Assumption College
Financial Statements
May 31, 2019 and 2018

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May 31, 2019 and 2018

RSM US LLP

Independent Auditor's Report

Board of Trustees
Assumption College

Report on the Financial Statements
We have audited the accompanying financial statements of Assumption College which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

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. 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 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 above present fairly, in all material respects, the financial position of Assumption College as of May 31, 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 Matter
As discussed in Note 1 to the financial statements, Assumption College adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year ended May 31, 2019. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures related to net assets. The adoption was retrospectively applied to June 1, 2017, the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

Boston, Massachusetts
September 5, 2019

Assumption College
Statements of Financial Position
May 31, 2019 and 2018

	2019	2018
Assets		
Cash	$ 7,835,479	$ 11,011,952
Short-term investments	12,288,706	11,919,291
Prepaid expenses and other assets	1,021,565	951,194
Student tuition receivables, net	997,692	953,732
Grants and other receivables	106,826	343,293
Student loans, net	1,727,249	2,231,753
Contributions receivable, net	4,875,243	5,532,728
Long-term investments	109,992,293	112,141,314
Beneficial interest in trust	1,399,331	1,408,098
Property, plant and equipment, net	93,393,484	94,692,387
Total assets	$ 233,637,868	$ 241,185,742
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 6,219,168	$ 6,871,415
Student deposits and deferred revenue	6,371,238	6,188,795
Annuity obligations	604,794	673,041
Asset retirement obligation	220,844	256,971
Liability under interest rate swap agreement	505,822	573,239
Refundable government student loans	2,752,754	2,721,923
Debt, net	41,805,092	43,751,662
Total liabilities	58,479,712	61,037,046
Net assets		
Without donor restrictions	135,083,550	138,979,732
With donor restrictions	40,074,606	41,168,964
Total net assets	175,158,156	180,148,696
Total liabilities and net assets	$ 233,637,868	$ 241,185,742

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

Assumption College
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees	$ 80,742,298	$ -	$ 80,742,298
Less financial aid and scholarships	(43,497,465)	-	(43,497,465)
Net tuition and fees	37,244,833	-	37,244,833
Investment income			
Operating assets	394,051	-	394,051
Nonoperating assets	3,257,734	1,375,004	4,632,738
Auxiliary enterprises	20,568,238	-	20,568,238
Annual gifts	1,034,766	-	1,034,766
Grants	3,765,463	-	3,765,463
Other income	2,083,479	-	2,083,479
Net assets released from restrictions	1,375,004	(1,375,004)	-
Total operating revenue and other support	69,723,568	-	69,723,568
Operating expenses			
Instruction	25,790,338	-	25,790,338
Academic support	6,650,161	-	6,650,161
Student services	13,829,133	-	13,829,133
Auxiliary enterprises	16,360,978	-	16,360,978
Institutional support	6,379,823	-	6,379,823
Total operating expenses	69,010,433	-	69,010,433
Increase in net assets from operations	713,135	-	713,135
Nonoperating revenue and expense			
Contributions	259,548	831,794	1,091,342
Investment loss, net	(1,406,533)	(539,541)	(1,946,074)
Investment income utilized	(3,257,734)	(1,375,004)	(4,632,738)
Change in value of split interest agreements	(1,062)	(2,840)	(3,902)
Change in value of beneficial interest in trust	-	(8,767)	(8,767)
Change in value of interest rate swap agreement	67,417	-	67,417
Other nonoperating expenses	(270,953)	-	(270,953)
Decrease in net assets from nonoperating activities	(4,609,317)	(1,094,358)	(5,703,675)
Decrease in net assets	(3,896,182)	(1,094,358)	(4,990,540)
Net assets			
Beginning of year	138,979,732	41,168,964	180,148,696
End of year	$ 135,083,550	$ 40,074,606	$ 175,158,156

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

Assumption College
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees	$ 78,042,698	$ -	$ 78,042,698
Less financial aid and scholarships	(41,032,483)	-	(41,032,483)
Net tuition and fees	37,010,215	-	37,010,215
Investment income			
Operating assets	276,989	-	276,989
Nonoperating assets	2,742,337	1,136,398	3,878,735
Auxiliary enterprises	20,349,252	-	20,349,252
Annual gifts	1,304,258	-	1,304,258
Grants	3,532,939	-	3,532,939
Other income	1,809,895	-	1,809,895
Net assets released from restrictions	1,136,398	(1,136,398)	-
Total operating revenue and other support	68,162,283	-	68,162,283
Operating expenses			
Instruction	23,715,155	-	23,715,155
Academic support	6,613,535	-	6,613,535
Student services	12,018,645	-	12,018,645
Auxiliary enterprises	18,363,370	-	18,363,370
Institutional support	6,999,145	-	6,999,145
Total operating expenses	67,709,850	-	67,709,850
Increase in net assets from operations	452,433	-	452,433
Nonoperating revenue and expense			
Contributions	587,265	576,680	1,163,945
Investment return, net	6,485,577	3,269,204	9,754,781
Investment income utilized	(2,742,337)	(1,136,398)	(3,878,735)
Change in value of split interest agreements	(3,526)	(23,279)	(26,805)
Change in value of beneficial interest in trust	-	47,735	47,735
Change in value of interest rate swap agreement	367,108	-	367,108
Other nonoperating expenses	(514,909)	-	(514,909)
Net assets released from restrictions	25,000	(25,000)	-
Net assets reclassified - split interest agreements	(540,209)	540,209	-
Increase in net assets from nonoperating activities	3,663,969	3,249,151	6,913,120
Increase in net assets	4,116,402	3,249,151	7,365,553
Net assets			
Beginning of year	134,863,330	37,919,813	172,783,143
End of year	$ 138,979,732	$ 41,168,964	$ 180,148,696

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

Assumption College
Statements of Cash Flows
Years Ended May 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
(Decrease) increase in net assets	$ (4,990,540)	$ 7,365,553
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,295,760	4,372,016
Amortization	55,338	55,337
Contributions restricted for endowment	(661,740)	(476,680)
Realized and unrealized losses (gains) on investments	4,949,412	(6,689,823)
Change in the fair value of interest rate swap agreement	(67,417)	(367,108)
Provision for uncollectible student tuition and loans receivable	(86,945)	8,345
Discount for contributions receivable	(87,371)	119,008
Accretion of asset retirement cost	(36,127)	15,116
Change in value of beneficial interest in trust	8,767	(47,735)
Changes in operating assets and liabilities		
Student tuition receivables	(45,657)	(46,600)
Grants and other receivables	236,467	81,740
Contributions receivable	744,856	1,140,503
Prepaid expenses and other assets	(70,371)	199,651
Accounts payable and accrued liabilities	(494,827)	976,647
Student deposits and deferred revenue	182,443	(21,216)
Annuity obligations	(68,247)	21,564
Refundable government student loans	30,831	(187,908)
Total adjustments	8,885,172	(847,143)
Net cash provided by operating activities	3,894,632	6,518,410
Cash flows from investing activities		
Purchases of short-term investments	(369,415)	(11,919,291)
Purchases of long-term investments	(33,310,380)	(29,906,492)
Proceeds from maturities and sales of long-term investments	30,509,989	39,200,954
Purchases of property, plant and equipment	(3,154,277)	(8,903,675)
Issuance of student loans	-	(326,830)
Payments on student loans	593,146	696,533
Net cash used in investing activities	(5,730,937)	(11,158,801)
Cash flows from financing activities		
Contributions restricted for endowment	661,740	476,680
Payments on long-term debt	(2,001,908)	(1,924,452)
Proceeds from long-term borrowings	-	140,724
Net cash used in financing activities	(1,340,168)	(1,307,048)
Net decrease in cash	(3,176,473)	(5,947,439)
Cash		
Beginning of year	11,011,952	16,959,391
End of year	$ 7,835,479	$ 11,011,952
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 1,047,568	$ 1,125,849
Supplemental schedule of noncash investing activities		
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	$ -	$ 157,420

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

1. Organization and Summary of Significant Accounting Policies

Background

Assumption College (the "College"), founded in 1904, is a Catholic, nonprofit, coeducational college located in Worcester, Massachusetts on a 185-acre campus. Approximately 2,400 undergraduate and graduate students attend the College annually. The College offers bachelor's degrees in the liberal arts core and pre-professional programs with a liberal arts core, and professional master's degrees on a full-time and part-time basis. In addition, the Continuing and Career Education program offers bachelor's degrees and certificate programs, as well as noncredit courses.

The College also operates an additional campus in Rome, Italy. The Rome campus is located on land owned by the Augustinians of the Assumption, the founding order of the College.

Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes are classified as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. The change in net assets without donor restrictions is primarily impacted by the results of operations, new capital purchases, net of depreciation and debt, unrestricted giving, and by the amount of net assets with donor restrictions that have been released from restrictions.

With Donor Restrictions - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College, with investment return available for designated purposes. The change in net assets with donor restrictions is impacted primarily by gifts with time and donor constraints, such as restricted annual fund gifts, unconditional pledges and deferred giving instruments. Net assets with donor restrictions also include, under Massachusetts law, funds not yet appropriated by the Board, generally representing cumulative investment earnings and appreciation on endowment funds restricted in perpetuity.

Operations

The statements of activities and changes in net assets report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's primary mission of providing education. Additionally, operating revenue includes contributions received related to annual fund support. The College allocates endowment income and appreciation based on the absence or existence of donor-imposed restrictions. Interest and dividends earned on the funds without donor restrictions are included as operating revenue.

The College reports expenses associated with the management of the College's operations, including activities associated with the plant, endowment, annuity and loan funds, as operating expenses within net assets without donor restrictions.

Investment return, net, certain contributions, nonoperating expenses, and the change in value of split interest agreements, beneficial interest in trust, and interest rate swap agreement are included in nonoperating revenue and expenses.

All contributions are considered to be available for operations and reported as net assets without donor restrictions unless specifically restricted by the donor or have inherent time restrictions. Amounts received that are stipulated for use in future periods or restricted by the donor for specific purposes are reported as restricted support. When a qualifying expenditure occurs or a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as "net assets released from restrictions" in the statement of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is immediately reported as a contribution without donor restrictions.

Furthermore, investment return, net, which consists of dividends, investment fees, and realized and unrealized gains (losses) on investments, is reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift, or the College's interpretation of the relevant state law, impose restrictions on the use of the income or net gain (loss), or if the terms of the gift require the income or net gain (loss) to be added to the principal of an endowment fund restricted in perpetuity; and

- Increases (decreases) in net assets without donor restrictions in all other cases.

Cash
Most of the College's banking activity is maintained with several regional banks, and from time to time cash deposits exceed federal insurance limits. It is the College's policy to monitor these banks' financial strength on an ongoing basis. The College has not experienced any losses in these accounts.

Short-Term Investments
Short-term investments consisted of money market accounts and certificates of deposits at May 31, 2019 and money market accounts at May 31, 2018.

Student Tuition Receivables
Student tuition receivables are stated at the net amount outstanding, less an allowance for doubtful accounts. The allowance for doubtful accounts is established based on management's assessment as to collectability through a charge to bad debt expense for balances that have been deemed uncollectible. Tuition receivables are considered past due if not paid by the due date, or if any portion of the receivable balance is outstanding when the student graduates or withdraws from the College.

Tuition and Fee Revenue
Tuition and fee revenue is recorded at the College's established rates, net of institutional, state and federal financial aid administered directly by the College.

The College defers recognition of registration and tuition revenue to the period in which the related educational instruction is performed and related expenses are incurred. Accordingly, registration and tuition fees received for the next academic year are deferred until the first day of the new fiscal year and recognized ratably over the school term.

Contributions
Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received. Unconditional promises to give which are to be received in future periods are included in the financial statements as contributions receivable. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate commensurate with the risk involved. Amortization of the discount is included in contribution revenue. Contributions receivable are also recorded net of an allowance for doubtful accounts based on management's assessment as to collectability. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There are no conditional promises to give as of May 31, 2019 and 2018. Bequests are recognized as revenue when the right to receive the bequest is unconditional and irrevocable, and the amount to be received is estimable. Such conditions generally occur after a will has cleared probate.

Grants
Government grants are recorded as exchange transactions. Revenue associated with government grants is recognized when the College performs activities specified within the grant agreements.

Investments
The College's portfolio is managed by an outside investment manager who operates under the oversight of the Investment Committee (the "Committee") of the Board. The Committee has established and communicated to the manager the College's investment guidelines.

All long-term investments have been reported in the financial statements at their fair value as of May 31, 2019 and 2018. The fair value of publicly-traded mutual funds, fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The College reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Because the investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a market for such investments existed.

The net realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in net investment return (loss) in the statements of activities and changes in net assets in the applicable net asset category.

As a practical expedient, the College is permitted under accounting principles generally accepted in the United States of America (GAAP) to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided by investment companies to ensure conformity with GAAP. The College has assessed factors including, but not limited to, managers' compliance with the fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

Refundable Government Student Loans

Refundable government student loans represent funds held by the College under the Perkins revolving loan program that are provided by the U.S. Department of Education (DOE). The program expired on September 30, 2017, and the DOE has begun the wind-down of the Perkins loan program and will begin collecting the federal share of the Perkins funds over the upcoming fiscal years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at estimated fair value at the date of the gift. The College depreciates its fixed assets using the straight-line depreciation method over the estimated useful lives of the related assets, as follows:

Land improvements	15-20 years
Buildings and improvements	25-50 years
Equipment and automobiles	3-20 years

Projects are accumulated in construction-in-progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for repairs and maintenance are charged to expense as incurred; betterments are capitalized. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Fine arts consist of items that include sculptures and other works of art that were donated to or purchased by the College. These items are capitalized at cost, if the items were purchased, or at their fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statements of activities and changes in net assets as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the College is protecting and preserving essentially the undiminished service potential of the item. As of May 31, 2019 and 2018, the College has not recorded any depreciation on its sculptures or other works of art.

Impairment of Long-lived Assets

Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the College compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended May 31, 2019 and 2018, no impairment indicators were identified.

Bond Discount and Issuance Costs

Unamortized bond discount and issuance costs are being amortized on a straight-line basis (which approximates the calculation if the effective interest method was used) through the maturity dates of the bonds payable, and are presented in the statements of financial position as a direct reduction from debt.

Annuity Obligations
The College is a beneficiary of certain charitable remainder trusts and gift annuities for which the principal reverts to the College upon the death of the donors or other beneficiaries. The gifts are recorded at estimated fair value at the date of the receipt of such gifts and a liability is recognized equal to the estimated present value of the annuity payments. The liability is adjusted during the term of the obligation for actuarial value, accretion of discount rate, and other changes affecting the estimate of future obligations. For agreements and trust assets where the College is the trustee, the assets held in trust, generally investments, are recorded at fair value and are included in long-term investments in the accompanying statements of financial position.

Beneficial Interest in Trust
The College is the remainder beneficiary of an irrevocable trust for which a bank serves as trustee. The College will receive the fair market value of the trust assets upon the death of other certain beneficiaries, at which time the funds will be used to establish an endowed scholarship in accordance with the donor's wishes. Due to the permanent nature of the trust, the College recognizes its interest in the fair value of the trust as an asset on the statements of financial position and as a net asset with donor restrictions. Changes in the fair value of the trust assets are recorded in the net assets with donor restrictions category on the statements of activities.

Asset Retirement Obligations
An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

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 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.

Estimates are primarily used in determining the valuation of investments, discounts and allowances for student tuition receivables, student loans receivable and contributions receivable, the value of interest rate swap agreement, the estimated liabilities for annuity obligations, and the allocation of expenses.

Income Taxes
The Internal Revenue Service has determined that the College qualifies as a tax-exempt, nonprofit organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The College recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the College's tax positions and concluded that the College has no material uncertainties in income taxes.

The College is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for fiscal years before 2016.

The College will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Advertising
The College expenses advertising costs as incurred.

Liquidity
In order to provide information about liquidity, assets are sequenced according to the timing of their conversion to cash and liabilities according to the nearness of their estimated maturity.

Recently Issued Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenues are recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards as it is considered in current guidance. The College will also need to apply new guidance to determine whether revenues should be recognized over time or at a point in time. The FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for all entities by one year. This standard will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The College has not yet selected a transition method.

The FASB also issued ASU 2016-10 and 2016-12, which make various changes to technical guidance included in ASU 2014-09. The College is currently evaluating the impact of the impending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The College is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Entities must apply the ASU retrospectively to all periods presented, but may apply it prospectively if retrospective application would be impracticable. The College is currently evaluating the impact of this ASU on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. The changes in this ASU must be applied using a retrospective transition method with early adoption permitted. The College is currently evaluating the impact of this ASU on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of asset, or the reduction, settlement, or cancellation of liabilities, is a contribution or exchange transaction. It provides criteria for determining whether a resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition for a donor-imposed restriction. The new ASU does not apply to transfers of assets from governments to businesses. The amendments in ASU 2018-08 should be applied on a modified perspective basis with early adoption and retrospective application permitted. The ASU will be effective for fiscal years beginning after December 15, 2018. The College is currently evaluating the impact of this ASU on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurement in addition to the removal of disclosures related to transfers between level 1 and level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation process of level 3 fair value measurements, and a roll forward of level 3 investments. Furthermore, entities are no longer required to estimate and disclose the timing of liquidity events for investments measured at fair value. Instead, the requirement to disclose such events applies only when they have been communicated to the reporting entities by the investees or announced publicly. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The College is currently evaluating the impact of this ASU on the financial statements.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, which modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The College is currently evaluating the impact of this ASU on the financial statements.

Recently Adopted Accounting Pronouncement
During the year ended May 31, 2019, the College adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amended the requirements for financial statements and required the College to make reporting changes that affected the following:

- Net asset classifications and related disclosures
- Underwater donor-restricted endowments and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date
- New reporting requirements relating to expenses, including disclosure of expenses by natural and functional classification
- Reporting of net investment return

The College made changes to terminology and classification as described above, as well as additional or modified disclosures, particular to notes 12, 13, 14, and 15. Amounts previously reported for the year ended May 31, 2018 have been reclassified on a retrospective basis to achieve consistent presentation. Amounts previously reported as temporarily or permanently restricted net assets have been reclassified to be reported as with donor restrictions.

2. Contributions Receivable

Contributions receivable consist of the following at May 31:

	2019	2018
Amounts due in:		
Less than one year	$ 1,105,061	$ 870,043
One to five years	1,633,564	1,787,009
More than five years	3,058,876	3,885,305
Total contributions receivable	5,797,501	6,542,357
Less:		
Discount to present value	(647,258)	(734,629)
Reserve for doubtful accounts	(275,000)	(275,000)
Contributions receivable, net	$ 4,875,243	$ 5,532,728

As of May 31, 2019 and 2018, approximately 62% and 58%, respectively, of total contributions receivable were from two donors.

The discount rates used to calculate the discounted value of contributions receivable as of May 31, 2019 ranged from 1.93% to 2.83%, and the rates as of May 31, 2018 ranged from 2.68% to 2.83%.

3. Long-term Investments

The College's long-term investments as of May 31 are as follows:

	2019	2018
Mutual funds:		
Domestic	$ 47,946,701	$ 55,153,985
International	28,312,811	23,948,934
Balanced	5,186,422	5,158,073
Fixed income	9,546,696	4,950,578
Equities:		
Domestic	72,044	61,575
International	1,896,982	-
Inflation hedge fund	3,940,642	4,424,379
Limited partnerships	13,089,995	18,443,790
Total long-term investments	$ 109,992,293	$ 112,141,314

The College made budgeted appropriations under its spending policy of $2,558,689 and $2,312,612 for the years ended May 31, 2019 and 2018, respectively. In addition, the Board voted to appropriate an additional $2,074,049 and $1,566,123 from board-designated endowment to fund operations during the years ended May 31, 2019 and 2018, respectively. Therefore, a total of $4,632,738 and $3,878,735 was appropriated for the years ended May 31, 2019 and 2018, respectively. Such amounts are included in investment income utilized within the College's operating revenues.

4. Property, Plant and Equipment

Property, plant and equipment as of May 31 are as follows:

	2019	2018
Land	$ 2,250,548	$ 2,250,548
Land improvements	9,659,801	9,777,816
Buildings and improvements	131,935,460	130,550,538
Fine arts	1,108,996	1,108,996
Equipment	18,102,457	17,884,468
Property, plant and equipment, gross	163,057,262	161,572,366
Less: Accumulated depreciation	(70,698,896)	(67,279,446)
	92,358,366	94,292,920
Construction-in-progress:		
Health Sciences building and parking structure	990,514	-
Other projects	44,604	399,467
Property, plant and equipment, net	$ 93,393,484	$ 94,692,387

Depreciation expense for the years ended May 31, 2019 and 2018 amounted to $4,295,760 and $4,372,016, respectively.

The College is in the process of constructing a new Health Sciences building and parking structure that are expected to be completed in the fall of 2020 at a cost of $22.75 million. This project will be funded through a combination of fundraising and investments.

5. Leases

The College has a lease for a campus in Rome which expires on May 31, 2033 and is accounted for as an operating lease. The future minimum rental commitments under this agreement are approximately as follows:

Year Ended May 31,	
2020	$ 47,717
2021	48,194
2022	48,676
2023	49,162
2024	49,654
Thereafter	469,837
	$ 713,240

Rent expense related to this lease was approximately $49,000 and $53,000 for the years ended May 31, 2019 and 2018, respectively.

6. Long-Term Debt

Series 2012 Bonds

In May 2012, the College borrowed $28,610,000 of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Assumption College Issue, Series 2012 (the "Series 2012 Bonds") purchased by TD Bank. Proceeds were used to refinance the balance of Series 2002 Bond debt outstanding. These bonds bear interest at a variable rate and mature on May 1, 2022. The variable rate at May 31, 2019 and 2018 was 2.7% and 2.3%, respectively. Debt covenants include the maintenance of a debt service coverage ratio and a liquidity ratio. In September 2016, $16,861,150 of the Series 2016 Bonds were used to partially redeem the Series 2012 Bonds. The total amount outstanding as of May 31, 2019 and 2018 was $3,828,308 and $5,068,308, respectively.

Series 2013 Bonds

In June 2013, the College borrowed $9,720,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2013 (the "Series 2013 Bonds"). Proceeds were used to refinance the balance of Series 2000A Bond debt outstanding. These bonds bear interest at various fixed rates ranging from 2.0% to 4.0% per year and mature on March 1, 2030. The total amount outstanding as of May 31, 2019 and 2018 was $6,755,000 and $7,270,000, respectively.

Series 2016 Bonds

In September 2016, the College borrowed an aggregate of $32,000,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2016 (the "Series 2016 Bonds") in two series, consisting of $15,000,000 Series 2016A Bonds and $17,000,000 Series 2016B Bonds. The proceeds from the Series 2016A Bonds were used to fund the construction of a new academic building, while the proceeds from the Series 2016B Bonds were used to redeem a portion of the Series 2012 Bonds and to pay the bond issuance costs. The Series 2016A Bonds bear interest at a fixed rate of 1.69% and mature on March 1, 2046. The Series 2016B Bonds bear interest at a fixed rate of 1.60% and mature on March 1, 2032. Debt covenants include the maintenance of a debt service coverage ratio and a liquidity ratio. The total amount of Series 2016A Bonds outstanding as of May 31, 2019 and 2018 was $14,475,000 and $14,675,000, respectively. The total amount of Series 2016B Bonds outstanding as of May 31, 2019 and 2018 was $17,000,000.

Aggregate principal payments due in each of the next five years ending May 31 and thereafter on the Series 2012, Series 2013, and Series 2016 Bonds are as follows:

2020	$ 2,040,000
2021	2,125,000
2022	2,048,308
2023	2,305,000
2024	2,385,000
Thereafter	31,155,000
	42,058,308
Less:	
Unamortized bond issuance costs	(257,311)
Unamortized bond discount	(54,540)
Total bonds payable	41,746,457
Capital lease obligations	58,635
Long-term debt	$ 41,805,092

Principal payments are made annually and on various dates throughout the year, in accordance with the respective bond agreements which include provisions for prepayments. The bonds are secured by the College's general obligation pledge.

Total interest expense incurred on indebtedness was $1,047,568 and $1,061,714 in 2019 and 2018, respectively. In addition, interest payments totaling $64,135 related to financing a new academic building were capitalized during 2018 and are included in buildings and improvements at May 31, 2019 and 2018.

Interest Rate Swap Agreement
The College maintains an interest-rate risk-management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility. The College's specific goal is to lower (where possible) the cost of its borrowed funds.

In April 2002, the College entered into a variable to fixed interest rate swap agreement to manage the interest cost and risk associated with the Series 2002 Bonds. Under this swap agreement, the College pays a fixed rate of 4.1% and receives various London Interbank Offered Rates (LIBOR) and municipal rates on the notional principal amount. The College's swap agreement at May 31, 2019 and 2018 is as follows:

	Original Notional Amount	Notional Amount at May 31, 2019	Fair Value at May 31, 2019	Fair Value at May 31, 2018	Expiration Date
2002 Swap	$ 11,745,000	$ 6,760,000	$ (505,822)	$ (573,239)	February 28, 2022

The swap agreement is recorded at its fair value in the statements of financial position with the resulting change in fair value recognized as a nonoperating, noncash expense in the statements of activities and changes in net assets of $67,417 and $367,108 for the years ended May 31, 2019 and 2018, respectively. These fair values were determined by counter-party financial institutions and were calculated by discounting the present value of the difference between the contractual swap rate and current market swap rate on May 31, utilizing the notional amount and the remaining terms of the swap agreement.

The College has the option to terminate the swap agreement with a 30-day written notice. The estimated costs to terminate would approximate the fair value at the date of termination. At the present time, the College has no plans to exercise this option since it would be contrary to its plans to manage interest costs and risks. The counterparty does not have the option to terminate the swap.

7. Planned Giving

Planned giving net assets consisted of the following as of May 31:

	2019	2018
Planned giving assets:		
Charitable remainder unitrust	$ 772,108	$ 817,347
Charitable remainder annuity trusts	553,251	552,707
Charitable gift annuities	225,328	284,857
Total planned giving assets	1,550,687	1,654,911
Planned giving liabilities:		
Amounts due to beneficiaries	(604,794)	(673,041)
Total planned giving assets, net	$ 945,893	$ 981,870

Planned giving assets are included in long-term investments and planned giving liabilities are presented as annuity obligations in the accompanying statements of financial position. Amounts due to beneficiaries are discounted at rates ranging from 0.83% to 5.8% at May 31, 2019, and at rates ranging from 0.83% to 6.2% at May 31, 2018.

8. Student Tuition and Loans Receivable

Student tuition receivables consisted of the following as of May 31:

	2019	2018
Student tuition receivables	$ 1,200,187	$ 1,154,530
Allowance for doubtful accounts	(202,495)	(200,798)
Student tuition receivables, net	$ 997,692	$ 953,732

The College makes uncollateralized loans to students based on financial need. Student loans are funded primarily through federal government loan programs.

At May 31, student loans consisted of the following:

	2019	2018
Federal government program	$ 2,203,720	$ 2,672,386
Institutional loans	82,736	194,628
Other loans	44,341	56,929
Total student loans	2,330,797	2,923,943
Allowance for doubtful accounts	(603,548)	(692,190)
Student loans receivable, net	$ 1,727,249	$ 2,231,753

The College participates in the Perkins federal revolving loan program. The program expired on September 30, 2017 and the College did not disburse Perkins loans to any new student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The federal government has begun the wind-down of the Perkins loan program and will begin collecting the federal share of the Perkins funds over the upcoming fiscal years. The College, accordingly, has a liability to the federal government at May 31, 2019 and 2018 in the amount of $2,752,754 and $2,721,923, respectively.

At May 31, the following amounts were past due under student loan programs:

	2019	2018
1-60 Days past due	$ 69,449	$ 62,974
61-90 Days past due	62,425	6,000
91-120 Days past due	35,119	28,421
121+ Days past due	203,599	328,823
Total past due	$ 370,592	$ 426,218

Performing loans are those which are less than or equal to 120 days past due. Nonperforming loans are those which are greater than 120 days past due. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. These allowances are based on historical loan defaults and write-offs. Loan balances are written off only when they are deemed to be permanently uncollectible, which generally results in their being assigned to the Federal government.

9. Retirement Plans and Voluntary Early Retirement Program

Most of the College's full-time faculty and administrative staff are eligible to participate in defined contribution plans the College offers. The College contributes to these plans for the benefit of all participating employees. Contributions to the retirement plans amounted to $1,865,193 and $2,016,400 in 2019 and 2018, respectively.

The College incurred nonoperating expenses of $0 and $246,665 related to voluntary early retirement programs for the years ended May 31, 2019 and 2018, respectively.

10. Related Party Transactions

The Augustinians of the Assumption (the "Order") is the founding order of the College. In 1972, with the support of the Order, the College's Board elected its first lay president. Since that time, all of the College's presidents have been lay presidents; however, the Assumptionist presence remains an important, if not essential, part of the College's educational endeavors. To encourage the continued presence of the Assumptionists on campus as professors, administrators and clergy, the College provides financial support to the Order. During the years ended May 31, 2019 and 2018, payments totaling $603,204 and $597,555, respectively, were made to the Order. In 2013, the College opened an additional campus in Rome, Italy. The campus is located on land owned by the Order. Lease-related payments for the Rome campus during the years ended May 31, 2019 and 2018 totaling $49,000 and $53,000, respectively, were made to the Order.

The College's general legal services provider employs an individual who is also a member of the College's Board. During the years ended May 31, 2019 and 2018, the College paid $229,221 and $225,465, respectively, to this provider for legal services. The College's health insurance provider employs an individual who is also a member of the College's Board. During the years ended May 31, 2019 and 2018, the College paid $3,932,310 and $4,236,842, respectively, to this provider for health insurance costs. The procurement of these services is performed in accordance with the College's established policies and procedures, and management and the Board report and monitor related party transactions in accordance with a formally adopted Conflict of Interest Policy.

11. Fair Value Measurements

The College records its investments, including alternative investments, at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The College reviews and evaluates values provided by the investment managers and assesses the valuation methods and assumptions used in determining their fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed and the differences could be material. The College has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund managers.

There is a hierarchy of valuation inputs for assets and liabilities based on the extent to which the inputs are observable in the marketplace.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Inputs other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market data, which require the reporting entity to develop its own assumptions. Level 3 also includes beneficial interests in trusts managed by third party trustees.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present the financial instruments carried at fair value as of May 31:

	2019 (a)				
	Level 1	Level 2	Level 3	Investments Measured at NAV (b)	Total
Assets at fair value:					
Mutual funds:					
Domestic	$ 30,613,327	$ -	$ -	$ 17,333,374	$ 47,946,701
International	28,312,811	-	-	-	28,312,811
Balanced	5,186,422	-	-	-	5,186,422
Fixed income	10,242,176	-	-	3,823,446	14,065,622
Equities:					
Domestic	74,493	-	-	-	74,493
International	-	-	-	1,896,982	1,896,982
Inflation hedge fund	-	-	-	3,940,642	3,940,642
Limited partnerships	-	-	-	13,089,995	13,089,995
Total investments	74,429,229	-	-	40,084,439	114,513,668
Beneficial interest in trust	-	-	1,399,331	-	1,399,331
Total assets at fair value	$ 74,429,229	$ -	$ 1,399,331	$ 40,084,439	$ 115,912,999
Liabilities at fair value:					
Annuity obligations	$ -	$ 604,794	$ -	$ -	$ 604,794
Interest rate swap agreement	-	505,822	-	-	505,822
Total liabilities at fair value	$ -	$ 1,110,616	$ -	$ -	$ 1,110,616

	2018				
	Level 1	Level 2	Level 3	Investments Measured at NAV (b)	Total
Assets at fair value:					
Mutual funds:					
Domestic	$ 23,327,626	$ -	$ -	$ 31,826,359	$ 55,153,985
International	23,948,934	-	-	-	23,948,934
Balanced	5,158,073	-	-	-	5,158,073
Fixed income	16,869,869	-	-	-	16,869,869
Equities - domestic	61,575	-	-	-	61,575
Inflation hedge fund	-	-	-	4,424,379	4,424,379
Limited partnerships	-	-	-	18,443,790	18,443,790
Total investments	69,366,077	-	-	54,694,528	124,060,605
Beneficial interest in trust	-	-	1,408,098	-	1,408,098
Total assets at fair value	$ 69,366,077	$ -	$ 1,408,098	$ 54,694,528	$ 125,468,703
Liabilities at fair value:					
Annuity obligations	$ -	$ 673,041	$ -	$ -	$ 673,041
Interest rate swap agreement	-	573,239	-	-	573,239
Total liabilities at fair value	$ -	$ 1,246,280	$ -	$ -	$ 1,246,280

(a) Excluded from the 2019 table are certificates of deposit in the amount of $7,767,331 at May 31, 2019, which are included in short-term investments on the statement of financial position.

(b) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in the above tables are reported for the purpose of reconciling the fair value hierarchy to the investment amounts presented in the statements of financial position.

The changes in assets measured at fair value for which the College has used Level 3 inputs to determine fair value are as follows:

	Beneficial Interest in Trust
Balance as of June 1, 2017	$ 1,360,363
Change in value of beneficial interest in trust	47,735
Balance as of May 31, 2018	1,408,098
Change in value of beneficial interest in trust	(8,767)
Balance as of May 31, 2019	$ 1,399,331

The following table presents quantitative information about Level 3 fair value measurements as of May 31:

	2019 Fair Value	2018 Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Beneficial interest in trust	$ 1,399,331	$ 1,408,098	Market approach based on underlying securities	None	Not applicable

The assets held in trust are managed by an independent third party trustee, and the College has no authority over investment decisions. Thus, the trust assets are classified as Level 3 within the fair value hierarchy levels.

There were no transfers between fair value hierarchy levels during the years ended May 31, 2019 and 2018.

The redemption terms for those investments valued at net asset value (NAV) consisted of the following as of May 31:

Asset Class	2019 Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Mutual funds - domestic (a)	$ 17,333,374	2	monthly	1-30 days
Fixed income (b)	3,823,446	1	daily	2 days
Equities - international (c)	1,896,982	1	monthly	2 days
Inflation hedge fund (d)	3,940,642	1	monthly	1-90 days
Limited partnerships (e)	13,089,995	3	monthly, quarterly, 5 years	1 day
	$ 40,084,439			

(a) Earn long-term capital from a broadly diversified portfolio of primarily U.S. stocks

(b) Earn long-term capital from a broadly diversified portfolio of U.S. centric fixed income holdings, while keeping capital preservation in mind

(c) Earn long-term capital from a broadly diversified portfolio of primarily emerging market equities

(d) Provide strong relative performance versus broad equity and fixed income markets during rising inflation environments

(e) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

Asset Class	2018 Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Mutual funds - domestic (a)	$ 31,826,359	3	monthly	1-30 days
Inflation hedge fund (b)	4,424,379	1	monthly	1-90 days
Limited partnerships (c)	18,443,790	4	monthly, quarterly, 5 years	1 day
	$ 54,694,528			

(a) Earn long-term capital from a broadly diversified portfolio of primarily U.S. stocks

(b) Provide strong relative performance versus broad equity and fixed income markets during rising inflation environments

(c) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

In January 2014, the College entered into a limited partnership with a commitment to invest $4,500,000. The College had unfunded commitments of $684,000 and $918,000 to this limited partnership at May 31, 2019 and 2018, respectively. In January 2016, the College entered into a second limited partnership with a commitment to invest $1,282,139. The College had unfunded commitments of $208,297 and $263,429 to this limited partnership at May 31, 2019 and 2018, respectively.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The College's interest rate swap agreement has inputs which can generally be corroborated by market data and is therefore classified within Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

12. Endowment Disclosures

The College endowment funds consist of approximately 190 individual accounts established for a variety of purposes. The endowment consists of donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Massachusetts adopted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA is a model act that provides rules of construction concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds. The standard does provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA and also requires additional disclosures about an organization's endowment funds related to net asset classifications, net asset composition, changes in net asset composition, and spending and investment policies.

The Board of the College has interpreted UPMIFA as requiring the preservation of the purchasing power 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 donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. At May 31, 2019 and 2018, there were no underwater funds of this nature. Although MA UPMIFA authorizes the expenditure of underwater endowments where such expenditure is prudent, the College has adopted a policy to not spend from underwater endowments.

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

1. The duration and preservation of the fund
2. The purpose of the College and the donor-restricted endowment fund
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
7. Investment policies of the College

Investment Objective
The endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the endowment, the Trustees have taken into account the financial needs and circumstances of the College, the time horizon available for investment, the nature of the endowment's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Trustees have determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve a positive rate of return over the long term that would contribute to the cash flow needs of the organization for on-going operations, special initiatives and capital projects in support of the endowment;

- To provide for asset growth at a rate in excess of the rate of inflation, net of expenses and spending;

- To diversify the assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that could occur from concentrated positions;

- To achieve investment results over the long term that compare favorably with those of other endowments and foundations, professionally managed portfolios and of appropriate market indexes.

Spending Policy
Spending policy is the implementation of an approach that assists the Board in determining future distributions from the endowment. The spending decision is important because of its impact on income and future asset value. The spending policy is controlled by the Investment Committee of the Board, which has a fiduciary responsibility to ensure that the College's funds are prudently managed.

The specific spending policy of the College's endowment starts with the prior year's spending and adjusts for the change in the consumer price index subject to a band with the floor at 3.75% and the ceiling at 5.25% of the trailing 20 quarter average value of the endowment. The purpose is to ensure a stable and predictable level of endowment support to the operating budget.

The College has interpreted relevant state law as generally permitting the spending of income and gains on endowment funds restricted in perpetuity over a stipulated period of time. State law allows the Board to appropriate a specified percentage of the income and appreciation earned on the endowment 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. Under the College's spending policy, cumulative appreciation (including interest and dividends) in an amount up to 5.25% of the average market value of qualifying endowment funds restricted in perpetuity at the end of the previous 20 quarters may be appropriated.

The endowment net asset composition by type of fund consisted of the following at May 31:

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 37,522,065	$ 37,522,065
Board-designated endowment funds	65,420,008	-	65,420,008
Total endowment funds	$ 65,420,008	$ 37,522,065	$ 102,942,073

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 38,774,870	$ 38,774,870
Board-designated endowment funds	69,664,362	-	69,664,362
Total endowment funds	$ 69,664,362	$ 38,774,870	$ 108,439,232

Changes in endowment net assets for the fiscal years ended May 31 consisted of the following:

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 69,664,362	$ 38,774,870	$ 108,439,232
Investment loss, net	(1,041,395)	(539,541)	(1,580,936)
Contributions/designations	54,775	661,740	716,515
Appropriation of endowment assets for expenditure	(3,257,734)	(1,375,004)	(4,632,738)
Endowment net assets, end of year	$ 65,420,008	$ 37,522,065	$ 102,942,073

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 66,365,300	$ 36,179,061	$ 102,544,361
Investment return, net	6,034,894	3,255,527	9,290,421
Contributions/designations	6,505	476,680	483,185
Appropriation of endowment assets for expenditure	(2,742,337)	(1,136,398)	(3,878,735)
Endowment net assets, end of year	$ 69,664,362	$ 38,774,870	$ 108,439,232

Endowment net assets include $224,286 and $215,299 of contributions receivable as of May 31, 2019 and 2018, respectively.

13. Composition of Net Assets

Net assets consisted of the following at May 31:

	2019	2018
Net assets without donor restrictions		
Board-designated endowments:		
Designated for repair and replacement	$ 43,613,225	$ 46,344,827
Designated for financial aid	6,475,424	6,933,459
Designated for faculty support	4,539,756	4,804,386
Designated for general budget relief	4,289,518	4,757,698
Designated for technology	4,076,923	4,331,026
Designated for other purposes	2,425,162	2,492,966
Total board-designated endowments	$ 65,420,008	$ 69,664,362
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Capital construction	$ 270,053	$ 100,000
Subject to the passage of time:		
Planned giving assets	525,066	535,992
Subject to restriction in perpetuity:		
Beneficial interest in trust	1,399,331	1,408,098
Planned giving assets	358,091	350,004
	1,757,422	1,758,102
Subject to the College's spending policy and appropriations:		
Endowment returns subject to future appropriation:		
Restricted for scholarship support	12,028,896	13,361,979
Restricted for faculty support	493,156	604,258
Restricted for program support	2,088,283	2,558,643
	14,610,335	16,524,880
Endowment funds restricted in perpetuity:		
Restricted for scholarship support	14,944,207	14,282,467
Restricted for faculty support	1,272,625	1,272,625
Restricted for program support	6,694,898	6,694,898
	22,911,730	22,249,990
Total net assets with donor restrictions	$ 40,074,606	$ 41,168,964

Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	2019	2018
Purpose restrictions		
Scholarship support	$ 966,112	$ 791,126
Faculty support	80,581	79,638
Program support	328,311	265,634
Capital construction	-	25,000
	$ 1,375,004	$ 1,161,398

Board Appropriations

Board-designated endowment funds were appropriated as follows:

	2019	2018
Repair and replacement	$ 2,074,049	$ 1,566,123
Financial aid	342,650	337,254
Faculty support	187,598	186,957
General budget relief	382,434	385,108
Technology	183,799	180,905
Other purposes	87,204	85,990
	$ 3,257,734	$ 2,742,337

14. Liquidity and Availability

The College's financial assets available within one year of the balance sheet date for general expenditures, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	2019
Financial assets at year end:	
Cash	$ 7,835,479
Short-term investments	12,288,706
Student tuition receivables, net	997,692
Grants and other receivables	106,826
Student loans, net	1,727,249
Contributions receivable, net	4,875,243
Long-term investments	109,992,293
Beneficial interest in trust	1,399,331
Total financial assets at year end	139,222,819
Adjusted for amounts not available to meet general expenditures within one year:	
Student loans, net	(1,727,249)
Contributions receivable due in more than one year	(3,822,562)
Donor-restricted endowment funds (net of receivables)	(37,297,779)
Add: board-approved spending from donor-restricted endowment funds	602,988
Board-designated endowment funds	(65,420,008)
Add: board-approved spending from board-designated endowment funds	3,540,915
Planned giving assets	(1,550,687)
Beneficial interest in trust held by others	(1,399,331)
Financial assets available to meet general expenditures within one year	$ 32,149,106

The College's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The College has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures within one year, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identify the sources and uses of the College's cash and show positive net cash provided by operating activities for the years ended May 31, 2019 and 2018.

The College's Board has designated a portion of its resources without donor restrictions to function as endowments. Those amounts are identified as board-designated endowment funds in the table above. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board. The Board has approved spending of $602,988 and $3,540,915, respectively, from the donor-restricted and board-designated endowment funds for the year ended May 31, 2020 for general expenditures.

15. Expenses by Nature and Function

Direct costs are charged to the applicable natural and functional classifications whenever possible. However, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the College. These expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, occupancy, and other overhead costs are allocated based on square footage used by each function. Other expenses, including information technology costs, are allocated based on estimates of time and effort.

The following table presents functional expenses by natural classification as of May 31:

	2019					
	Program Activities					
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total Expenses
Salaries	$ 15,403,277	$ 1,808,082	$ 5,018,018	$ 3,170,144	$ 2,720,906	$ 28,120,427
Employee benefits	4,913,060	674,202	2,143,011	903,063	1,217,407	9,850,743
Contracted services	1,581,414	1,163,003	1,274,870	6,764,548	403,910	11,187,745
Professional services	264,161	56,881	326,571	149,512	596,117	1,393,242
Events	624,631	127,989	428,668	525,508	97,242	1,804,038
Advertising and marketing	197,123	1,242	1,128,590	-	35,429	1,362,384
Travel and conferences	264,157	116,471	516,268	143,013	64,312	1,104,221
Depreciation	822,897	403,567	985,579	1,824,240	259,477	4,295,760
Interest	200,673	98,414	240,344	444,860	63,277	1,047,568
Utilities	384,453	188,512	460,741	852,622	121,258	2,007,586
Other expenses	1,134,492	2,011,798	1,306,473	1,583,468	800,488	6,836,719
	$ 25,790,338	$ 6,650,161	$ 13,829,133	$ 16,360,978	$ 6,379,823	$ 69,010,433

Total fundraising costs, which are included in institutional support and other nonoperating expenses, were $1,581,710 and $1,671,040 for the years ended May 31, 2019 and 2018, respectively.

16. Subsequent Events

The College has assessed the impact of subsequent events through September 5, 2019, the date the audited financial statements were available to be issued, and has concluded that there were no additional events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.