Financial Statements

Stonehill College, Inc.

June 30, 2019 and 2018

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STONEHILL COLLEGE, INC.

Financial Statements

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Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

The Board of Trustees
Stonehill College, Inc.
Easton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Stonehill College, Inc. (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, the College adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* and ASU No. 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to these matters.

Mayer Hoffman McCann P.C.

November 18, 2019
Boston, Massachusetts

STONEHILL COLLEGE, INC.

Statements of Financial Position

June 30,

	2019	2018
Assets		
Cash and cash equivalents	$ 17,925,565	$ 20,691,688
Accounts and loans receivable, net	1,189,318	1,204,403
Prepaids and other assets	784,127	681,982
Contributions and grants receivable, net	15,298,573	11,157,913
Restricted cash and cash equivalents	1,589,915	2,436,485
Investments	217,800,188	211,935,961
Perpetual trusts held by third parties	2,328,604	2,408,741
Property, plant and equipment	178,772,814	154,069,047
Total assets	**$ 435,689,104**	**$ 404,586,220**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 5,131,603	$ 6,554,620
Accrued payroll and other benefits	2,897,827	2,715,829
Deferred revenue	2,615,952	2,634,382
Capital leases and other liabilities	1,570,638	1,770,497
Government advances for student loans	591,074	594,445
Interest rate swap agreements	7,983,256	6,042,163
Annuity obligations	428,287	442,489
Loans and bonds payable	107,405,335	89,711,760
Total liabilities	**128,623,972**	**110,466,185**
Net assets:		
Without donor restrictions	217,724,761	214,372,249
With donor restrictions	89,340,371	79,747,786
Total net assets	**307,065,132**	**294,120,035**
Total liabilities and net assets	**$ 435,689,104**	**$ 404,586,220**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	***With Donor Restrictions***	***Total***	***Total***
Operating revenues:				
Tuition and fees, net	$ 53,479,149	$ -	$ 53,479,149	$ 49,579,669
Room and board, net	34,318,631	-	34,318,631	33,752,103
Net tuition, fees, room and board	**87,797,780**	**-**	**87,797,780**	**83,331,772**
Federal and state grants	1,229,464	-	1,229,464	1,110,459
Contributions and private grants	815,424	-	815,424	665,785
Other revenues	5,450,746	-	5,450,746	5,066,400
Endowment return utilized in operations	8,467,006	-	8,467,006	8,111,393
Net assets released from restriction used in operations	1,204,587	-	1,204,587	1,217,073
Total operating revenues	**104,965,007**	**-**	**104,965,007**	**99,502,882**
Operating expenses:				
Instruction	36,505,946	-	36,505,946	34,553,910
Research	696,212	-	696,212	581,809
Public service	282,946	-	282,946	223,705
Academic support	7,780,961	-	7,780,961	7,267,862
Student services	19,477,258	-	19,477,258	18,614,102
Institutional support	15,957,341	-	15,957,341	15,259,262
Auxiliary services	21,669,251	-	21,669,251	20,543,714
Total operating expenses	**102,369,915**	**-**	**102,369,915**	**97,044,364**
Increase in net assets from operations	**2,595,092**	**-**	**2,595,092**	**2,458,518**
Non-operating activities:				
Contributions and private grants	2,026,075	9,850,148	11,876,223	8,180,750
Investment return	8,214,039	3,389,470	11,603,509	18,282,498
Net gain (loss) from interest rate swaps	(2,912,065)	-	(2,912,065)	1,205,642
Loss on extinguishment of debt	-	-	-	(1,074,044)
Loss on disposal of property, plant and equipment	(546,069)	-	(546,069)	(1,315,008)
Endowment return utilized in operations	(6,072,210)	(2,394,796)	(8,467,006)	(8,111,393)
Net assets released from restriction used in operations	-	(1,204,587)	(1,204,587)	(1,217,073)
Non-operating net assets released from restriction	47,650	(47,650)	-	-
Change in net assets from non-operating activities	**757,420**	**9,592,585**	**10,350,005**	**15,951,372**
Change in net assets	**3,352,512**	**9,592,585**	**12,945,097**	**18,409,890**
Net assets, beginning of year	214,372,249	79,747,786	294,120,035	275,710,145
Net assets, end of year	**$ 217,724,761**	**$ 89,340,371**	**$ 307,065,132**	**$ 294,120,035**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statement of Activities

Year Ended June 30, 2018

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Operating revenues:			
Tuition and fees, net	$ 49,579,669	$ -	$ 49,579,669
Room and board, net	33,752,103	-	33,752,103
Net tuition, fees, room and board	**83,331,772**	-	**83,331,772**
Federal and state grants	1,110,459	-	1,110,459
Contributions	665,785	-	665,785
Other revenues	5,066,400	-	5,066,400
Endowment return utilized in operations	8,111,393	-	8,111,393
Net assets released from restriction used in operations	1,217,073	-	1,217,073
Total operating revenues	**99,502,882**	-	**99,502,882**
Operating expenses:			
Instruction	34,553,910	-	34,553,910
Research	581,809	-	581,809
Public service	223,705	-	223,705
Academic support	7,267,862	-	7,267,862
Student services	18,614,102	-	18,614,102
Institutional support	15,259,262	-	15,259,262
Auxiliary services	20,543,714	-	20,543,714
Total operating expenses	**97,044,364**	-	**97,044,364**
Increase in net assets from operations	**2,458,518**	-	**2,458,518**
Non-operating activities:			
Contributions and private grants	2,009,931	6,170,819	8,180,750
Investment return	13,176,479	5,106,019	18,282,498
Net gain from interest rate swaps	1,205,642	-	1,205,642
Loss on extinguishment of debt	(1,074,044)	-	(1,074,044)
Loss on disposal of property, plant and equipment	(1,315,008)	-	(1,315,008)
Endowment return utilized in operations	(5,961,047)	(2,150,346)	(8,111,393)
Net assets released from restriction used in operations	-	(1,217,073)	(1,217,073)
Non-operating net assets released from restriction	506,712	(506,712)	-
Change in net assets from non-operating activities	**8,548,665**	**7,402,707**	**15,951,372**
Change in net assets	**11,007,183**	**7,402,707**	**18,409,890**
Net assets, beginning of year	203,365,066	72,345,079	275,710,145
Net assets, end of year	**$ 214,372,249**	**$ 79,747,786**	**$ 294,120,035**

See accompanying notes to financial statements.

STONEHILL COLLEGE, INC.

Statements of Cash Flows

Years Ended June 30,

		2019		2018
Cash flows from operating activities:				
Change in net assets	$	12,945,097	$	18,409,890
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Change in government advances for student loans		(3,371)		(274,534)
Depreciation and amortization		7,124,211		6,750,775
Net realized and unrealized gain on investments		(10,817,988)		(18,106,760)
Unrealized loss (gain) on interest rate swap agreements		1,941,093		(2,377,874)
Loss on disposal of property, plant and equipment		546,069		1,315,008
Loss on extinguishment of debt		-		1,074,044
Contributions to be used for long-term investment		(5,224,365)		(3,672,238)
Change in contributions receivable discount/allowance		(176,992)		(191,193)
Change in operating assets and liabilities:				
Accounts receivable		(287,809)		357,565
Contributions and grants receivable		(3,963,668)		(752,979)
Prepaids and other assets		(102,145)		109,485
Accounts payable and accrued liabilities		(509,646)		(726,436)
Accrued payroll and other benefits		181,998		39,441
Deferred revenue		(18,430)		(77,217)
Other liabilities		(72,611)		(20,241)
Net cash provided by operating activities		**1,561,443**		**1,856,736**
Cash flows from investing activities:				
Loans granted		-		(20,545)
Loans collected		302,894		302,198
Purchase of property, plant and equipment		(33,207,597)		(18,669,432)
Purchase of investments		(4,387,515)		(114,512,377)
Proceeds from sale of investments		9,421,413		114,961,518
Change in restricted cash		846,570		13,048,740
Net cash used in investing activities		**(27,024,235)**		**(4,889,898)**
Cash flows from financing activities:				
Payments on long-term debt and capital lease obligations		(3,873,844)		(18,178,088)
Proceeds from long-term debt		21,372,256		18,454,418
New debt issuance costs		(26,108)		(334,482)
Contributions to be used for long-term investment		5,224,365		3,672,238
Net cash provided by financing activities		**22,696,669**		**3,614,086**
Net (decrease) increase in cash and cash equivalents		**(2,766,123)**		**580,924**
Cash and cash equivalents, beginning of year		20,691,688		20,110,764
Cash and cash equivalents, end of year	**$**	**17,925,565**	**$**	**20,691,688**
Supplemental disclosures:				
Cash paid for interest	$	2,665,540	$	2,288,284
Cash paid for interest on interest rate swap agreements	$	894,208	$	1,198,760
Amounts included in accounts payable and other liabilities related to property, plant and equipment	$	3,934,250	$	4,847,620

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Stonehill College (the “College”), is a not-for-profit, private, catholic and co-educational liberal arts college, founded in 1948 by the Congregation of the Holy Cross. It is located on a 384 acre campus in Easton which is south of Boston, Massachusetts. The College provides academic, residential and other services to a diverse student population of approximately 2,500, predominately from the Northeast region of the United States of America, other U.S. states and to a lesser extent internationally.

The College’s mission is to educate the whole person so that each Stonehill graduate thinks, acts, and leads with courage toward the creation of a more just and compassionate world through its curriculum of over 90 rigorous academic programs in the humanities, arts, natural and social sciences, business, education, and pre-professional programs. The College offers the Bachelor of Arts and Sciences degree at the undergraduate level as well as certain graduate masters programs.

The College is accredited by the New England Commission of Higher Education, Inc. (“NECHE”) in addition to accreditation by the Association to Advance Collegiate Schools of Business (“AACSB”) as well as certain other accrediting bodies. The College’s accreditation status, like other educational organizations, is subject to certain operating and interim reporting requirements.

The College participates in student financial aid programs sponsored by the United States Department of Education (“ED”) and to a much lesser extent the Commonwealth of Massachusetts, as well as other states within the U.S. These programs facilitate the payment of tuition and other expenses for eligible students when they are determined to be eligible as evaluated by the College’s financial aid office. Such determinations are subject to after the fact review by funders.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the U.S. which requires that information regarding its financial position and activities are reported based on the existence of absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated amounts from net assets without donor restrictions to function as endowment. Net assets without donor restriction also include investment in property, plant and equipment, net of accumulated depreciation and related loans and bonds payable and net investment of funds for student loans.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, events specified by the donor, or both. Accumulated unspent gains on permanent endowment funds also are temporary in nature and are subject to the endowment spending policy as adopted by the Board of Trustees. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Restricted Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and other highly liquid debt instruments with maturities at date of purchase of three months or less. Cash and cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The College maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Restricted cash primarily represents amounts required to be maintained in accordance with bond agreements with such amounts held by a trustee as per the debt indenture. Restricted cash is reported at cost plus accrued interest with such amounts being primarily in money market funds. Also included in restricted cash is $498,020 and $199,088 of funds held for the Federal Perkins Loan Program ("Perkins Loans") at June 30, 2019 and 2018, respectively, which is described more fully later in these notes.

Accounts and Loans Receivable and Government Advances for Student Loans

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

Loans receivable are principally amounts due from students awarded Perkins Loans, which is a program that was funded with cash advances from ED along with a modest match from the College. Due to changes in the Perkins Loans program, no new loans were issued for the year ended June 30, 2019. Therefore, cash balances for Perkins Loans are higher at June 30, 2019 than at June 30, 2018 as noted in the Restricted Cash note above. The College has omitted detailed disclosures given the amounts involved and limited activity.

Accounts and loans receivable are stated net of allowances for doubtful accounts of $115,300 and $237,720 for the years ended June 30, 2019 and 2018, respectively, however credit risk with these loans is somewhat limited given the rules associated with Perkins Loans that allow properly administered loans to be conveyed back to ED in exchange for a reduction in government advances for student loans. The College regularly assesses the adequacy of the allowance for doubtful accounts related to accounts and loans receivable by performing ongoing evaluations of the student account and loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The level of the allowance is adjusted based on the results of this analysis.

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions and Grants Receivable

Contributions and grants receivable are initially recorded at fair value utilizing Level 2 inputs as per the fair value policies covered later in this section. Contributions and grants to be received after one year are valued using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Contributions and grants receivable of shorter duration are recorded at estimated net realizable value. Amortization of present value amounts are included in with donor restrictions or without donor restrictions contribution revenue depending on the restrictions associated with the original gift. An allowance for uncollectible contributions and grants receivable is provided based upon management estimates including factors of historical experience and a specific review of collection trends that differ from the plan on individual accounts.

Investments

Investments are carried at fair value as per the fair value policies later in this section.

Net investment return consists of interest, dividends and realized and unrealized gains and losses, less any external and internal investment expenses.

Split-Interest Agreements

Perpetual Trusts Held by Third Parties

Perpetual trusts held by third parties are carried at fair value as per the fair value policies later in this section. Changes in fair value are reported as part of investment return as they occur.

Charitable Gift Annuities

From time to time, the College receives charitable gift annuities in which donors contribute assets and receive a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at Level 1 with the related annuity obligation being measured at Level 2 per the fair value policies later in this section. The assets received are transferred to the College's managers for long-term investment as part of the investment portfolio. The annuity obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The College reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Certain fair value items are adjusted on a recurring basis such as the College's investment portfolio while others are non-recurring in nature such as the present value of a long term pledge. In addition, the College reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

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

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition when the useful life is over one year and such amounts exceed a management established capitalization threshold or at fair value at the date of gift for donated assets using Level 3 methods as per the fair value policies as above. Depreciation is computed on the straight-line basis over the estimated useful lives of the individual asset with the half year convention used in the year of acquisition. Useful lives are as follows:

	Estimated Useful Lives
Land improvements	20 years
Buildings and improvements	10 - 60 years
Furniture, equipment and vehicles	4 - 15 years
Leasehold improvements	Lesser of life of the asset or lease term

Property, plant, and equipment are removed from the College's records at the time of disposal with any resulting gain or loss being reflected in the Statement of Activities. Replacements and major improvements are capitalized; expenses for maintenance and repairs are charged as incurred. Operation and maintenance expense totaled $12,746,535 and $12,571,325 for the years ended June 30, 2019 and 2018, respectively.

Deferred Revenue

Deferred revenue represents reservation deposits and other advance payments by students on account. Deferred revenue includes the amount of unearned related services that are in progress as of year-end related to net tuition, fees and auxiliary enterprises such as room and board. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Interest Rate Swap Agreements

Interest rate swap agreements are carried at fair market value using Level 2 fair value methods as per the fair value policies earlier in this section. These agreements are intended to synthetically fix interest rates over the term of the arrangement as rates that are more favorable than otherwise available in the market at the time of issuance.

Loans and Bonds Payable

Loans and Bonds payable are presented along with issuance premiums and issuance costs. Such amounts are amortized over the term of the related arrangement the straight-line basis.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions, unless use of the related asset is limited by donor-imposed restrictions, as follows:

A substantial portion of the College's revenue is derived from student tuition and fees. The College also derives revenue from housing fees which are reported as room and board in the statement of activities. These revenue streams are recognized as revenue in the period the services are provided, net of any institutional financial aid provided.

Tuition, fees, room and board revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing its satisfaction of its performance obligations or amounts allocated to those obligations. Tuition discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to an 80% refund within the first two weeks of classes declining to no refund after the fifth week of classes. Given the normal timing of the College's programs the exposure to such is limited at year end.

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

Revenue earned on grants for research is recognized as related costs are incurred. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied. Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long lived asset is placed into service. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

The College also derives revenue from conferences and events and sports camps which is recorded as revenue over time as earned and reported in other revenues in the statement of activities.

Investment returns are reported as revenue based on the fair value of investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns allocated to net assets with donor restrictions remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Non-operating activities include contributions, other than those received for annual operating purposes, private grants, investment return, net gains and losses related to the College's interest rate swap agreements and net assets released from restriction. To the extent investment return is authorized by the Board and gifts are permitted by the donor to fund operations, they are reclassified as "endowment return utilized in operations and restricted/designated net assets used in operations" on the statements of activities. In addition, certain activities that may occur infrequently, such as losses from extinguishment of debt and disposal of property, plant and equipment, are included in non-operating activities. All other activity is classified as operating revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Expenses are reported as decreases in net assets without donor restrictions. The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt. Included in institutional support are fundraising expenses of $2,099,544 and $2,171,091 for the years ended June 30, 2019 and 2018.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 materially from those estimates.

Tax Status

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

Uncertain Tax Positions

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

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on net changes in net assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In 2019, the College adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principle-based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The College adopted this standard using the modified retrospective approach on July 1, 2018.

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

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

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

The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, evolving to two net asset classes from what had previously been three, and the disclosure of investment return.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

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

The financial statement standard was applied to all periods to present the new categories as prescribed by the standard, however such classification has no effect on changes in net assets.

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

Subsequent Events

The College has evaluated subsequent events through November 18, 2019, the date the financial statements were issued.

Note 2 - Liquidity and Availability

The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities within its investment portfolio. The Board of Trustees has designated much of the investment portfolio to function as a quasi-endowment fund, but such resources can and would be made available by the Board should such be needed for operations.

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

In addition to the financial assets available to meet general expenditures over the next 12 months, the College seeks to operate with a budget surplus and anticipates collecting revenue in excess of general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the College's cash and shows positive cash generated by operations for the years ended June 30, 2019 and 2018.

As of June 30, 2019, the following table shows the financial assets available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	$	17,925,565
Contributions and grants receivable, net, for general expenditure due in 1 year or less		6,051,841
Accounts receivable, net		864,415
Endowment appropriation		8,790,631
Board-restricted endowment convertible to cash in less than 1 year		93,438,380
Total financial assets available to meet general expenditures over next 12 months	**$**	**127,070,832**

Note 3 - Contributions and Grants Receivable

Contributions and grants receivable are expected to be realized in the following time frame as of June 30:

	2019	2018
Amounts expected to be collected in:		
One year or less	$ 6,501,248	$ 3,234,486
Two to five years	9,823,518	7,698,041
Greater than five years	-	1,428,571
	16,324,766	12,361,098
Less:		
Discount to present value	(864,931)	(1,084,288)
Allowance for uncollectibles	(161,262)	(118,897)
Contributions and grants receivable, net	**$ 15,298,573**	**$ 11,157,913**

Over 50% of gross contributions and grants receivable were due from two donors at June 30, 2019 and one donor at June 30, 2018. Conditional contributions and grants receivable, as defined in Note 1, are $1,809,838 and $1,904,131 at June 30, 2019 and 2018, respectively.

Note 4 - Investments and Fair Value Measurements

The following table summarizes the valuation of the College's financial instruments as of June 30:

	2019					2018
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total	Total
Assets						
Investments:						
Cash and equivalents	$ 3,233,294	$ -	$ -	$ -	$ 3,233,294	$ 4,919,867
Equities:						
Domestic	3,561,256	-	-	-	3,561,256	2,128,389
International	15,923,955	-	-	-	15,923,955	16,198,395
Fixed income	5,561,856	-	-	-	5,561,856	5,197,373
Hedge funds:						
Commingled	-	-	-	12,480,781	12,480,781	12,548,507
Multi-strategy	-	-	-	4,095,853	4,095,853	5,266,849
Fixed income	-	-	-	3,144,450	3,144,450	2,989,328
Long/short equity	-	-	-	32,051,116	32,051,116	31,474,276
Private equity funds	-	-	-	15,683,870	15,683,870	16,046,797
Interest in Notre Dame Endowment pool:						
Multi-strategy	-	-	-	122,063,757	122,063,757	115,166,180
Total investments	28,280,361	-	-	189,519,827	217,800,188	211,935,961
Perpetual trusts held by third parties	-	-	2,328,604	-	2,328,604	2,408,741
Total assets	**$ 28,280,361**	**$ -**	**$ 2,328,604**	**$ 189,519,827**	**$ 220,128,792**	**$ 214,344,702**
Liabilities						
Interest rate swap agreements	**$ -**	**$ 7,983,256**	**$ -**	**$ -**	**$ 7,983,256**	**$ 6,042,163**

As a member of the Congregation of Holy Cross, the College invests in the Notre Dame Endowment Pool ("NDEP"). The NAV of the securities held by limited partnerships and NDEP that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2019 and 2018. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share.

Note 4 - Investments and Fair Value Measurements (Continued)

The redemption frequency of the College's investments are as follows at June 30, 2019:

Redemption Frequency	***Fair Value***
Daily	$ 35,631,253
Monthly	16,064,416
Quarterly	41,742,711
Annual	47,467,532
Illiquid	76,894,276
Total Investments	**$ 217,800,188**

Under certain unusual circumstances, investment managers may alter redemption provisions of their investment vehicles which could impact the ultimate liquidity of funds. Unfunded commitments under various investment vehicles amounted to $2,944,414 at June 30, 2019.

Perpetual trusts held by third parties relate to the assets which are held by independent donor-appointed trustees. Income is recognized "upon distribution" unless deemed as return of capital plus or minus any change in the fair value of the underlying asset while income from the remainder trust represents the change in fair value of the trust assets. Management has elected to omit disclosures relating to Level 3 activity given modest amounts involved.

Note 5 - Property, Plant and Equipment

Property, plant and equipment are as follows as of June 30:

	2019	2018
Land	$ 752,119	$ 752,119
Land improvements	19,039,980	18,625,661
Buildings and improvements	200,371,273	179,618,639
Leasehold improvements	565,869	565,869
Furniture, equipment and vehicles	38,280,330	37,051,782
Construction in progress	30,228,544	22,771,469
Total property, plant and equipment	289,238,115	259,385,539
Less accumulated depreciation	(110,465,301)	(105,316,492)
	$ 178,772,814	**$ 154,069,047**

Included in property, plant and equipment as of June 30, 2019 and 2018 are assets under capital lease for equipment with a cost of $1,144,811 and $1,361,388, respectively, and related accumulated amortization of $735,950 and $788,982, respectively. Capital lease obligations as of June 30, 2019 and 2018 were $398,447 and $563,935, respectively, and are included in capital leases and other liabilities on the statements of financial position.

For the years ended June 30, 2019 and 2018, assets with an original cost of $2,441,650 and $3,428,488, and accumulated depreciation of $1,895,581 and $2,113,480, respectively, were disposed of for a loss of $546,069 and $1,315,008, respectively.

Depreciation expense was $7,044,390 and $6,721,257 for the years ended June 30, 2019 and 2018, respectively.

Note 6 - Interest Rate Swap Agreements

The College has entered into various interest rate swap agreements in order to partially hedge variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The College does not enter into derivative instruments for trading or speculative purposes. Net payments under swap agreements are accounted for as interest expense.

Interest payments on swap agreements at June 30, 2019 and 2018 were $882,242 and $1,172,232, respectively. These payments are included in net gain (loss) from interest rate swaps in the statements of activities.

These swaps hedge much of the variable exposure in the Series K bonds as detailed in Note 7. The College has three swap agreements as per below at June 30:

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	2019 Fair Value (Liability)	2018 Fair Value (Liability)
$ 19,840,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.369%	$ (1,657,986)	$ (1,331,772)
9,560,000	July 1, 2028	USD-1M LIBOR + 0.67%	3.594%	(1,126,217)	(909,521)
19,000,000	July 1, 2037	USD-1M LIBOR + 0.67%	3.651%	(5,199,053)	(3,800,870)
$ 48,400,000				**$ (7,983,256)**	**$ (6,042,163)**

The swap agreements have no collateral requirements applicable to the College.

As a result of the use of derivative instruments, the College is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, the College only enters into contracts with selected major financial institutions based upon their credit ratings and other factors and continually assesses the creditworthiness of counterparties. The counterparties to the College's interest rate swaps had investment grade ratings at June 30, 2019 and 2018, respectively. To date, all counterparties have performed in accordance with their contractual obligation.

Note 7 - Loans and Bonds Payable

Loans and bonds payable are as follows as of June 30:

	2019	2018
HEFA Series L, dated August 5, 2009, fixed interest rates ranging from 2.50% to 5.375% due serially on July 1, from July 1, 2011 to July 1, 2029.	$ 1,065,000	$ 2,095,000
J.P. Morgan direct placement loan, dated May 31, 2013, at a fixed interest rate of 1.80% due serially from July 1, 2013 to July 1, 2020.	599,308	1,188,015
Century Bank MDFA Series K-1 direct placement loan, dated November 4, 2015, variable interest rates of 67% of one month libor plus 1.05% due quarterly from July 1, 2016 to December 31, 2018, and 79% of one month libor plus 0.75% from January 1, 2019 through November 3, 2025, and 79% of one month libor plus 0.95% through July 1, 2037, with an actual interest rate of 2.52% and 2.40% at June 30, 2019 and 2018, respectively.	26,112,500	26,937,500
People's United Bank MDFA Series K-2 direct placement loan, dated November 4, 2015, variable interest rates of 68% of one month libor plus 1.15% due quarterly from July 1, 2016 to July 1, 2037, with an actual interest rate of 2.44% and 2.47% at June 30, 2019 and 2018, respectively.	26,112,500	26,937,500
People's United Bank MDFA Series M direct placement loan, dated March 30, 2017, fixed interest rate of 2.80% due quarterly from July 1, 2017 to April 1, 2029, at which point interest rate reevaluated and paid quarterly from July 1, 2029 to April 1, 2047.	14,687,615	14,935,409
TD Bank MDFA Series N direct placement loan, dated November 9, 2017, fixed interest rate of 2.49% due quarterly from January 1, 2018 to July 1, 2029.	14,449,116	14,640,980
Century Bank, MDFA Series O drawdown bond, dated June 1, 2018, variable interest rate of 79% of one month libor plus 0.90% due quarterly from July 1, 2018 to June 1, 2027 and 1.50% due quarterly thereafter to July 1, 2048, with an actual interest rate of 2.64% at June 30, 2019.	25,000,000	3,627,744
	108,026,039	90,362,148
Less unamortized debt issuance costs	(620,704)	(650,388)
	$ 107,405,335	**$ 89,711,760**

Note 7 - Loans and Bonds Payable (Continued)

In June 2018, the College entered into a drawdown bond, effectively a construction line of credit, for the College's new business building. The agreement provides a maximum principal amount available of $25,000,000, with a drawdown end date of June 1, 2021.

The outstanding loans and bonds payable include a pledge of tuition receipts. The College is also subject to certain financial covenants.

Mandatory annual principal payments on loans and bonds payable are as follows as of June 30:

2020	$ 3,274,691
2021	2,699,640
2022	4,584,665
2023	4,772,834
2024	4,759,737
Thereafter	87,934,472
	$ 108,026,039

During the years ended June 30, 2019 and 2018, interest in the amount of $352,720 and $478,405, respectively, was capitalized during construction.

Note 8 - Endowments

The College's endowment consists of approximately 250 individual restricted endowment funds as well as Board-designated endowment funds for a variety of purposes plus other funds such as those held in support of split-interest agreements. The 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.

Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts as requiring the preservation 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 tracks the original value of gifts donated to the permanent endowment, subsequent gifts to the permanent endowment and any required additions to these funds per the donor agreement. Any amounts in excess of these levels which is generally accumulated unspent gains on such funds are subject to appropriation for expenditure by the College via the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the College also considers the following factors in making a determination to appropriate endowment funds:

1) The duration and preservation of the fund;
2) The purposes 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; and
7) The investment policies of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

The College tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and 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.

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of funds with donor restrictions. The College had no such deficits for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Endowments (Continued)

Return Objectives and Risk Parameters

The investment objective of the endowment funds, through the careful management of assets, is designed to preserve the funds' purchasing power and to ensure a total return (income plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time provide a dependable source of income for current operations and programs. To accomplish this objective, the funds seek to generate a total return that will exceed not only its spending authority, but also the eroding effects of inflation and its operating expenses over the long term. To meet this long-term objective, all total return (interest income, dividends, realized gains and unrealized gains), above and beyond the amount approved for expenditures, will be reinvested in the funds.

Strategies Employed for Achieving Investment Objectives

The funds have a long-term investment horizon with relatively low liquidity needs. For this reason, the funds can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the funds can take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of the College determines the method to be used to distribute endowment funds for expenditure. Under the College's endowment spending policy for the years ended June 30, 2019 and 2018, the College applied a rate of 4.5% to a weighted average calculation based on the previous year's ending endowment value and the previous year's endowment spending. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

Note 8 - Endowments (Continued)

Endowment net asset composition by type of fund is as follows as of June 30, 2019:

	Without Donor Restrictions	***With Donor Restrictions***		***Total***
		Original Gift	***Accumulated Gains***	
Donor-restricted endowment funds	$ -	$ 39,793,196	$ 25,320,205	$ 65,113,401
Board-designated endowment funds	152,126,617	-	-	152,126,617
Total endowment funds	**$ 152,126,617**	**$ 39,793,196**	**$ 25,320,205**	**$ 217,240,018**

Endowment net asset composition by type of fund is as follows as of June 30, 2018:

	Without Donor Restrictions	***With Donor Restrictions***		***Total***
		Original Gift	***Accumulated Gains***	
Donor-restricted endowment funds	$ -	$ 38,101,251	$ 23,169,588	$ 61,270,839
Board-designated endowment funds	150,143,576	-	-	150,143,576
Total endowment funds	**$ 150,143,576**	**$ 38,101,251**	**$ 23,169,588**	**$ 211,414,415**

Note 8 - Endowments (Continued)

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

	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Endowment net assets, beginning of year	$ 150,143,576	$ 61,270,839	$ 211,414,415
Total investment return	8,049,176	3,384,490	11,433,666
Gifts and additions	6,075	2,878,307	2,884,382
Distribution of endowment assets for expenditure	(6,072,210)	(2,420,235)	(8,492,445)
Endowment net assets, end of year	**$ 152,126,617**	**$ 65,113,401**	**$ 217,240,018**

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

	Without Donor Restrictions	***With Donor Restrictions***	***Total***
Endowment net assets, beginning of year	$ 142,941,572	$ 51,200,495	$ 194,142,067
Total investment return	13,153,120	4,986,625	18,139,745
Gifts and additions	9,931	7,177,479	7,187,410
Distribution of endowment assets for expenditure	(5,961,047)	(2,093,760)	(8,054,807)
Endowment net assets, end of year	**$ 150,143,576**	**$ 61,270,839**	**$ 211,414,415**

Note 9 - Net Assets

The net assets with donor restrictions are summarized as follows as of June 30:

	2019	2018
Donor restricted for scholarship and other programs	$ 17,145,838	$ 12,640,004
Funds for facilities and student loans	4,013,115	2,729,961
Annuity and perpetual trusts held by third parties	3,068,017	3,106,982
Endowment funds:		
Restricted for scholarship support	60,942,824	55,646,751
Restricted for faculty support	1,754,185	3,467,879
Restricted for program support	2,416,392	2,156,209
Total endowment funds	65,113,401	61,270,839
Total net assets with donor restrictions	**$ 89,340,371**	**$ 79,747,786**

Net assets were released from donor restrictions as a result of the endowment spending policy and incurring expenses satisfying the restricted purposes or the occurrence of events specified by the donors. Net assets released from restrictions are for the following purposes for the years ended June 30:

	2019	2018
Endowment return utilized in operations:		
Scholarship	$ 2,207,551	$ 1,948,803
Other program support	187,245	201,543
Capital improvements (non-operating)	47,650	506,712
Scholarship	368,429	244,269
Student services	320,471	263,635
Other program support	515,687	709,169
Net assets released from restrictions	**$ 3,647,033**	**$ 3,874,131**

Note 10 - Revenue Matters

The College's revenues from tuition, fees and auxiliary enterprises are all recognized over time. Factors that can impact the amount and timing of cash flows include policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by ED rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by ED for new students are available later than for continuing students. The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in CPI plus 2%. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

The College has a number of lines of business which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs. The College's revenue is predominately from undergraduate education.

Tuition, fees, room and board revenue are presented on the statement of activities net of the following discounts for the years ended June 30:

	2019	***2018***
Tuition and fees discount:		
Institutional scholarships (funded by College)	$ 51,037,724	$ 49,166,080
Endowed scholarships (funded)	2,586,911	2,321,271
Federal and other scholarships	654,397	727,880
Room and board discount	406,287	428,461
	$ 54,685,319	**$ 52,643,692**

Note 11 - Lease Commitments

The College leases property for terms ranging from ten to fifty years expiring through June 30, 2066. Leases generally provide for the pass through of an increases in operating costs over the lease term. The annual minimum operating lease commitments are as follows for the years ended June 30:

2020	$ 337,346
2021	342,407
2022	347,543
2023	352,756
2024	358,047
Thereafter	17,692,412
	$ 19,430,511

Total rental expense on these leases was $332,361 and $325,040 for the years ended June 30, 2019 and 2018, respectively.

Note 11 - Lease Commitments (Continued)

The following is a schedule of future minimum lease payments under capital leases included in capital leases and other liabilities on the statements of financial position, together with the present value of the net minimum lease payments as of June 30, 2019:

2020	$ 174,669
2021	174,669
2022	58,223
	407,561
Interest	(9,115)
	$ 398,446

Note 12 - Employee Benefit Plans

The College offers its employees a defined contribution plan and participates in the Teachers Insurance and Annuity Association contributory retirement program. This program covers substantially all full-time employees of the College. The College made contributions of $3,631,398 and $3,485,555 for the fiscal years ended June 30, 2019 and 2018, respectively. The College also maintains a self-funded medical plan for its employees. The self-funded medical and short-term disability plans are funded by both employee and College contributions. The College paid claims of $4,422,837 and $3,415,743 for the fiscal years ended June 30, 2019 and 2018, respectively.

Note 13 - Natural Classification of Expenses

Expenses presented by natural classification and function are as follows for the years ended June 30:

	2019					
	Instruction/ Academic Services	*Student Services*	*Institutional Support*	*Auxiliary Services*	*Total*	*2018 Total*
Salaries and benefits	$ 29,268,103	$ 9,887,957	$ 7,899,363	$ 3,364,840	$ 50,420,263	$ 47,630,461
Contracted services	4,347,602	1,944,600	1,281,873	5,536,021	13,110,096	12,758,332
Utilities and maintenance	3,403,425	2,400,520	1,313,762	6,176,244	13,293,951	13,108,218
Supplies and office expense	1,272,065	898,622	632,599	103,209	2,906,495	2,848,934
Interest, depreciation and amortization	3,003,301	1,415,740	835,805	4,257,494	9,512,340	9,193,349
Other operating expenses	3,971,569	2,929,819	3,993,939	2,231,443	13,126,770	11,505,070
Total expenses	**$ 45,266,065**	**$ 19,477,258**	**$ 15,957,341**	**$ 21,669,251**	**$ 102,369,915**	**$ 97,044,364**

Note 14 - Related Parties

Certain members of the Board are members, employees or officers of companies which do business with the College. The College has polices regarding such transactions including review and approval by the trustees and recusal by the interested party prior to entering into such transactions. The College believes that these transactions are favorable or otherwise on commercially reasonable terms to the College. Related party transactions were $1,789,299 and $283,144 for the fiscal years ended June 30, 2019 and 2018, respectively. The College had $432,242 and $16,690 recorded in accounts payable due to related parties as of June 30, 2019 and 2018, respectively.

As indicated in Note 1, the Congregation of Holy Cross was instrumental in the founding of the College. Members of the Congregation of Holy Cross are administrators and faculty at the College as well as serve on the College's Board of Trustees. The College remits to the Congregation of Holy Cross lay-equivalent salaries for those services received from the Congregation of Holy Cross members. The College also rents property from the congregation. Payments for rents and salaries totaled $1,414,939 and $1,410,617 for the years ended June 30, 2019 and 2018, respectively, and are included in operating expenses.

Note 15 - Commitments and Contingencies

Litigation

In the ordinary course of business, the College is involved in a number of litigation matters. In the opinion of management, these matters will not have a significant effect on the financial statements of the College.

Contracts

The College has a contract with its food service provider expiring in 2031.

The College also has a long-term contract with its energy and natural gas providers that expires in 2022.

The College has outstanding construction/engineering contracts of approximately $5,273,150 at June 30, 2019.

The College has a long-term contract with a solar energy provider to purchase energy at a fixed rate in exchange for allowing the use of certain property of the College to house a solar farm through 2033.

The College has collective bargaining agreements covering certain police and facilities employees of the College, expiring June 30, 2019 and June 30, 2021, respectively.