



# Pine Manor College

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**FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**PINE MANOR COLLEGE**

Contents  
June 30, 2019 and 2018

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## Independent Auditor's Report

To the Board of Trustees of  
Pine Manor College:

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

Wellesley, Massachusetts  
November 27, 2019

**PINE MANOR COLLEGE**

Statement of Financial Position  
June 30, 2019

| <b>Assets</b>  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>  |
|--|---------------------------------------|------------------------------------|---------------|
| Current Assets:  |                                       |                                    |               |
| Cash and cash equivalents  | \$ 121,519                            | \$ 105,742                         | \$ 227,261    |
| Student accounts receivable, net of allowance for<br>doubtful accounts of approximately \$93,000 | 327,705                               | -                                  | 327,705       |
| Other accounts receivable  | 329,518                               | -                                  | 329,518       |
| Current portion of pledges receivable  | 183,090                               | 633,333                            | 816,423       |
| Prepaid expenses and other   | 122,709                               | -                                  | 122,709       |
| Total current assets   | 1,084,541                             | 739,075                            | 1,823,616     |
| Assets Held Under Split-Interest Agreements  | 46,266                                | 212,725                            | 258,991       |
| Investments  | -                                     | 9,621,706                          | 9,621,706     |
| Pledges Receivable, net of current portion and discount  | -                                     | 279,272                            | 279,272       |
| Due from (to) Funds  | (1,052,904)                           | 1,052,904                          | -             |
| Property and Equipment, net  | 14,599,077                            | -                                  | 14,599,077    |
| Interest Rate Swap Contracts in Gain Position  | 3,556                                 | -                                  | 3,556         |
| Total assets   | \$ 14,680,536                         | \$ 11,905,682                      | \$ 26,586,218 |
| <b>Liabilities and Net Assets</b>  |                                       |                                    |               |
| Current Liabilities:   |                                       |                                    |               |
| Current portion of notes payable   | \$ 267,000                            | \$ -                               | \$ 267,000    |
| Current portion of bond payable  | 271,384                               | -                                  | 271,384       |
| Current portion of capital lease obligation  | 19,567                                | -                                  | 19,567        |
| Accounts payable and accrued expenses  | 2,097,586                             | -                                  | 2,097,586     |
| Deferred tuition and fees  | 990,778                               | -                                  | 990,778       |
| Total current liabilities  | 3,646,315                             | -                                  | 3,646,315     |
| Notes Payable, net of current portion  | 1,393,897                             | -                                  | 1,393,897     |
| Bond Payable, net of current portion   | 4,667,564                             | -                                  | 4,667,564     |
| Capital Lease Payable  | 85,240                                | -                                  | 85,240        |
| Annuity Payment Obligation   | 46,266                                | -                                  | 46,266        |
| Asset Retirement Obligation  | 220,975                               | -                                  | 220,975       |
| Total liabilities  | 10,060,257                            | -                                  | 10,060,257    |
| Net Assets:  |                                       |                                    |               |
| Without donor restrictions:  |                                       |                                    |               |
| Operating  | (4,408,795)                           | -                                  | (4,408,795)   |
| Property and equipment   | 9,029,074                             | -                                  | 9,029,074     |
| Total without donor restrictions   | 4,620,279                             | -                                  | 4,620,279     |
| With donor restrictions  | -                                     | 11,905,682                         | 11,905,682    |
| Total net assets   | 4,620,279                             | 11,905,682                         | 16,525,961    |
| Total liabilities and net assets   | \$ 14,680,536                         | \$ 11,905,682                      | \$ 26,586,218 |

The accompanying notes are an integral part of these statements.

**PINE MANOR COLLEGE**

Statement of Financial Position  
June 30, 2018

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

**PINE MANOR COLLEGE**

Statement of Activities  
For the Year Ended June 30, 2019

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>       |
|---|---------------------------------------|------------------------------------|--------------------|
| <b>Operating Revenue:</b>   |                                       |                                    |                    |
| Tuition and fees  | \$ 11,221,781                         | \$ -                               | \$ 11,221,781      |
| Auxiliary enterprises   | 2,825,726                             | -                                  | 2,825,726          |
| Less - student aid  | <u>(5,358,480)</u>                    | <u>-</u>                           | <u>(5,358,480)</u> |
| Tuition, fees, and auxiliary enterprises, net                         | 8,689,027                             | -                                  | 8,689,027          |
| Rental income   | 3,483,379                             | -                                  | 3,483,379          |
| Sales and services of educational activities                          | 1,980,193                             | -                                  | 1,980,193          |
| Grants and contributions  | 1,700,656                             | 544,821                            | 2,245,477          |
| Investment return designated for current operations                   | 652,000                               | -                                  | 652,000            |
| Other income  | 421,478                               | -                                  | 421,478            |
| Federal and state student aid   | 18,188                                | -                                  | 18,188             |
| Net assets released from restrictions                                 | <u>335,910</u>                        | <u>(335,910)</u>                   | <u>-</u>           |
| Total operating revenue   | <u>17,280,831</u>                     | <u>208,911</u>                     | <u>17,489,742</u>  |
| <b>Operating Expenses:</b>  |                                       |                                    |                    |
| Instruction   | 4,725,917                             | -                                  | 4,725,917          |
| Academic services   | 836,921                               | -                                  | 836,921            |
| Student services  | 4,083,077                             | -                                  | 4,083,077          |
| Institutional support   | 3,840,716                             | -                                  | 3,840,716          |
| Other expenses  | 414,792                               | -                                  | 414,792            |
| Auxiliary enterprises   | 2,810,083                             | -                                  | 2,810,083          |
| Independent operations  | <u>1,369,786</u>                      | <u>-</u>                           | <u>1,369,786</u>   |
| Total operating expenses  | <u>18,081,292</u>                     | <u>-</u>                           | <u>18,081,292</u>  |
| Changes in net assets from operations                                 | <u>(800,461)</u>                      | <u>208,911</u>                     | <u>(591,550)</u>   |
| <b>Non-Operating Revenue (Expenses):</b>                              |                                       |                                    |                    |
| Gain on sale of life insurance policies                               | 896,933                               | -                                  | 896,933            |
| Net unrealized loss on carrying value of interest rate swap contracts | (64,399)                              | -                                  | (64,399)           |
| Endowment contributions   | -                                     | 2,500                              | 2,500              |
| Interest income (expense) on endowment borrowing                      | (37,824)                              | 37,824                             | -                  |
| Investment return reduced by amount for current operations            | <u>-</u>                              | <u>11,248</u>                      | <u>11,248</u>      |
| Total non-operating revenue (expenses)                                | <u>794,710</u>                        | <u>51,572</u>                      | <u>846,282</u>     |
| Changes in net assets   | <u>\$ (5,751)</u>                     | <u>\$ 260,483</u>                  | <u>\$ 254,732</u>  |

**PINE MANOR COLLEGE**

Statement of Activities  
For the Year Ended June 30, 2018

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

**PINE MANOR COLLEGE**

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

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|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------------|---------------------------------------|------------------------------------|----------------------|
| <b>Net Assets, June 30, 2017</b> | \$ 4,507,940                          | \$ 11,994,686                      | \$ 16,502,626        |
| Changes in net assets            | <u>118,090</u>                        | <u>(349,487)</u>                   | <u>(231,397)</u>     |
| <b>Net Assets, June 30, 2018</b> | 4,626,030                             | 11,645,199                         | 16,271,229           |
| Changes in net assets            | <u>(5,751)</u>                        | <u>260,483</u>                     | <u>254,732</u>       |
| <b>Net Assets, June 30, 2019</b> | <u>\$ 4,620,279</u>                   | <u>\$ 11,905,682</u>               | <u>\$ 16,525,961</u> |



**PINE MANOR COLLEGE**

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

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

PINE MANOR COLLEGE

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

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

PINE MANOR COLLEGE

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

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

## **PINE MANOR COLLEGE**

Notes to Financial Statements  
June 30, 2019 and 2018

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### **1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **OPERATIONS AND NONPROFIT STATUS**

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

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

#### **SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Cash and Cash Equivalents**

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

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

#### **Accounts Receivable and Allowance for Doubtful Accounts**

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

#### **Pledges Receivable**

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

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

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

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

**Property and Equipment and Depreciation**

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

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

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with the standards for *Accounting for Conditional Asset Retirement Obligation*, if a reasonable estimate of the fair value of the obligation can be made. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

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

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fair Value Measurements**

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

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

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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

**Net Assets**

***Net Assets Without Donor Restrictions***

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

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

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

**PINE MANOR COLLEGE**

Notes to Financial Statements  
June 30, 2019 and 2018

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets (Continued)**

***Net Assets With Donor Restrictions***

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

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

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>Subject to expenditure for specified purpose:</b>   |                      |                      |
| Scholarships   | \$ 94,484            | \$ 60,049            |
| Other operating expenses   | 602,530              | 703,036              |
| Capital expenditures   | <u>4,992</u>         | <u>4,992</u>         |
|  | <u>702,006</u>       | <u>768,077</u>       |
| <br>   |                      |                      |
| <b>Subject to the passage of time:</b>   |                      |                      |
| Unrestricted promises to give that are unavailable<br>for expenditure until collected  | <u>475,000</u>       | <u>200,000</u>       |
| <br>   |                      |                      |
| <b>Subject to the College's endowment spending policy and<br/>appropriation (see Note 4):</b>  |                      |                      |
| Investment in perpetuity (including amounts above the<br>original gift amounts of \$10,207,462 and \$10,204,962 as<br>of June 30, 2019 and 2018, respectively), which once<br>appropriated is expendable to support: |                      |                      |
| Scholarships   | 3,526,241            | 3,513,818            |
| Educational programs and general use   | <u>7,202,435</u>     | <u>7,163,304</u>     |
|  | <u>10,728,676</u>    | <u>10,677,122</u>    |
|  | <u>\$ 11,905,682</u> | <u>\$ 11,645,199</u> |

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Statements of Activities**

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

**Revenue Recognition**

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

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

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

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

**Expense Allocation**

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

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

**Advertising Costs**

The College expenses advertising costs as they are incurred.



## PINE MANOR COLLEGE

Notes to Financial Statements  
June 30, 2019 and 2018

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes

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

##### Debt Issuance Costs

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

##### Estimates

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

##### Subsequent Events

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

### 2. PLEDGES RECEIVABLE

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

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

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

**PINE MANOR COLLEGE**

Notes to Financial Statements  
June 30, 2019 and 2018

**3. INVESTMENTS**

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

| <u>2019</u>            | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|------------------------|---------------------|---------------------|----------------|---------------------|
| Fixed income:          |                     |                     |                |                     |
| Corporate bonds        | \$ -                | \$ 877,550          | \$ -           | \$ 877,550          |
| Government obligations | -                   | 1,869,937           | -              | 1,869,937           |
| Mutual funds           | 1,174,729           | -                   | -              | 1,174,729           |
| Equities:              |                     |                     |                |                     |
| Domestic markets       | 2,738,006           | -                   | -              | 2,738,006           |
| Mutual funds           | 2,235,847           | -                   | -              | 2,235,847           |
| Money market accounts  | 725,637             | -                   | -              | 725,637             |
|                        | <u>\$ 6,874,219</u> | <u>\$ 2,747,487</u> | <u>\$ -</u>    | <u>\$ 9,621,706</u> |
| <u>2018</u>            | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
| Fixed income:          |                     |                     |                |                     |
| Corporate bonds        | \$ -                | \$ 863,547          | \$ -           | \$ 863,547          |
| Government obligations | -                   | 1,868,861           | -              | 1,868,861           |
| Mutual funds           | 1,358,504           | -                   | -              | 1,358,504           |
| Equities:              |                     |                     |                |                     |
| Domestic markets       | 2,763,229           | -                   | -              | 2,763,229           |
| Mutual funds           | 2,242,415           | -                   | -              | 2,242,415           |
| Money market accounts  | 511,234             | -                   | -              | 511,234             |
|                        | <u>\$ 6,875,382</u> | <u>\$ 2,732,408</u> | <u>\$ -</u>    | <u>\$ 9,607,790</u> |

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

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

#### 4. ENDOWMENT

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

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

##### **Investment Return Objectives, Risk Parameters and Strategies**

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

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

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

##### **Spending Policy**

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

**PINE MANOR COLLEGE**

Notes to Financial Statements  
June 30, 2019 and 2018

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**4. ENDOWMENT (Continued)**

**Borrowing**

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

|                     | <u>2019</u>         | <u>2018</u>         |
|---------------------|---------------------|---------------------|
| Endowment borrowing | \$ 1,064,994        | \$ 1,279,331        |
| Other               | <u>(12,090)</u>     | <u>90,004</u>       |
|                     | <u>\$ 1,052,904</u> | <u>\$ 1,369,335</u> |

**Endowment Activity**

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

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

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

## PINE MANOR COLLEGE

Notes to Financial Statements  
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### 5. PROPERTY AND EQUIPMENT

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

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

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

### Land Sales

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

### 6. SPLIT-INTEREST AGREEMENTS

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

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

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

## PINE MANOR COLLEGE

Notes to Financial Statements  
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### 6. SPLIT-INTEREST AGREEMENTS (Continued)

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

|                     | <u>2019</u>       | <u>2018</u>       |
|---------------------|-------------------|-------------------|
| Gift annuity funds  | \$ 258,219        | \$ 253,195        |
| Pooled income funds | <u>772</u>        | <u>397</u>        |
|                     | <u>\$ 258,991</u> | <u>\$ 253,592</u> |

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

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

|                   | <u>2019</u>      | <u>2018</u>      |
|-------------------|------------------|------------------|
| Beginning Balance | \$ 49,151        | \$ 62,811        |
| Payments          | (10,363)         | (7,433)          |
| Change in value   | <u>7,478</u>     | <u>(6,227)</u>   |
| Ending Balance    | <u>\$ 46,266</u> | <u>\$ 49,151</u> |

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

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

### 7. CASH SURRENDER VALUE OF LIFE INSURANCE

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

### 8. NOTE PAYABLE TO A BANK

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

## PINE MANOR COLLEGE

Notes to Financial Statements  
June 30, 2019 and 2018

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### 8. NOTE PAYABLE TO A BANK (Continued)

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

### 9. BOND PAYABLE

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

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

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

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

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

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

### Debt Issuance Costs and Amortization

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

|                                 | <u>2019</u>       | <u>2018</u>       |
|---------------------------------|-------------------|-------------------|
| Debt issuance costs             | \$ 452,615        | \$ 452,615        |
| Less - accumulated amortization | <u>172,872</u>    | <u>153,122</u>    |
| Unamortized debt issuance costs | <u>\$ 279,743</u> | <u>\$ 299,493</u> |

## PINE MANOR COLLEGE

Notes to Financial Statements  
June 30, 2019 and 2018

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### 9. BOND PAYABLE (Continued)

#### Debt Issuance Costs and Amortization (Continued)

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

### 10. NOTES PAYABLE

#### Term Loan

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

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

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

Other significant terms of the swap contract included:

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

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

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



## PINE MANOR COLLEGE

Notes to Financial Statements  
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### 10. NOTES PAYABLE (Continued)

#### Construction Loan

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

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

Other significant terms of the swap contract include:

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

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

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

#### Computer and Equipment Loans

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

**PINE MANOR COLLEGE**Notes to Financial Statements  
June 30, 2019 and 2018

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**10. NOTES PAYABLE (Continued)****Maturity**

Total notes payable were as follows as of June 30:

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

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

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

**Debt Issuance Costs and Amortization**

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

|                                 | <u>2019</u>      | <u>2018</u>      |
|---------------------------------|------------------|------------------|
| Debt issuance costs             | \$ 103,038       | \$ 103,038       |
| Less - accumulated amortization | <u>89,122</u>    | <u>83,872</u>    |
| Unamortized debt issuance costs | <u>\$ 13,916</u> | <u>\$ 19,166</u> |

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

**11. RENTAL ACTIVITY****Long-Term Leases**

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

**PINE MANOR COLLEGE**

Notes to Financial Statements  
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**11. RENTAL ACTIVITY (Continued)**

**Long-Term Leases (Continued)**

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

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

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

**Special Events**

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

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

**12. DEFERRED TUITION AND FEES**

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

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

**13. PENSION PLAN**

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

## PINE MANOR COLLEGE

Notes to Financial Statements  
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### 14. CONCENTRATION

#### Credit Risk

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

### 15. COMMITMENTS

#### Operating Leases

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

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

|      |           |
|------|-----------|
| 2020 | \$ 31,743 |
| 2021 | \$ 23,418 |
| 2022 | \$ 11,400 |

#### Contracts

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

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

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

**PINE MANOR COLLEGE**

Notes to Financial Statements  
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**16. LIQUIDITY**

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

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

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

**17. CONDITIONAL GRANT**

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

**18. CAPITAL LEASE**

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

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

## **PINE MANOR COLLEGE**

Notes to Financial Statements  
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### **19. CONTINUING OPERATIONS**

The College had a loss without donor restrictions of \$5,751 for the year ended June 30, 2019, and achieved a surplus without donor restrictions of \$118,090 for the year ended June 30, 2018. The fiscal year 2019 loss is inclusive of a gain on sale of life insurance policies (see Note 7). Operating net assets without donor restrictions remained negative at \$4,408,795 and \$4,638,051 as of June 30, 2019 and 2018, respectively.

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

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

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

### **20. RECLASSIFICATION**

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