-	-	138,158
Travel	19,815	454	103,780	10,427	123	476	-	1,916	136,991
Postage, printing and publications	5,048	5,149	21,573	77,022	42	-	-	2,222	111,056
Advertising	750	-	522	104,640	-	-	-	1,073	106,985
Vehicle	-	-	44,791	-	-	14,169	-	20,398	79,358
Telephone	469	-	8,378	65,134	-	644	-	1,526	76,151
Memberships and subscriptions	34	280	22,857	27,235	250	205	-	1,447	52,308
Repairs and maintenance	585	-	22,999	767	-	-	-	4,392	28,743
Total other	1,394,295	86,209	1,300,947	2,001,480	246,540	594,692	1,155,650	492,663	7,272,476
Total expenses before plant allocation	3,933,901	696,118	3,650,108	3,481,669	414,792	3,520,070	1,155,650	1,228,984	18,081,292
Plant Allocation	792,016	140,803	432,969	359,047	-	(3,520,070)	1,654,433	140,802	-
Total expenses	$ 4,725,917	$ 836,921	$ 4,083,077	$ 3,840,716	$ 414,792	$ -	$ 2,810,083	$ 1,369,786	$ 18,081,292

The accompanying notes are an integral part of these statements.

PINE MANOR COLLEGE

Statement of Functional Expenses
For the Year Ended June 30, 2018

	Instruction	Academic Services	Student Services	Institutional Support	Other Expenses	Plant	Auxiliary Enterprises	Independent Operations	Total
Personnel and Related Costs:									
Salaries and wages	$ 1,885,079	$ 527,279	$ 1,817,303	$ 1,299,363	$ 131,169	$ 308,682	$ -	$ 556,375	$ 6,525,250
Payroll taxes and fringe benefits	365,004	48,757	362,161	329,305	23,875	67,624	-	100,876	1,297,602
Work study wages and student employment	19,109	16,627	40,665	5,813	-	-	-	15,488	97,702
Professional development	-	11,148	14,802	4,639	-	-	-	35	30,624
Total personnel and related costs	2,269,192	603,811	2,234,931	1,639,120	155,044	376,306	-	672,774	7,951,178
Occupancy:									
Utilities	-	-	-	-	-	1,023,378	-	-	1,023,378
Repairs and maintenance	-	-	-	-	-	752,281	-	-	752,281
Depreciation	-	-	-	-	-	538,926	-	-	538,926
Interest	-	-	-	-	-	180,379	-	-	180,379
Total occupancy	-	-	-	-	-	2,494,964	-	-	2,494,964
Other:									
Consulting and contracted services	5,000	8,072	630,481	816,570	-	151,014	-	-	1,611,137
Placement commission and fees	1,724,363	-	-	-	-	-	-	280,378	2,004,741
Room and board	24,142	8,291	51,025	19,480	-	-	1,043,343	140,535	1,286,816
Program supplies	80,080	42,698	126,523	26,633	1,723	51,853	130	17,351	346,991
Depreciation	-	-	-	-	-	353,336	-	-	353,336
Miscellaneous	20,728	28,847	4,233	233,203	-	-	-	57,067	344,078
Outside events	-	-	-	-	332,685	-	-	-	332,685
Bad debts	-	-	-	205,940	-	-	-	62,818	268,758
Insurance	-	-	-	154,304	-	-	-	5,484	159,788
Legal and professional fees	-	-	-	126,654	-	-	-	-	126,654
Interest	-	-	-	110,891	-	22,416	-	-	133,307
Student activities and events	-	-	144,888	-	-	-	-	-	144,888
Travel	18,155	1,404	73,921	5,066	45	107	-	2,110	100,808
Postage, printing and publications	6,761	12,737	19,863	80,603	851	-	-	2,468	123,283
Advertising	-	-	-	67,192	300	-	-	651	68,143
Vehicle	-	-	42,689	-	-	16,961	-	15,565	75,215
Telephone	-	-	6,055	63,225	-	757	-	581	70,618
Memberships and subscriptions	283	266	16,874	18,957	402	205	-	805	37,792
Repairs and maintenance	-	-	18,775	4,754	1,025	-	-	385	24,939
Total other	1,879,512	102,315	1,135,327	1,933,472	337,031	596,649	1,043,473	586,198	7,613,977
Total expenses before plant allocation	4,148,704	706,126	3,370,258	3,572,592	492,075	3,467,919	1,043,473	1,258,972	18,060,119
Plant Allocation	780,282	138,717	426,554	353,728	-	(3,467,919)	1,629,922	138,716	-
Total expenses	$ 4,928,986	$ 844,843	$ 3,796,812	$ 3,926,320	$ 492,075	$ -	$ 2,673,395	$ 1,397,688	$ 18,060,119

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Pine Manor College (the College) is a Massachusetts nonprofit corporation established in 1911. The College is accredited by New England Commission of Higher Education (NECHE) and offers Bachelor of Arts degrees under a four-year program and Associates Degrees under a two-year program. The College is situated on approximately 50 acres in Chestnut Hill, Massachusetts, acquired in 1965. The College has historically operated as a women-only college but became a co-educational institution effective in 2013.

The College is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The College is also exempt from state income taxes. Donors may deduct contributions made to the College within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding money market and cash accounts held in the investment portfolio (see Note 3).

Restricted cash at June 30, 2018, is an escrow account with a balance of $65,447 that was required to be held in a separate account under the terms of a bond purchase agreement (see Notes 5 and 9). There were no such restricted balances at June 30, 2019.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in accounts receivable. The allowance is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivables will not be recovered, and all reasonable collection efforts have been exhausted.

Pledges Receivable

Pledges receivable at June 30, 2019 and 2018, consist of uncollected contributions committed to the College. Pledges are recorded at their net present value when unconditionally committed (see Note 2). Any allowance for uncollectible pledges is recorded based on management's analysis of specific pledges and their estimate of amounts that may become uncollectible. Pledges are written off against the allowance when they are determined to be uncollectible. No allowance was deemed necessary as of June 30, 2019 or 2018.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The College records its investments in marketable securities (see Note 3) at fair value (see page 12) using Level 1 inputs, which are based on quoted prices in active markets. The College maintains other investments in fixed income - corporate bonds and fixed income - government obligations also at fair value based on observable prices and factors for identical or similar assets which are Level 2 inputs.

Substantially all investments are components of the College's endowment (see Note 4). Accordingly, these investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity of the individual securities held.

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period.

Property and Equipment and Depreciation

Purchased property and equipment over $2,500 are recorded at cost (see Note 5). Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 - 40 years
Land improvements	15 - 40 years
Furniture and equipment	3 - 15 years
Vehicles	5 years

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with the standards for *Accounting for Conditional Asset Retirement Obligation*, if a reasonable estimate of the fair value of the obligation can be made. 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 is recognized as a gain or loss in the statement of activities.

Substantially all of the impact of the asset retirement obligation relates to estimated costs to remove asbestos that is contained within the College's facilities. Accretion costs associated with this project were $3,886 and $5,756 in fiscal years 2019 and 2018, respectively, which are included in repairs and maintenance in the accompanying statements of functional expenses. The College has accreted $220,975 and $211,333 of asset retirement obligations related to asbestos removal as of June 30, 2019 and 2018, respectively.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The College uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the College. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. Assets and liabilities subject to disclosures under this framework include investments (see page 11 and Note 3), split-interest liabilities (see Note 6), and interest rate swap agreements (see Notes 9 and 10).

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the College. The College has grouped its net assets without donor restrictions into the following categories:

Operating net assets represent net assets which are available for operations and bear no external restrictions.

Property and equipment net assets represent amounts expended and resources expended for property and equipment, net of related debt.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted), amounts for unrestricted use in future periods (time restricted), or amounts received from donors with the stipulation that the principal will be held in perpetuity. In accordance with Massachusetts law, all earnings and appreciation of a donor-restricted endowment are restricted until appropriated by the Board of Trustees (see Note 4).

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

	2019	2018
Subject to expenditure for specified purpose:		
Scholarships	$ 51,234	$ 60,049
Other operating expenses	602,530	703,036
Capital expenditures	4,992	4,992
	658,756	768,077
Subject to the passage of time:		
Unrestricted promises to give that are unavailable for expenditure until collected	475,000	200,000
Subject to the College's endowment spending policy and appropriation (see Note 4):		
Investment in perpetuity (including amounts above the original gift amounts of $10,207,462 and $10,204,962 as of June 30, 2019 and 2018, respectively), which once appropriated is expendable to support:		
Scholarships	3,526,241	3,513,818
Educational programs and general use	7,202,435	7,163,304
	10,728,676	10,677,122
	$ 11,862,432	$ 11,645,199

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018.

	2019	2018
Expiration of time restrictions:		
Time restricted pledge payments	$ 200,000	$ 2,149
Satisfaction of purpose restrictions:		
Scholarships	10,860	13,411
Other operating expenses	125,050	270,304
Total operating releases	335,910	285,864
Capital expenditures	-	38,314
	$ 335,910	$ 324,178

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying statements of activities. Peripheral or incidental transactions are reported as non-operating revenue (expenses). Non-operating revenue (expenses), includes activity related to investments, endowment, interest rate swap contracts, life insurance policies, and capital activities.

Revenue Recognition

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

Tuition and fees and sales and services of educational activities are recorded as services are provided. Fees and deposits received in advance of services provided are recorded as deferred tuition and fees (see Note 12). Tuition and fees are shown net of student aid expense, which is recorded at the time the aid is applied to the student account.

Federal and state student aid is recorded as services are provided. Auxiliary enterprises (room and board and book sales) are recognized when earned.

The College leases certain facilities, including dormitories, to other area colleges (see Note 11). The College also occasionally leases its facilities for outside events. Facility rental income is recognized for the rental period or when events occur and is included in rental income in the accompanying financial statements. All other revenues are recorded as earned on the accrual basis of accounting.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each program.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on an estimate of time and level of effort include personnel and related costs. Occupancy and depreciation are allocated based on the square footage of facilities occupied.

Advertising Costs

The College expenses advertising costs as they are incurred.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The College accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The College has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying financial statements at June 30, 2019 and 2018. The College's information returns are subject to examination by the Federal and state jurisdictions.

Debt Issuance Costs

Debt issuance costs are amortized as interest expense over the period the related obligation is outstanding using the straight line method, which approximates the effective interest method. The balance of unamortized debt issuance costs is netted against the balance of the related obligation (see Notes 9 and 10).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 27, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

2. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2019 and 2018, are expected to be received as follows:

	2019	2018
Less than one year	$ 816,423	$ 185,000
One to five years	286,667	180,000
	1,103,090	365,000
Less - discount	7,395	9,398
	1,095,695	355,602
Less - current portion	816,423	185,000
Pledges receivable, net	$ 279,272	$ 170,602

Pledges have been discounted using interest rates between 1.76% and 2.73% as of June 30, 2019 and 2018, respectively, as based on U.S. Treasury Notes in effect on the dates of the pledges.

3. INVESTMENTS

The following tables present the College's investments by level within the fair valuation framework (see Note 1) as of June 30:

2019	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	$ -	$ 877,550	$ -	$ 877,550
Government obligations	-	1,869,937	-	1,869,937
Mutual funds	1,174,729	-	-	1,174,729
Equities:				
Domestic markets	2,738,006	-	-	2,738,006
Mutual funds	2,235,847	-	-	2,235,847
Money market accounts	725,637	-	-	725,637
	$ 6,874,219	$ 2,747,487	$ -	$ 9,621,706

2018	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	$ -	$ 863,547	$ -	$ 863,547
Government obligations	-	1,868,861	-	1,868,861
Mutual funds	1,358,504	-	-	1,358,504
Equities:				
Domestic markets	2,763,229	-	-	2,763,229
Mutual funds	2,242,415	-	-	2,242,415
Money market accounts	511,234	-	-	511,234
	$ 6,875,382	$ 2,732,408	$ -	$ 9,607,790

The following schedule summarizes the investment return and its classification in the accompanying statements of activities at June 30:

	2019	2018
Net realized gains	$ 269,639	$ 342,463
Investment income	208,215	216,539
Net unrealized gain (loss)	234,387	(59,994)
Investment expense	(48,993)	(50,387)
	663,248	448,621
Designation under spending policy (see Note 4)	(652,000)	(727,678)
Investment return reduced by amount for current operations	$ 11,248	$ (279,057)

4. ENDOWMENT

The College's endowment consists of approximately sixty-five individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the College's endowment funds are included in net assets with donor restrictions.

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College, and (7) the College's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

Massachusetts state law allows the College to appropriate as much of the College's donor-restricted endowments as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

The College has an investment policy, which combined with the spending rate, attempts to provide a predictable stream of returns combined with asset protection. Endowment assets include those assets restricted by donors that the College must hold in perpetuity. Under the College's investment policy and spending rate, both approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee, advised by a third party investment advisor, is responsible for selecting the investment managers of the College's portfolio. The Investment Committee's strategy is to include an array of strategies and investment managers for the portfolio in order to maximize risk adjusted returns.

Spending Policy

The Board of Trustees has voted to allow for the use of a portion of total investment return for operations each year. Transfers to the operating net assets, in accordance with this policy, are reflected in the accompanying statements of activities as investment return designated for current operations (see Note 3). Effective beginning with fiscal year 2017, the spending draw is calculated as 4% of the five year average investment balance, with a discretionary 1% additional draw to be approved by the Board of Trustees annually. The fiscal year 2019 spending appropriation was computed at the 5% maximum and also includes a supplemental draw of $198,741. The fiscal year 2018 spending appropriation includes a supplemental draw of $210,000, which is in addition to the maximum allowable 5% spend allowed under the policy. The Board of Trustees appropriated $652,000 and $727,678 for operations during fiscal years 2019 and 2018, respectively (see Note 3).

4. ENDOWMENT (Continued)

Borrowing

The Massachusetts Office of Attorney General, Division of Public Charities (DPC), and the College's Board of Trustees had previously authorized the College to borrow $2,132,218 from the endowment. Repayment terms for the endowment borrowing were determined in an agreement with the DPC. Monthly principal payments of $17,768, plus interest of 3.25%, are due through June 30, 2024. The College paid $37,824 and $44,754 in interest to the endowment during the years ended June 30, 2019 and 2018, respectively. The outstanding principal balance of the endowment borrowing was $1,064,994 and $1,279,331 as of June 30, 2019 and 2018, respectively, and is included in due from (to) funds in the accompanying statements of financial position as follows at June 30:

	2019	2018
Endowment borrowing	$ 1,064,994	$ 1,279,331
Other	(55,340)	90,004
	$ 1,009,654	$ 1,369,335

Endowment Activity

At June 30, 2019, endowment funds with original gift values of $10,207,462 and fair values of $10,728,676 (see Note 1) were reported in net assets with donor restrictions. At June 30, 2018, endowment funds with original gift values of $10,204,962 and fair values of $10,677,122 were reported in net assets with donor restrictions.

Changes in endowment net assets as of June 30 are as follows:

	2019	2018
Endowment net assets, beginning of year	$ 10,677,122	$ 10,907,924
Total investment return (see Note 3)	663,248	448,621
Endowment contributions and other	2,482	3,501
Interest on endowment borrowing	37,824	44,754
Less - investment return designated for operations	(652,000)	(727,678)
Net change in endowment	51,554	(230,802)
Endowment net assets, end of year	$ 10,728,676	$ 10,677,122

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2019	2018
Buildings and improvements	$ 29,914,759	$ 28,543,136
Furniture and equipment	11,130,211	10,995,860
Land and land improvements	3,142,917	3,142,917
Vehicles	461,422	461,422
	44,649,309	43,143,335
Less - accumulated depreciation	30,059,325	29,224,446
Net property and equipment placed in service	14,589,984	13,918,889
Construction in process	9,093	1,118,783
Property and equipment, net	$ 14,599,077	$ 15,037,672

Depreciation expense for the years ended June 30, 2019 and 2018, was $834,879 and $892,262, respectively. At June 30, 2019 and 2018, construction in process consists of building improvements and other projects that are not yet in service.

Land Sales

The College sold five acres of land during 2013. The College was required under an escrow agreement with the holder of the College's bond financing (see Note 9) to deposit the sale proceeds into an escrow account. Remaining amounts in the escrow are released as the College completes certain capital improvement projects. As of June 30, 2018, the escrow balance was $65,447. There was no required escrow amount as of June 30, 2019.

6. SPLIT-INTEREST AGREEMENTS

The College is the beneficiary of various split-interest planned giving arrangements. These gifts are classified within the following categories:

Gift annuity funds - A donor transfers assets to the College in return for a promise by the College to pay a specific annuity to a designated beneficiary for their lifetime. Under this arrangement, the transferred assets are maintained in a restricted account and the obligation to make annuity payments is guaranteed by all assets of the College. Upon the beneficiary's death, the annuity payment obligation ceases and the transferred assets are released from restriction.

Pooled income funds - Donors invest in a pooled investment fund. The income generated is paid to designated beneficiaries over their lifetimes. Upon the beneficiaries' deaths, the value of the donors' units in the fund is transferred to the net assets without donor restrictions of the College, unless a donor has designated funds as restricted.

6. SPLIT-INTEREST AGREEMENTS (Continued)

The investments under these arrangements are maintained in separate investment portfolios from the investments of the College and consist of the following at June 30:

	2019	2018
Gift annuity funds	$ 258,219	$ 253,195
Pooled income funds	772	397
	$ 258,991	$ 253,592

The value of the investments related to split-interest agreements was determined using Level 1 inputs as contemplated under the fair value measurement hierarchy (see Note 1).

The fair value of the annuity payment liability under gift annuity arrangements is presented in the accompanying statements of financial position as annuity payment obligation and totaled $46,266 and $49,151 at June 30, 2019 and 2018, respectively. The changes in split interest agreements were as follows for the fiscal years ended June 30:

	2019	2018
Beginning Balance	$ 49,151	$ 62,811
Payments	(10,363)	(7,433)
Change in value	7,478	(6,227)
Ending Balance	$ 46,266	$ 49,151

The value of the liability was determined using Level 3 inputs (donor life expectancy and present value factors) as contemplated under the fair value measurement hierarchy.

Contributions received under pooled income arrangements are generally recorded at discounted values as increases in net assets with restrictions.

7. CASH SURRENDER VALUE OF LIFE INSURANCE

The College was the beneficiary of two insurance policies on the lives of an alumna and her husband, with death benefits aggregating approximately $5.4 million and cash surrender values aggregating $1,030,616 as of June 30, 2018. The College had elected to borrow against the cash surrender value of these policies for operating cash flow purposes. Total borrowings at June 30, 2018, were $450,000. Borrowings were repayable to the policies with interest at rates of 3.25% and 5%. During fiscal year 2019, the College sold the two insurance policies for proceeds totaling $1,534,500. The College realized a gain on sale of the policies of $896,933 net of transaction costs.

8. NOTE PAYABLE TO A BANK

The College has a revolving line of credit agreement with a bank that provides for borrowing up to $500,000 that expires in March 31, 2020. Effective in May 2019, the line of credit was temporarily increased to allow for borrowings up to $2,800,000, subject to certain terms and conditions, through October 11, 2019, at which time it was reduced to $800,000 through the expiration date. Interest is payable monthly at the bank's base lending rate (5.50% and 5.00% at June 30, 2019 and 2018, respectively), plus 1.5%, with a minimum rate of 4.75%. The line of credit requires an annual thirty-day clean-up of principal borrowings. The line of credit is secured by a first mortgage on four residential lots adjacent to the College's main campus, a second mortgage on the main campus (see Note 5) and an assignment of a lease of certain College facilities (see Note 11).

8. NOTE PAYABLE TO A BANK (Continued)

The line of credit is cross-collateralized with a term loan (see Note 10) and is subject to the same covenant compliance requirements on those obligations. There was $500,000 of outstanding borrowings at June 30, 2018, and no outstanding balance at June 30, 2019. The College must comply with certain financial and non-financial covenants, as defined in the continuing covenants agreement. The College was in compliance with these covenants as of June 30, 2019 and 2018.

9. BOND PAYABLE

In July 2008, the College entered into a tax-exempt bond financing agreement in the amount of $7,500,000 issued by the Massachusetts Development Finance Agency (MDFA), secured by a first mortgage on the College's main campus, to finance the construction of new athletic fields, general capital improvements to facilities and grounds, equipment to improve the College's energy utilization, acquisition of furnishings, fixtures and equipment, and the repayment of substantially all of the College's pre-existing fixed debt. The bond obligation matures in July 2033. The interest rate is equal to the product of 0.7 times the sum of the London Interbank Offered Rate (LIBOR) (0.45% as of June 30, 2019 and 2018), plus 300 basis points. The bond is secured by all business assets of the College.

The College must comply with certain financial and non-financial covenants, including debt service ratios, as defined in the continuing covenants agreement. The College was in compliance with these covenants as of June 30, 2019 and 2018.

The outstanding balance under the bond payable is as follows as of June 30:

	2019	2018
Total bond payable	$ 5,218,691	$ 5,478,387
Less - current portion	(271,384)	(259,697)
Less - unamortized debt issuance costs	(279,743)	(299,493)
	$ 4,667,564	$ 4,919,197

Future maturities of the principal of the bond for the next five years are as follows:

2020	$ 271,384
2021	$ 283,597
2022	$ 296,359
2023	$ 309,726
2024	$ 323,369

Debt Issuance Costs and Amortization

Debt issuance costs consist of closing costs and other fees related to the issuance of the bond payable. These costs are amortized over the duration of each obligation. Debt issuance costs consist of the following as of June 30:

	2019	2018
Debt issuance costs	$ 452,615	$ 452,615
Less - accumulated amortization	172,872	153,122
Unamortized debt issuance costs	$ 279,743	$ 299,493

9. BOND PAYABLE (Continued)

Debt Issuance Costs and Amortization (Continued)

Interest expense related to the amortization of debt issuance costs was $19,750 and $19,916 for the years ended June 30, 2019 and 2018, respectively, and is included in interest expense in the accompanying statements of functional expenses. Amortization expense through the maturity of the bond will be approximately $19,700 per year.

10. NOTES PAYABLE

Term Loan

The College has a term loan in the original amount of $3,500,000 with the same bank that holds the bond payable (see Note 9) and issued the line of credit (see Note 8) to refinance a pre-existing line of credit. This loan is set to mature March 2026. Interest is payable monthly at the LIBOR Advantage Rate, plus a 3.5% spread. Principal is due in monthly installments of $14,798 through March 15, 2026. Prepayment is permitted at any time, but will be subject to certain penalties as described in the loan agreement. This note is cross-collateralized with the same assets securing borrowings on the line of credit (see Note 8). The balance was $1,202,030 and $1,379,611 as of June 30, 2019 and 2018, respectively.

The College must comply with certain financial covenants, including debt service ratios, as defined in the note payable agreement and certain non-financial covenants. The College was in compliance with these covenants as of June 30, 2019.

To hedge against potential interest rate exposure under the floating rate note, the College entered into an interest rate swap agreement with the following terms, which effectively fixed interest rates on the outstanding principal balance of the note. The swap contract had an initial notional amount of $3,500,000, which declines on a schedule based upon the note's expected amortization. The notional amount was $1,202,030 and $1,379,611 at June 30, 2019 and 2018, respectively.

Other significant terms of the swap contract included:

Fixed Rate Assumed by the College	5.22%
Basis for Variable Rate Assumed by Counterparty	LIBOR + 3.5% spread
Effective Date	March 15, 2016
Termination Date	March 15, 2026
Counterparty	Rockland Trust Company

The swap contract is reported at fair value in the accompanying statements of financial position. Fair value is derived using Level 3 inputs (see Note 1), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors.

Gain or loss on the value of the swap contract is recorded as part of the changes in net assets without donor restrictions. For the years ended June 30, 2019 and 2018, the College recorded an unrealized gain (loss) of $(16,768) and $7,196, respectively, on the swap contract, which are included in net unrealized gain (loss) on carrying value of interest rate swap contracts in the accompanying statements of activities. The swap contract was in a gain position of $926 and $17,694 at June 30, 2019 and 2018, respectively.

10. NOTES PAYABLE (Continued)

Construction Loan

The College has a construction loan for a maximum of $700,000 from the same bank that issued the line of credit (see Note 8) and $3,500,000 term loan (see page 22). The proceeds of the loan were used to support the renovation of existing buildings for dormitory space. This loan is set to mature March 2026. Interest is payable monthly at the LIBOR Advantage Rate, plus a 3.5% spread. Principal is due in monthly installments of $5,210 through March 15, 2026. Prepayment is permitted at any time, but will be subject to certain penalties as described in the loan agreement. This note is cross-collateralized with the same assets securing borrowings on the line of credit and the term loan. As of June 30, 2019 and 2018, the outstanding principal balance was $423,157 and $485,671, respectively.

In connection with the construction loan (see above), the College traded an existing rate swap agreement for a new agreement at the initial notional amount of $626,329. The notional amount was $423,157 and $485,671 at June 30, 2019 and 2018, respectively.

Other significant terms of the swap contract include:

Fixed Rate Assumed by the College	5.22%
Basis for Variable Rate Assumed by Counterparty	LIBOR
Effective Date	March 15, 2016
Termination Date	March 15, 2026
Counterparty	Rockland Trust Company

The swap contract is reported at fair value in the accompanying statements of financial position as of June 30, 2019 and 2018. Fair value is derived using Level 3 inputs (see Note 1), including prevailing credit spreads, market liquidity, assumed transaction and hedging costs, and other factors.

Gain or loss in the value of the swap contract is recorded as part of the changes in net assets without donor restrictions. For the years ended June 30, 2019 and 2018, the College recorded an unrealized gain (loss) of $(47,631) and $46,565, respectively, on the swap contract, which is included in net unrealized gain (loss) on carrying value of interest rate swap contracts in the accompanying statements of activities. The swap contract was in a gain position of $2,630 and $50,261 at June 30, 2019 and 2018, respectively.

Computer and Equipment Loans

The College has several computer and equipment loans. These loans bear interest at rates of 3.00% through 7.06% and have monthly principal payments of $667 through $16,228. The individual loans require payments expiring through April 30, 2021. The balance of the computers and equipment loans was $49,626 and $81,136 at June 30, 2019 and 2018, respectively.

10. NOTES PAYABLE (Continued)

Maturity

Total notes payable were as follows as of June 30:

	2019	2018
Term loan	$ 1,202,030	$ 1,379,611
Construction loan	423,157	485,671
Computer and equipment loans	49,626	81,136
Total notes payable	1,674,813	1,946,418
Less - current portion	(267,000)	(271,603)
Less - unamortized debt issuance costs (see below)	(13,916)	(19,166)
	$ 1,393,897	$ 1,655,649

Future maturities of the principal of the notes payable over the next five years are as follows:

2020	$ 267,000
2021	$ 262,815
2022	$ 240,095
2023	$ 240,095
2024	$ 240,095

Debt Issuance Costs and Amortization

Debt issuance costs consist of closing costs and other fees related to the issuance of the notes payable. These costs are amortized over the duration of each obligation. Debt issuance costs consist of the following as of June 30:

	2019	2018
Debt issuance costs	$ 103,038	$ 103,038
Less - accumulated amortization	89,122	83,872
Unamortized debt issuance costs	$ 13,916	$ 19,166

Interest expense related to the amortization of debt issuance costs was $5,250 and $2,500 for the years ended June 30, 2019 and 2018, respectively, and is included in interest expense in the accompanying statements of functional expenses. Amortization expense for the next five years is approximately $2,500 per year.

11. RENTAL ACTIVITY

Long-Term Leases

The College leases certain dormitory, athletic and other facilities to other area colleges and schools under long-term lease agreements expiring on various dates through May 2024, with renewal options. Rental income of approximately $3,017,000 and $1,755,000 was earned under these agreements for the years ended June 30, 2019 and 2018, respectively, and is included in rental income in the accompanying statements of activities.

11. RENTAL ACTIVITY (Continued)

Long-Term Leases (Continued)

The minimum base amount of rental income to be received annually under the long-term lease agreements is as follows:

2020	$ 1,331,424
2021	$ 1,226,272
2022	$ 158,361
2023	$ 10,000
2024	$ 10,000

At June 30, 2019 and 2018, 100% and 75%, respectively, of other accounts receivable was from one area college in connection with rentals.

Special Events

The College also leases its facilities for special events and meetings. Total rental income is as follows for the years ended June 30:

	2019	2018
Long-term leases	$ 3,017,369	$ 1,754,558
Special events and other	466,010	662,543
	$ 3,483,379	$ 2,417,101

12. DEFERRED TUITION AND FEES

Deferred tuition and fees consist substantially of nonrefundable student tuition and English Language Institute program fees received in advance of services performed (see Note 1). The balance is as follows as of June 30:

	2019	2018
Deferred tuition and deposits	$ 355,317	$ 596,951
Child Studies Center tuition and fees	214,506	318,183
English Language Institute program fees	312,372	216,747
Other	108,583	-
	$ 990,778	$ 1,131,881

13. PENSION PLAN

The College has a defined contribution pension plan pursuant to IRC Section 403(b), which covers all qualifying full-time employees. The College contributed 1% of eligible employees' wages in accordance with the plan document, totaling $28,958 and $30,022 for the years ended June 30, 2019 and 2018, respectively, which is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

14. CONCENTRATION

Credit Risk

The College maintains its cash balances in Massachusetts banks, which are insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The College has not experienced any losses in such accounts. The College's management believes the College is not exposed to any significant credit risk on its cash and cash equivalents.

15. COMMITMENTS

Operating Leases

The College has entered into various operating leases for equipment with monthly payments totaling $3,812. The agreements are set to expire at various times through January 2022.

Future minimum payments under these lease agreements are as follows for the years ending June 30:

2020	$ 31,743
2021	$ 23,418
2022	$ 11,400

Contracts

The College was committed under a three-year cleaning contract, which expired in September 2018. Upon expiration the agreement was extended on an at-will basis. Under this agreement, the College incurred $528,460 and $508,134 of cleaning expenses for the years ended June 30, 2019 and 2018, respectively.

The College is committed under various food service contracts with payments varying based on the number of students served and special events held. The agreement is set to expire in June 2027. Under this and prior agreements, the College incurred $1,347,075 and $1,193,132 of food service cost for the years ended June 30, 2019 and 2018, respectively.

During fiscal year 2019, the College entered into a campus security contract which is set to expire in August 2023. Under this agreement, the College will incur approximately $537,600 per year for the next five years. Under the contract, the College incurred $616,609 for the year ended June 30, 2019.

16. LIQUIDITY

The College's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

	2019	2018
Cash and cash equivalents	$ 227,261	$ 545,370
Student accounts receivable, net	327,705	177,578
Other accounts receivable	329,518	154,082
Pledges receivable	816,423	185,000
	1,700,907	1,062,030
Less - net assets with donor restrictions	105,742	108,031
Financial assets available to meet cash needs for general expenditures within one year	$ 1,595,165	$ 953,999

The College is substantially supported by tuition that is billed and received during the fiscal year, with additional support from donors and endowment and rental income. As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the College also could draw upon the available line of credit (see Note 8).

17. CONDITIONAL GRANT

The College received a $70,000 grant commitment from a donor during fiscal year 2019 that is conditional upon meeting certain matching requirements under the grant agreement. As June 30, 2019, the College has not yet met the conditions and as such no revenue has been recorded under this agreement.

18. CAPITAL LEASE

During fiscal year 2019, the College entered into a capital lease agreement for equipment, with a monthly lease obligation of $2,016. The annual imputed interest rate on the capital lease is 5%. Future minimum payments under this agreement is as follows:

Year	Amount
2020	$ 24,192
2021	24,192
2022	24,192
2023	24,192
2024	20,160
Total minimum lease payments	116,928
Less - amount representing interest	12,121
Present value of minimum lease payments	104,807
Less - current portion	19,567
	$ 85,240

19. CONTINUING OPERATIONS

The College achieved a surplus without donor restrictions of $37,499 and $118,090 for the years ended June 30, 2019 and 2018, respectively. The fiscal year 2019 surplus is inclusive of a gain on sale of life insurance policies (see Note 7). Operating net assets without donor restrictions remained negative at $4,365,545 and $4,638,051 as of June 30, 2019 and 2018, respectively.

Management of the College continues to develop the path to financial recovery and is confident in its ability to progress, as evidenced by the following:

- The College continues to strengthen its leadership team having hired a new President, Dean of Admissions & Enrollment Management, V.P. of Advancement & Alumni/ae Relations, and Chief Financial Officer over the past three years. All have deep and significant experience in their areas of responsibility.
- The College adopted and is pursuing a new strategic plan in mid-2017 that focuses on student and financial outcomes.
- The College grew its degree-seeking enrollment by +7.1% for fall 2019 and its fundraising goals by +16% as for fiscal year 2019.
- An independent study found that the College is appropriately positioned for the materially changing college-aged demographic in the U.S.

The College monitors ongoing operations and responds to changes in current conditions to support a balanced budget for the current fiscal year and beyond. Management believes that the ongoing activities and actions taken will enable the College to continue as a going concern.

20. RECLASSIFICATION

Certain amounts in the fiscal year 2018 financial statements have been reclassified to conform with fiscal year 2019.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Direct Program:			
Student Financial Assistance Cluster:			
Federal Direct Student Loans	84.268	N/A	$ 2,208,019
Federal Pell Grant Program	84.063	N/A	929,299
Federal Supplemental Educational Opportunity Grants	84.007	N/A	53,159
Federal Work-Study Program	84.033	N/A	40,138
Total U.S. Department of Education			$ 3,230,615

Note 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* .

Note 2. **Indirect Cost Rate**

The College has elected not to use the 10% de minimis cost rate for its Federal programs.

Note 3. **Federal Student Loan Programs**

The College's students and their parents were awarded $2,208,019 of Federally guaranteed loans under the Federal Direct Student Loan Program for the year ended June 30, 2019. The College is responsible for only the performance of certain administrative duties with respect to these programs, and funds for these programs are not included in the College's financial statements.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees of
Pine Manor College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pine Manor College (the College), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
November 27, 2019

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees of
Pine Manor College:

Report on Compliance for Each Major Federal Program

We have audited Pine Manor College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major Federal program for the year ended June 30, 2019. The College's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the College's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
November 27, 2019

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?	____ Yes	X No

Internal control over financial reporting:

• Material weakness(es) identified?	X Yes	____ No
• Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major Federal programs:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	____ Yes	X None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major Federal programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.268, 84.063 84.007, 84.033

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

Auditee qualified as low-risk auditee?	X Yes	____ No

2. FINANCIAL STATEMENT FINDINGS

See Finding 2019-001.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

MATERIAL WEAKNESS

Finding 2019-001

General Ledger Maintenance

Criteria: Internal controls are required to be established to ensure proper financial reporting.

Condition: During the course of the fiscal year 2019 audit, there were forty-one audit adjustments proposed, primarily by management to correct a variety of elements of the College's financial statements and to reconcile balances to various underlying documentation and schedules. Areas addressed by the adjustments included:

- Contributions, grants and related pledges receivable;
- Tuition revenue, deferred tuition and fees and student accounts receivable;
- Interfund balances and net assets with donor restrictions;
- Accounts payable; and
- Payroll, fringe benefits and related accruals.

Cause: We understand that during fiscal year 2019, the finance office at the College experienced turnover in several key positions, including the Director of Finance and Senior Accountant, which necessitated hiring outsourced resources to temporarily provide backup in the finance office.

Was the finding a repeat of a finding in the immediately prior year? No

Effect: Based on errors addressed by those adjustments, financial statements provided during the year likely contained material errors.

Recommendation: Management should redesign and implement a formal closing checklist to document its financial statement reporting process. The checklist should indicate who is to perform and review each task and should include procedures to be performed at the end of each month such as account reconciliations, accrual calculations and monthly journal entries. In addition, management should establish a standard accounting policies and procedures manual that would inform all employees of required operating procedures and policies.

Management Response: Management is in the process of implementing a written checklist and will complete it within 30 days to document its financial statement reporting process. Management is working on performing monthly account reconciliations and will fully implement this process within 90 days. Management is working on establishing a standard accounting policies and procedures manual that would inform all employees of required operating procedures and policies. Management plans to have this in place by the end of fiscal year 2020.

Pine Manor College

Educating with Purpose

CORRECTIVE ACTION PLAN

November 27, 2019

U.S. Department of Education

Pine Manor College respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:
Alexander, Aronson, Finning & Co., P.C.
50 Washington Street
Westborough, MA 01581

Audit period: July 1, 2018 - June 30, 2019

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT AUDIT FINDINGS

Material Weaknesses

Finding 2019-001

General Ledger Maintenance

Recommendation: Management should redesign and implement a formal closing checklist to document its financial statement reporting process. The checklist should indicate who is to perform and review each task and should include procedures to be performed at the end of each month such as account reconciliations, accrual calculations and monthly journal entries. In addition, management should establish a standard accounting policies and procedures manual that would inform all employees of required operating procedures and policies.

Action Taken: We concur with the recommendation, and management is implementing a written checklist that will be completed by February 28, 2020 that will document its financial statement reporting process. Management is performing monthly account reconciliations and will implement this process fully by April 30, 2020. The checklist and reconciliations will be completed by Miranda Mosho, Assistant Controller at Pine Manor

College. Management is establishing a standard accounting policies and procedures manual that will inform all employees of required operating procedures and policies. Management will have this in place by June 30, 2020. Chitra Sharma, CFO at Pine Manor College will oversee the completion of this project by the established.

If the U.S. Department of Education has questions regarding this plan, please call Thomas M. O'Reilly, President, at 617-731-7101.

Sincerely yours,

Thomas M.O'Reilly, President