# Financial Statements

# Lasell College

**June 30, 2019 and 2018**

# LASELL COLLEGE

## *Financial Statements*

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***Financial Statements:***

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*Independent Auditors' Report*

Board of Trustees
Lasell College
Newton, Massachusetts

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

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

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lasell 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.

***Emphasis of Matters***

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

Mayer Hoffman McCann P.C.

October 18, 2019
Boston, Massachusetts

# LASELL COLLEGE

## *Statements of Financial Position*

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,398,247 | $ 1,644,539 |
| Accounts receivable, net | 2,830,295 | 3,313,987 |
| Contributions receivable, net | 2,622,833 | 2,916,740 |
| Student loans receivable, net | 307,457 | 363,392 |
| Deposits with trustees | 3,383,743 | 3,294,317 |
| Other assets | 719,710 | 1,062,174 |
| Beneficial interests in trusts | 2,436,052 | 2,747,469 |
| Investments | 39,396,608 | 36,732,104 |
| Real estate held for investment | 3,828,012 | 4,678,012 |
| Property and equipment, net | 91,357,120 | 93,227,998 |
| **Total assets** | **$ 148,280,077** | **$ 149,980,732** |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 5,462,455 | $ 5,831,905 |
| Deferred revenue and advances | 9,520,124 | 9,651,161 |
| Deferred land lease revenue | 1,488,988 | 1,487,319 |
| Bonds payable | 54,706,082 | 56,223,289 |
| Interest rate swap agreements | 5,417,368 | 4,513,534 |
| Other liabilities | 1,332,790 | 1,057,808 |
| **Total liabilities** | **77,927,807** | **78,765,016** |
| Net assets: | | |
| Without donor restrictions | 50,691,985 | 54,414,571 |
| With donor restrictions | 19,660,285 | 16,801,145 |
| **Total net assets** | **70,352,270** | **71,215,716** |
| **Total liabilities and net assets** | **$ 148,280,077** | **$ 149,980,732** |

*See accompanying notes to financial statements.*

## LASELL COLLEGE

### *Statement of Activities*

***Year Ended June 30, 2019***
***(With Comparative Totals for 2018)***

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Revenues, gains and other support:** | | | | |
| Tuition and fees, net | $ 37,392,244 | $ - | $ 37,392,244 | $ 37,951,649 |
| Auxiliary enterprises, net | 15,824,538 | - | 15,824,538 | 17,057,252 |
| Investment income appropriated | 1,545,284 | - | 1,545,284 | 1,597,580 |
| Federal and state grants | 747,789 | - | 747,789 | 658,082 |
| Private gifts and grants | 796,614 | - | 796,614 | 927,209 |
| Other revenue | 660,393 | - | 660,393 | 748,477 |
| Net assets released from restrictions to operations | 508,680 | - | 508,680 | 496,185 |
| **Total revenues, gains and other support** | **57,475,542** | **-** | **57,475,542** | **59,436,434** |
| **Expenses:** | | | | |
| Instruction | 17,563,683 | - | 17,563,683 | 16,727,100 |
| Academic support | 3,715,284 | - | 3,715,284 | 3,605,268 |
| Student services | 11,876,839 | - | 11,876,839 | 11,174,143 |
| Auxiliary enterprises | 19,423,998 | - | 19,423,998 | 20,243,635 |
| Institutional support | 9,205,816 | - | 9,205,816 | 9,132,657 |
| **Total expenses** | **61,785,620** | **-** | **61,785,620** | **60,882,803** |
| **Change in net assets from operations** | **(4,310,078)** | **-** | **(4,310,078)** | **(1,446,369)** |
| **Non-operating activities:** | | | | |
| Investment income, net of total return appropriated | (38,241) | 183,697 | 145,456 | 1,099,782 |
| Land lease income | 205,840 | - | 205,840 | 205,840 |
| Private gifts and grants | 488,138 | 4,023,096 | 4,511,234 | 1,801,433 |
| Non-operating fundraising costs | - | - | - | (107,477) |
| Change in fair value of interest rate swaps | (903,834) | - | (903,834) | 969,703 |
| Other non-operating activities, net | (135,176) | 131,792 | (3,384) | 325,315 |
| Net assets released from restrictions to operations | - | (508,680) | (508,680) | (496,185) |
| Net assets released from restrictions | 970,765 | (970,765) | - | - |
| **Total non-operating activities** | **587,492** | **2,859,140** | **3,446,632** | **3,798,411** |
| **Change in net assets** | **(3,722,586)** | **2,859,140** | **(863,446)** | **2,352,042** |
| Net assets, beginning of year | 54,414,571 | 16,801,145 | 71,215,716 | 68,863,674 |
| **Net assets, end of year** | **$ 50,691,985** | **$ 19,660,285** | **$ 70,352,270** | **$ 71,215,716** |

*See accompanying notes to financial statements.*

**LASELL COLLEGE**

***Statement of Activities***

***Year Ended June 30, 2018***

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total* |
|---|---|---|---|
| **Revenues, gains and other support:** | | | |
| Tuition and fees, net | $ 37,951,649 | $ - | $ 37,951,649 |
| Auxiliary enterprises, net | 17,057,252 | - | 17,057,252 |
| Investment income appropriated | 1,597,580 | - | 1,597,580 |
| Federal and state grants | 658,082 | - | 658,082 |
| Private gifts and grants | 927,209 | - | 927,209 |
| Other revenue | 748,477 | - | 748,477 |
| Net assets released from restrictions to operations | 496,185 | - | 496,185 |
| **Total revenues, gains and other support** | **59,436,434** | **-** | **59,436,434** |
| **Expenses:** | | | |
| Instruction | 16,727,100 | - | 16,727,100 |
| Academic support | 3,605,268 | - | 3,605,268 |
| Student services | 11,174,143 | - | 11,174,143 |
| Auxiliary enterprises | 20,243,635 | - | 20,243,635 |
| Institutional support | 9,132,657 | - | 9,132,657 |
| **Total expenses** | **60,882,803** | **-** | **60,882,803** |
| **Change in net assets from operations** | **(1,446,369)** | **-** | **(1,446,369)** |
| **Non-operating activities:** | | | |
| Investment income, net of total return appropriated | 713,584 | 386,198 | 1,099,782 |
| Land lease income | 205,840 | - | 205,840 |
| Private gifts and grants | 275,908 | 1,525,525 | 1,801,433 |
| Non-operating fundraising costs | (107,477) | - | (107,477) |
| Change in fair value of interest rate swaps | 969,703 | - | 969,703 |
| Other non-operating activities, net | 194,758 | 130,557 | 325,315 |
| Net assets released from restrictions to operations | - | (496,185) | (496,185) |
| Net assets released from restrictions | 1,078,495 | (1,078,495) | - |
| **Total non-operating activities** | **3,330,811** | **467,600** | **3,798,411** |
| **Change in net assets** | **1,884,442** | **467,600** | **2,352,042** |
| Net assets, beginning of year | 52,530,129 | 16,333,545 | 68,863,674 |
| **Net assets, end of year** | **$ 54,414,571** | **$ 16,801,145** | **$ 71,215,716** |

## LASELL COLLEGE

### *Statements of Cash Flows*

| | Years Ended June 30, 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (863,446) | $ 2,352,042 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,713,593 | 5,376,296 |
| Provision for bad debts | 127,168 | 80,771 |
| Net realized and unrealized gain on investments | (989,098) | (1,910,188) |
| (Gain) loss on disposal of property and equipment | - | (3,272) |
| Contributions restricted for long-term investment and plant | (403,467) | (1,173,115) |
| Investment income restricted for long-term investment | (1,319) | (2,205) |
| Contribution of stock | (2,759,168) | - |
| Change in fair value of interest rate swaps | 903,834 | (969,703) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 356,524 | (680,743) |
| Contributions receivable | 293,907 | (239,905) |
| Beneficial interest in trusts | 311,417 | (143,573) |
| Other assets | 342,464 | 105 |
| Accounts payable and accrued expenses | 79,138 | (1,511,489) |
| Deferred revenue and advances | (131,037) | 2,226,256 |
| Deferred land lease revenue | 1,669 | 1,669 |
| Other liabilities | 132,143 | 40,000 |
| **Net cash provided by operating activities** | **3,114,322** | **3,442,946** |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of investments | 3,715,723 | 15,033,980 |
| Purchases of investments | (2,667,697) | (11,582,643) |
| Purchase of real estate held for investment | - | (2,482,012) |
| Change in annuity obligations | (21,497) | (304,300) |
| Proceeds from sale of property and equipment | - | 15,200 |
| Purchase of property and equipment | (3,149,367) | (11,161,695) |
| Student loans granted | - | (62,615) |
| Student loans collected | 55,935 | 67,763 |
| Change in deposits with trustees | (53,690) | 3,613,807 |
| **Net cash used in investing activities** | **(2,120,593)** | **(6,862,515)** |
| **Cash flows from financing activities:** | | |
| Contributions restricted for long-term investment and plant | 403,467 | 1,173,115 |
| Investment income restricted for long-term investment | 1,319 | 2,205 |
| Change in federal loan program advances | 7,236 | (50,897) |
| Payments on bonds | (1,592,083) | (1,403,770) |
| Payments on capital lease obligations | (59,960) | (50,556) |
| **Net cash used in financing activities** | **(1,240,021)** | **(329,903)** |
| **Net decrease in cash and cash equivalents** | **(246,292)** | **(3,749,472)** |
| Cash and cash equivalents, beginning of year | 1,644,539 | 5,394,011 |
| **Cash and cash equivalents, end of year** | **$ 1,398,247** | **$ 1,644,539** |

**Supplemental Disclosures of Cash Flow Information**

| | 2019 | 2018 |
|---|---|---|
| Cash payment for interest | $ 2,891,594 | $ 2,924,626 |
| Amounts included in accounts payable for purchase of property and equipment | 107,351 | 555,939 |
| Noncash financing of equipment under capital leases | 217,061 | - |
| Transfer of real estate held for investment to property and equipment | 850,000 | - |

*See accompanying notes to financial statements.*

# LASELL COLLEGE

## *Notes to Financial Statements*

### *Note 1 - Organization and Summary of Significant Accounting Policies*

#### *Organization*

Lasell College (the "College"), founded in 1851, is an independent, comprehensive coeducational college located in Newton, Massachusetts, offering professionally oriented bachelor's and master's degree programs. The student population is drawn predominantly from the Northeast region of the United States. The College is accredited by the New England Commission of Higher Education, Inc. and participates in student financial assistance programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts. These programs facilitate the payment of tuition and other expenses for students.

Lasell, Inc., a not-for-profit organization, is the sole member of the College. Lasell, Inc. is also the sole member of Lasell Village, Inc. (the "Village"). The Village is a Massachusetts charitable corporation formed in 1990 to establish and operate an educational continuing care retirement community (the "Facility") in Newton, Massachusetts. The financial statements only reflect the activities of the College and do not include the Village or Lasell, Inc.

In August 2019, Lasell College was granted university status by the Massachusetts State Board of Higher Education and changed its name to Lasell University.

#### *Financial Statement Presentation*

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that the College report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for endowment. The College's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and student loans and undesignated funds.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid debt instruments, bank deposits and other such accounts with an initial maturity of three months or less, excluding balances whose use is restricted or included in the investment accounts. Cash equivalents are carried at cost plus accrued interest. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment. The College maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The College monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Cash and Cash Equivalents (Continued)*

Cash and cash equivalents includes cash restricted for student loan funds which was $67,493 and $5,143 at June 30, 2019 and 2018, respectively.

#### *Accounts Receivable*

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Interest is not charged on receivables.

#### *Contributions Receivable*

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Fair value of the initial recordings is determined in accordance with the fair value policies outlined below. The initially recorded fair value is considered a Level 2 fair value approach. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity. Conditional promises to give are not included as support until the conditions are substantially met.

#### *Student Accounts and Loans Receivable*

Student loans receivable are funds loaned to students by the College under the Federal Perkins Loan Program (“Perkins”), a campus-based loan program sponsored by the Department of Education (“DOE”). The College and DOE shared funding of such resources, creating a revolving loan fund. Student loans receivable are carried at their net realizable value. Interest and late fees are recorded when received. Perkins notes are considered in default if any portion of the balance due is outstanding for more than 240 days. However credit risk with these loans is somewhat limited given the rules associated with Perkins Loans that allow properly administered loans to be conveyed back to the DOE in exchange for a reduction in refundable U.S. government grants for student loans and, accordingly, reserves required for these loans are modest. The College has omitted detailed disclosures given the amounts involved.

Student accounts and notes receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically.

***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

***Deposits with Trustees***

In accordance with the bond agreements (see Note 10), the College maintains funds on deposit with the bond trustees for debt service reserves. The deposits with trustees for debt service reserve funds under the Series 2011 bond agreement are primarily invested in U.S. government obligations as permitted by the bond agreement. Deposits with trustees also includes amounts in debt service funds, primarily for scheduled debt service due July 1.

***Beneficial Interests in Trusts***

The College is a 100% income beneficiary of an irrevocable perpetual trust controlled by a third-party trustee. The College is also the remainder man in two irrevocable trusts and three irrevocable gift annuity trusts controlled by third-party trustees. In addition, the College has an annuity interest through 2022 in an irrevocable charitable lead annuity trust controlled by a third-party trustee.

The initially recorded fair value of the beneficial interests in trusts are determined based on the underlying nature of the investments held which have generally represented Level 3 measurements, while the initial measurements of any related life expectancies are Level 2 measurements.

***Charitable Gift Annuity Obligations***

Assets received under gift annuity agreements are invested with the other investments of the College. Assets received under charitable remainder trust annuity agreements where the College is the trustee are invested in separate investment accounts, and included in investments in the Statements of Financial Position. In connection with these annuity gifts, the College records a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on the actuarial expected lives and records the estimated net residual amount as a contribution at the date of the gift.

The initially recorded fair value of the charitable gift annuities are determined based on the underlying nature of the investments received which have generally represented Level 3 measurements while the initial measurement of the related obligations are Level 2 measurements.

Assets of charitable gift annuities are recorded at fair value, net of the present value of the liability for income payable to the donor or the donor's designee, and in the appropriate net asset category based on donor stipulation. Related contributions are recognized as contribution revenue equal to the present value of future benefits less the liability for income payable to the donor or the donor's designee.

During the term of these agreements, changes in the value of split-interest agreements are recognized in the Statements of Activities based on accretion of the discounted amount of the contribution, the expected future benefits to be received by the College, changes in the fair value of underlying investments and the expected future payment to other beneficiaries, based on changes in life expectancy and other actuarial assumptions. Discount rates ranging from 1.2% and 9.8% were used in these calculations. The discount rates were equivalent to the IRS discount rate which approximated fair value at the time the College entered into the arrangement.

### Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

#### Charitable Gift Annuity Obligations (Continued)

The change in the value of the gift annuity agreements is included in other non-operating activities in the Statements of Activities and was $(39,146) and $220,761 for the years ended June 30, 2019 and 2018, respectively.

#### Investments

Investments are stated at fair value. Fair value is determined as per the fair value policies described later in this section. Accordingly, changes in fair values are reflected in the Statements of Activities as gains or losses on investments included in investment results.

Investments include a separate investment account for a charitable gift annuity. Investments also include certain artwork which was gifted to the College by an artist and for which the College is holding in anticipation of an increase in its fair value, a life insurance policy which was gifted to the College and which is valued at the cash value of the policy, and private company stock which was gifted to the College in July 2018 and which is valued at its estimated fair value.

#### Real Estate Held for Investment

Real estate held for investment consisted of six residential properties adjacent to the campus which are held for investment purposes. During 2019, one of the properties was placed into service for operations. Fair value of real estate held for investment is effectively recorded using a Level 2 market approach.

#### Property and Equipment

Property and equipment are recorded when the useful life is over one year at cost when such amounts exceed the management established capitalization threshold. In the case of donated property, such amounts are recorded at fair value at the date of the gift using a Level 3 fair value assessment as per the fair value standards described elsewhere in this section. Property and equipment is depreciated using straight-line methods over the lesser of the estimated useful lives of related assets, and in the case of assets under capital leases, their respective lease terms. Projects that are comprised of multiple phases are placed into service at the substantial completion of each phase. Expenditures for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized. Interest related to the construction of capital assets is capitalized as a component of the cost of developing capital assets.

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Property and Equipment (Continued)*

| *Category* | *Life* |
|---|---|
| Buildings | 20-40 years |
| Building improvements | 10 years |
| Land improvements | 10 years |
| Furniture, fixtures and equipment | 3-7 years |
| Motor vehicles | 5 years |

In the normal course of its operations, the College incurs legal obligations to perform certain retirement activity with regard to the ultimate disposition of some of its tangible long-lived assets due to the nature of material used in their construction or operation. The timing of the performance of these retirement activities is within the control of the College and, due to the long useful lives of these assets, will be performed at some future date. The estimated liability for these activities is included in other liabilities on the Statements of Financial Position. It amounted to $53,000 and $44,500 at June 30, 2019 and 2018, respectively.

#### *Deferred Revenue and Advances*

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

In addition, deferred revenue and advances also includes an upfront payment from a vendor that will be recognized as a reduction of related expenses over the life of the service contract with this vendor.

#### *Deferred Land Lease Revenue*

Deferred land lease revenue represents payments in excess of revenue recognized in connection with the College's land lease to Lasell Village. Land lease income is recognized on the straight-line basis over the lease term and is recorded as a non-operating activity within the Statements of Activities.

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Interest Rate Swap Agreements*

The fair value of interest rate swap is recorded at each period-end as either an asset or a liability, based on the estimated value of the contract at year-end. Fair value is determined as per the fair value policies as described later in this section. The change in the fair value of the contracts is measured at each period-end and recorded as a non-operating activity within the Statements of Activities.

#### *Revenue Recognition*

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as “net assets released from restriction” between the classes of net assets.

The College primarily derives revenues through tuition, fees and auxiliary services, all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

Tuition, fees and auxiliary services are recorded at established rates, net of institutional aid and scholarships provided directly to students of $24,465,602 and $23,161,991 related to tuition and fees and $8,311,587 and $8,081,628 related to room and board, for the years ended June 30, 2019 and 2018, respectively. These amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational or auxiliary services such as room and board. Management deems that recognizing revenue over time is the best measure of services rendered based its academic calendar. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Students may withdraw from programs of study within certain time limits as under the College’s withdrawal policies by semester. Given the normal timing of the College’s programs, the exposure to such is limited at year-end.

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

***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

***Revenue Recognition (Continued)***

Contributions are recognized as either revenue without donor restrictions or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value as per the fair value policies described below. The College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items such as meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Net investment return (loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

***Operating and Non-operating Activity***

The Statements of Activities report the change in net assets from operating and non-operating activities. Operating revenues consist of items attributable to the College's undergraduate and graduate education programs, grants for research conducted by academic departments, auxiliary enterprise activities, certain contributions, amount allocated under the College's spending policy and other sources. Non-operating activities include investment return, less amounts allocated under the spending policy, contributions received for endowment, land lease income, change in fair value of interest rate swaps and miscellaneous items not related to the College's academic or research activities.

***Revenue Matters***

The College has a number of academic programs which include traditional undergraduate education, traditional graduate programs, other continuing education programs, online programs and international programs. The College's revenues from tuition, fees, room and board are all recognized over time. Factors can impact the amount and timing of cash flows, such as policies that allow for withdrawal by students after the start of the program subject to certain limits which differ by nature of program. Cash flows are also impacted by the Department of Education ("DOE") rules which differ for newly enrolled versus continuing students with respect to federal aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

## Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

### Revenue Matters (Continued)

The following table summarizes the revenue from each of these programs:

| | 2019 | 2018 |
|---|---|---|
| Undergraduate tuition | $ 54,894,482 | $ 54,661,253 |
| Graduate tuition | 4,678,234 | 4,046,056 |
| Comprehensive fees | 2,115,938 | 2,175,241 |
| Other fees | 169,192 | 232,090 |
| | 61,857,846 | 61,114,640 |
| Less: financial aid | (24,465,602) | (23,162,971) |
| | **$ 37,392,244** | **$ 37,951,669** |

### Auxiliary Enterprises Revenue

Auxiliary enterprises revenue, net consists of the following for the years ended June 30:

| | 2019 | 2018 |
|---|---|---|
| Room and board, net | $ 10,282,713 | $ 10,716,211 |
| Childcare programs | 1,795,219 | 1,557,005 |
| Contracts with Lasell Village (see Note 14) | 2,036,266 | 1,897,790 |
| Collaborative services (see Note 15) | 501,615 | 1,731,204 |
| Third-party campus programs | 554,619 | 500,642 |
| Other auxiliary enterprises | 654,106 | 654,400 |
| | **$ 15,824,538** | **$ 17,057,252** |

### Functional Expense Allocation

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in Note 16, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the reserves on student loans, contributions receivable and accounts receivable, the measurement of deferred revenues, estimated lives of property and equipment, fair value of investments, conditional asset retirement obligations, measurement of obligation from group health self-insurance program, valuation of interests in and obligations under split-interest agreements, valuation of interest rate swaps, the functional allocation of overhead expenses and releases from donor restrictions.

#### *Fair Value Measurements*

The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measures include the College's investment accounts, interest rate swaps and deposits with trustees. Nonrecurring measures include pledges, asset retirement obligations, annuity obligations, and the 2019 gift of privately held stock. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the College to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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

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

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

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

## Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

### Fair Value Measurements (Continued)

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 7 - Fair Values of Financial Instruments.

### Tax Status

The College has obtained a determination letter dated November 30, 1970 from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

### Uncertain Tax Positions

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

## *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

### *New Accounting Pronouncements*

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

The adoption of ASU No. 2014-09 did not materially impact reported revenue in any period due to: 1) performance obligations were determined to be similar as compared with deliverables previously identified; 2) the transaction price is consistent and 3) revenue was recorded in the same manner under prior standards. In evaluating the effects of the change, contracts in process as of the date of adoption were considered under the practical expedient allowed under the standard.

Associated with the adoption of ASU No. 2014-09, consideration was given to the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts, and accordingly, no change was made to this accounting.

In 2019, the College also adopted ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The financial statement standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, evolving to two net asset classes from what had previously been three and investment return.

The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would by accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable. The College adopted this standard using the modified retrospective approach on July 1, 2018 and the adoption did not materially impact reported revenue in any period.

***Note 1 - Organization and Summary of Significant Accounting Policies (Continued)***

***New Accounting Pronouncements (Continued)***

As required under the modified retrospective method used for both ASU No.'s 2014-09 and 2018-08, the College is required to indicate the effects of the adoption of the change in the current reporting period, however, management determined that the effect on earned revenue, deferred revenue and contribution revenue was immaterial. As such, no disclosures have been provided on the effect on the June 30, 2019 financial statement amounts. In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

Finally, in 2019, the College also adopted ASU No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The College adopted this standard retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. There was no change in total net assets as previously reported as a result of the adoption of this standard.

A recap of the net asset reclassification as a result of the adoption of ASU No. 2016-14 as of June 30, 2018 is as follows:

| | ASU No. 2016-14 Classifications | | |
|---|---|---|---|
| ***Net Asset Classification*** | ***Without Donor Restrictions*** | ***With Donor Restrictions*** | ***Total*** |
| As previously reported: | | | |
| Unrestricted | $ 54,414,571 | $ - | $ 54,414,571 |
| Temporarily restricted | - | 8,274,648 | 8,274,648 |
| Permanently restricted | - | 8,526,497 | 8,526,497 |
| **Balance as of June 30, 2018** | **$ 54,414,571** | **$ 16,801,145** | **$ 71,215,716** |

### *Note 1 - Organization and Summary of Significant Accounting Policies (Continued)*

#### *Reclassifications*

Certain reclassifications have been made to the 2018 financial statements to conform to presentations used in 2019.

#### *Subsequent Events*

The College has evaluated subsequent events through October 18, 2019, the date the financial statements were issued. There were no subsequent events requiring accounting or disclosure through this period.

### *Note 2 - Liquidity and Availability*

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

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

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

### *Note 2 - Liquidity and Availability (Continued)*

As of June 30, 2019, the following tables show the total financial assets held by the College and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

| | | |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ | 1,398,247 |
| Accounts receivable, net | | 2,830,295 |
| Contributions receivable, net | | 2,622,833 |
| Student loans receivable, net | | 307,457 |
| Deposits with trustees | | 3,383,743 |
| Investments | | 39,396,608 |
| **Total financial assets at year end** | **$** | **49,939,183** |
| Financial assets available to meet general expenditures over the next 12 months: | | |
| Cash and cash equivalents | $ | 1,330,754 |
| Accounts receivable, net | | 2,830,295 |
| Contributions without restrictions due in one year or less | | 1,265,900 |
| Deposits with trustees | | 601,200 |
| Endowment spending rate distribution | | 1,715,342 |
| Additional draw from quasi-endowment | | 4,000,000 |
| **Total financial assets available to meet general expenditures over the next 12 months** | **$** | **11,743,491** |

In addition to the financial assets noted above, the College has a $3,000,000 demand line of credit with Citizen's Bank, N.A., which they have the ability to utilize for operations, as needed. As of June 30, 2019, there was no outstanding balance on the line of credit, leaving the full $3,000,000 available to the College.

Although not expected to be needed, the Board designated portion of the College's net assets of $22,141,688 could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. See Notes 7 and 12 for further information about the College's investment portfolio, net assets and endowment funds.

***Note 3 - Accounts Receivable***

Accounts receivable consist of the following at June 30:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Student accounts | $ | 1,152,216 | $ | 1,439,965 |
| Third party collections in transit | | 1,408,808 | | 1,684,830 |
| Other | | 598,271 | | 437,792 |
| | | 3,159,295 | | 3,562,587 |
| Less: allowance for doubtful accounts | | (329,000) | | (248,600) |
| **Total accounts receivable, net** | **$** | **2,830,295** | **$** | **3,313,987** |

***Note 4 - Contributions Receivable***

Contributions receivable consist of unconditional promises to give as follows as of June 30:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Amounts due: | | | | |
| In one year or less | $ | 1,697,823 | $ | 1,212,682 |
| From one to five years | | 1,163,752 | | 2,080,188 |
| | | 2,861,575 | | 3,292,870 |
| Less: unamortized discount (discount rates ranging from 2.32% to 3.55%) | | (36,069) | | (86,941) |
| Less: allowance for doubtful accounts | | (202,673) | | (289,189) |
| **Contributions receivable, net** | **$** | **2,622,833** | **$** | **2,916,740** |

At June 30, 2019, 49% of gross contributions receivable was due from one donor.

### *Note 5 - Deposits with Trustees*

Deposits with trustees under bond agreements consisted of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Debt service funds | | |
| Government obligation mutual fund | $ 1,366,200 | $ 1,339,200 |
| Debt service reserve funds | | |
| Government obligation mutual fund | 129,380 | 93,327 |
| U.S. Treasury obligations | 940,110 | 190,554 |
| Federal agency bonds | 948,053 | 1,671,236 |
| Total debt service reserve funds | 2,017,543 | 1,955,117 |
| **Deposits with trustees** | **$ 3,383,743** | **$ 3,294,317** |

### *Note 6 - Beneficial Interests in Trusts*

Beneficial interests in trusts consisted of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Irrevocable perpetual trust | $ 606,269 | $ 614,740 |
| Remainder interest in irrevocable trusts | 1,385,469 | 1,363,281 |
| Remainder interest in irrevocable gift annuity trusts | 427,192 | 747,778 |
| Annuity interest in irrevocable charitable lead annuity trust | 17,122 | 21,670 |
| **Beneficial interests in trusts** | **$ 2,436,052** | **$ 2,747,469** |

The change in the value of the irrevocable trusts is included in other non-operating activities, net on the Statements of Activities and was $138,706 and $148,576 for the years ended June 2019 and 2018, respectively.

### *Note 7 - Fair Values of Financial Instruments*

The valuation of the College's instruments using the fair value hierarchy consisted of the following at June 30, 2019:

| | Total | Investments Measured at NAV | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Beneficial interests in trusts | $ 2,436,052 | $ - | $ - | $ - | $ 2,436,052 |
| Deposits with trustees | 3,383,743 | - | 3,383,743 | - | - |
| Real estate held for investment | 3,828,012 | - | - | 3,828,012 | - |
| Investments: | | | | | |
| Cash and equivalents | 135,003 | - | 135,003 | - | - |
| Mutual funds - equity: | | | | | |
| Domestic | 11,096,556 | - | 11,096,556 | - | - |
| International | 10,780,195 | - | 10,780,195 | - | - |
| Mutual funds - fixed income | 9,097,871 | - | 9,097,871 | - | - |
| Mutual funds - other | 4,524 | - | 4,524 | - | - |
| Alternative investments: | | | | | |
| Energy debt fund | 2,260,740 | 2,260,740 | - | - | - |
| Private equity funds | 1,747,933 | 1,747,933 | - | - | - |
| Offshore opportunity fund | 1,169,085 | 1,169,085 | - | - | - |
| Opportunity funds - other | 214,422 | 214,422 | - | - | - |
| Insurance contracts | 59,411 | - | - | 59,411 | - |
| Artwork | 71,700 | - | - | - | 71,700 |
| Total investments | 36,637,440 | 5,392,180 | 31,114,149 | 59,411 | 71,700 |
| Total assets | **$ 46,285,247** | **$ 5,392,180** | **$ 34,497,892** | **$ 3,887,423** | **$ 2,507,752** |
| Liabilities: | | | | | |
| Interest rate swap agreements | **$ 5,417,368** | **$ -** | **$ -** | **$ 5,417,368** | **$ -** |

All investments measured at NAV have redemption periods of over 90 days at June 30, 2019.

Unfunded commitments under various investment vehicles amounted to approximately $2,975,000 at June 30, 2019.

At June 30, 2019, the College also holds an investment in private company stock of $2,759,168 that is a nonrecurring fair value measurement. Accordingly, that investment value is not included in the above table.

### *Note 7 - Fair Values of Financial Instruments (Continued)*

The valuation of the College's instruments using the fair value hierarchy consisted of the following at June 30, 2018:

| | *Total* | *Investments Measured at NAV* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Beneficial interests in trusts | $ 2,747,469 | $ - | $ - | $ - | $ 2,747,469 |
| Deposits with trustees | 3,294,317 | - | 3,294,317 | - | - |
| Real estate held for investment | 4,678,012 | - | - | 4,678,012 | - |
| Investments: | | | | | |
| Mutual funds - equity: | | | | | |
| Domestic | 11,132,393 | - | 11,132,393 | - | - |
| International | 11,223,571 | - | 11,223,571 | - | - |
| Mutual funds - fixed income | 9,275,241 | - | 9,275,241 | - | - |
| Mutual funds - other | 4,423 | - | 4,423 | - | - |
| Alternative investments: | | | | | |
| Energy debt fund | 2,461,123 | 2,461,123 | - | - | - |
| Private equity funds | 1,359,858 | 1,359,858 | - | - | - |
| Offshore opportunity fund | 1,147,084 | 1,147,084 | - | - | - |
| Insurance contracts | 56,711 | - | - | 56,711 | - |
| Artwork | 71,700 | - | - | - | 71,700 |
| Total investments | 36,732,104 | 4,968,065 | 31,635,628 | 56,711 | 71,700 |
| Total assets | **$ 47,451,902** | **$ 4,968,065** | **$ 34,929,945** | **$ 4,734,723** | **$ 2,819,169** |
| Liabilities: | | | | | |
| Interest rate swap agreement | **$ 4,513,534** | **$ -** | **$ -** | **$ 4,513,534** | **$ -** |

Many of the College's investment funds contain clauses that under certain unusual circumstances trustees and fund managers may limit distributions from the related fund. The College has not experienced such limitations over distributions from its funds during 2019 or 2018.

### *Note 7 - Fair Values of Financial Instruments (Continued)*

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

| | Beneficial Interests in Trusts | Artwork | Total |
|---|---|---|---|
| Balance as of June 30, 2017 | $ 2,603,896 | $ 71,700 | $ 2,675,596 |
| Distribution | (5,003) | - | (5,003) |
| Change in value of beneficial interests | 148,576 | - | 148,576 |
| Balance as of June 30, 2018 | 2,747,469 | 71,700 | 2,819,169 |
| Distribution | (450,123) | - | (450,123) |
| Change in value of beneficial interests | 138,706 | - | 138,706 |
| **Balance as of June 30, 2019** | **$ 2,436,052** | **$ 71,700** | **$ 2,507,752** |

### *Note 8 - Property and Equipment*

Property and equipment consist of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Land and improvements | $ 7,562,797 | $ 6,926,335 |
| Buildings and improvements | 133,164,107 | 130,314,115 |
| Furniture, fixtures and equipment | 11,929,184 | 10,989,304 |
| Motor vehicles | 826,053 | 714,625 |
| Construction in progress | 756,825 | 1,632,381 |
| Total property and equipment | 154,238,966 | 150,576,760 |
| Less: accumulated depreciation and amortization | (62,881,846) | (57,348,762) |
| **Property and equipment, net** | **$ 91,357,120** | **$ 93,227,998** |

Interest related to the construction of capital assets is capitalized as a component of the cost of acquiring capital assets. Interest capitalized amounted to $233,671 for the year ended June 30, 2018, there were no amounts capitalized for the year ended June 30, 2019.

### *Note 9 - Deferred Revenue and Advances*

Deferred revenue and advances consists of the following at June 30:

| | *2019* | *2018* |
|---|---|---|
| Deferred revenue - students | $ 6,873,831 | $ 7,044,188 |
| Advance from vendor | 2,150,097 | 2,418,859 |
| Deferred revenue - other | 496,196 | 188,114 |
| **Total deferred revenue and advance payments** | **$ 9,520,124** | **$ 9,651,161** |

Substantially all amounts included in deferred revenue for tuition, auxiliary services and student deposits at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. The remaining performance obligation is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue. There were no significant changes in deferred revenue amounts on a quantitative or qualitative basis. Deferred revenue related to up front vendor payments are being recognized over the term of the vendor agreement.

### *Note 10 - Bonds Payable*

Bonds payable consist of the following at June 30:

| | *2019* | *2018* |
|---|---|---|
| Citizens Bank, N.A. Series 2015 direct placement, Massachusetts Development Finance Agency ("MDFA") Revenue Bonds. The bonds are payable in varying monthly installments commencing in 2018 with final maturity in 2045. Interest is payable on a monthly basis with the interest rate fixed for ten years at 3%. | $ 9,654,147 | $ 9,886,230 |
| Series 2011, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2041. Interest is payable semi-annually with fixed interest rates ranging from 5% to 6%. | 20,845,000 | 21,565,000 |
| Citizens Bank, N.A. Series 2008 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments due July 1 with final maturity in 2038. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (4.73% and 4.74% at June 30, 2019 and 2018, respectively). Interest is fixed via the use of interest rate swap agreements (Note 11). | 9,590,000 | 9,880,000 |
| Citizens Bank, N.A. Series 2006 direct placement, MDFA Revenue Bonds. The bonds are payable in varying annual installments on July 1 with final maturity in 2036. Interest is payable on a monthly basis with interest accruing at the prevailing market rate (5.09% and 5.05% at June 30, 2019 and 2018, respectively). Interest is fixed via the use of interest rate swap agreements (Note 11). | 15,820,000 | 16,170,000 |
| | 55,909,147 | 57,501,230 |
| Less: bond issuance costs | (820,647) | (861,973) |
| Less: unamortized discount | (382,418) | (415,968) |
| **Bonds payable** | **$ 54,706,082** | **$ 56,223,289** |

All debt is secured by the tuition receipts of the College. The College is subject to certain financial and non-financial debt covenants.

### Note 10 - Bonds Payable (Continued)

Sinking fund requirements and aggregate principal repayments on the bonds for the next five years and thereafter are as follows for the years ending June 30:

| | |
|---|---|
| 2020 | $ 1,673,660 |
| 2021 | 1,742,094 |
| 2022 | 1,824,973 |
| 2023 | 1,913,104 |
| 2024 | 1,995,758 |
| Thereafter | 46,759,558 |
| | **$ 55,909,147** |

Interest expense consists of the following for the years ended June 30:

| | ***2019*** | ***2018*** |
|---|---|---|
| Bond interest expense | $ 2,777,182 | $ 2,843,691 |
| Other interest expense | 87,685 | 60,595 |
| Less capitalized interest | - | (233,671) |
| **Interest expense** | **$ 2,864,867** | **$ 2,670,615** |

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the bonds. Bond issuance costs of $1,268,615 are net of accumulated amortization of $447,968 and $406,642 at June 30, 2019 and 2018, respectively. Amortization expense related to the bond issuance costs amounted to $41,326 for both the years ended June 30, 2019 and 2018.

### Note 11 - Derivative Instruments

The College uses interest rate swaps to manage interest rate risk exposure. The College's interest rate swaps effectively mitigate exposure to interest rate risk, primarily through converting portions of floating rate debt under the bond agreement to a fixed rate basis. These agreements involve the receipt or payment of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amounts. The College does not enter into derivative instruments for trading or speculative purposes.

Each of the College's interest rate swaps has been recorded as a liability in the Statements of Financial Position at fair value. Changes in fair value are recorded as change in the fair value of interest rate swaps in the period incurred.

***Note 11 - Derivative Instruments (Continued)***

As a result of the use of swap agreements, the College is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, the College only enters into contracts with selected major financial institutions based upon their credit ratings and other factors, and continually assesses the creditworthiness of counterparties. At June 30, 2019 and 2018, all of the counterparties to the College's interest rate swaps had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligation. The current year swaps contain no credit risk-related contingent features in the College's interest rate swaps nor do the swaps contain provisions under which the College has, or would be required, to post collateral.

The College had the following interest rate swap liabilities outstanding at June 30:

***2019***

| Remaining Notional Amount | Termination Date | Interest Rate Received | Interest Rate Paid | Fair Value |
|---|---|---|---|---|
| $ 9,666,809 | 7/01/2038 | 68% of one month LIBOR | 3.435% | $ 1,848,135 |
| 11,180,000 | 7/01/2036 | 67% of one month LIBOR | 3.745% | 2,874,516 |
| 4,640,000 | 7/01/2031 | 67% of one month LIBOR | 3.795% | 694,717 |
| **$ 25,486,809** | | | | **$ 5,417,368** |

***2018***

| Remaining Notional Amount | Termination Date | Interest Rate Received | Interest Rate Paid | Fair Value |
|---|---|---|---|---|
| $ 9,947,238 | 7/01/2038 | 68% of one month LIBOR | 3.435% | $ 1,488,634 |
| 11,275,000 | 7/01/2036 | 67% of one month LIBOR | 3.745% | 2,416,504 |
| 4,895,000 | 7/01/2031 | 67% of one month LIBOR | 3.795% | 608,396 |
| **$ 26,117,238** | | | | **$ 4,513,534** |

### *Note 12 - Net Assets and Endowment Matters*

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

| | *2019* | *2018* |
|---|---|---|
| Unrealized and realized cumulative net gains on investments with permanent donor restrictions: | | |
| General support | $ 1,301,848 | $ 1,298,075 |
| Restricted | 768,837 | 777,906 |
| | 2,070,685 | 2,075,981 |
| Endowment principal: | | |
| General support | 4,938,878 | 4,712,503 |
| Restricted | 3,101,864 | 3,101,364 |
| | 8,040,742 | 7,813,867 |
| Endowment - other: | | |
| Contributions receivable | 514,742 | 71,350 |
| Split-interest agreements and trusts | 2,594,046 | 2,911,248 |
| Investments with restricted liquidity | 2,759,168 | - |
| Donor restricted | 1,000,000 | 1,000,000 |
| | 6,867,956 | 3,982,598 |
| Total endowment net assets | 16,979,383 | 13,872,446 |
| Purpose restricted | 1,026,354 | 644,479 |
| Time restricted: | | |
| Contributions receivable | 1,645,549 | 2,275,219 |
| Loan funds | 9,000 | 9,000 |
| | **$ 19,660,286** | **$ 16,801,144** |

**Unrealized/realized cumulative net gains on investments with permanent donor restrictions** - Under Massachusetts state law, these amounts represent unappropriated gains on endowment net assets with permanent donor restrictions.

### *Note 12 - Net Assets and Endowment Matters (Continued)*

Net assets released from restrictions consist of the following during the years ended June 30:

| | *2019* | *2018* |
|---|---|---|
| Operating: | | |
| Program services | $ 479,419 | $ 480,357 |
| Collection of contributions receivable without donor purpose restrictions | 24,258 | 10,825 |
| Distribution from split-interest agreements | 5,003 | 5,003 |
| Total operating | 508,680 | 496,185 |
| Non-operating: | | |
| Capital improvements | 33,963 | 877,551 |
| Collection of capital campaign contributions receivable without donor purpose restrictions | 491,682 | 200,944 |
| Distribution from beneficial interest | 445,120 | - |
| Total non-operating | 970,765 | 1,078,495 |
| **Total** | **$ 1,479,445** | **$ 1,574,680** |

### *Note 12 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2019:

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total* |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 16,979,383 | $ 16,979,383 |
| Board-designated funds | 22,141,688 | - | 22,141,688 |
| **Total funds** | **$ 22,141,688** | **$ 16,979,383** | **$ 39,121,071** |

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total* |
|---|---|---|---|
| Endowment assets and those functioning as endowment assets at beginning of year | $ 21,846,981 | $ 13,872,446 | $ 35,719,427 |
| Gifts and additions | 483,186 | 3,429,436 | 3,912,622 |
| Split-interest agreements and trusts activity | 414,654 | (320,097) | 94,557 |
| Endowment returns: | | | |
| Interest and dividends, net of investment expenses | 502,236 | 159,549 | 661,785 |
| Net realized and unrealized gains | 650,862 | 302,500 | 953,362 |
| Total endowment returns | 1,153,098 | 462,049 | 1,615,147 |
| Amounts appropriated for operations and other purposes | (1,756,231) | (464,451) | (2,220,682) |
| Change in endowment assets and those functioning as endowment assets | 294,707 | 3,106,937 | 3,401,644 |
| **Endowment assets and those functioning as endowment assets at end of year** | **$ 22,141,688** | **$ 16,979,383** | **$ 39,121,071** |

### *Note 12 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2018:

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total* |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 13,872,446 | $ 13,872,446 |
| Board-designated funds | 21,846,981 | - | 21,846,981 |
| **Total funds** | **$ 21,846,981** | **$ 13,872,446** | **$ 35,719,427** |

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total* |
|---|---|---|---|
| Endowment assets and those functioning as endowment assets at beginning of year | $ 20,684,053 | $ 13,236,001 | $ 33,920,054 |
| Gifts and additions | 225,439 | 295,563 | 521,002 |
| Split-interest agreements and trusts activity | 227,437 | 136,897 | 364,334 |
| Endowment returns: | | | |
| Interest and dividends, net of investment expenses | 575,666 | 175,316 | 750,982 |
| Net realized and unrealized gains | 1,450,133 | 476,735 | 1,926,868 |
| Total endowment returns | 2,025,799 | 652,051 | 2,677,850 |
| Amounts appropriated for operations and other purposes | (1,315,747) | (448,066) | (1,763,813) |
| Change in endowment assets and those functioning as endowment assets | 1,162,928 | 636,445 | 1,799,373 |
| **Endowment assets and those functioning as endowment assets at end of year** | **$ 21,846,981** | **$ 13,872,446** | **$ 35,719,427** |

### *Note 12 - Net Assets and Endowment Matters (Continued)*

#### *Interpretation of Relevant Law and Spending Policy*

The Attorney General of Massachusetts has issued written guidance that all gains on endowment funds retained in perpetuity are subject to appropriation for expenditure by the College unless otherwise restricted by the donor.

State law allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends and general economic conditions. The College's endowment spending policy is computed based on the average market value for the previous three fiscal year ends. The percentage spent was 5.0% for the years ended June 30, 2019 and 2018. The Board of Trustees has approved a 5.0% spending rate for the year ending June 30, 2020.

Distributions from the investment portfolio are approved by the Board of Trustees using a total return method and consist of interest (excluding permanently restricted interest), dividends and realized and unrealized gains. The Board of Trustees has established a spending rate based upon the rolling three-year average fair value of the investments (5.0% for the years ended June 30, 2019 and 2018). The College adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts, as well as to preserve the purchasing power of these funds into the future.

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In the event that a donor-restricted endowment fund is in a deficiency, the spending rate for that fiscal year is taken only to the extent of current year net interest and dividend income for that fund. As of June 30, 2019 and 2018, there were no funds with deficiencies to be reported by the College.

#### *Return Objectives and Risk Parameters*

The College's investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The target for average annual real total return (net of investment management fees and inflation) should equal or exceed the College's spending rate plus core CPI over a rolling 5-year period, targeting an overall performance ranging between 5% - 9% over that period.

### *Note 12 - Net Assets and Endowment Matters (Continued)*

#### *Strategies Employed for Achieving Objectives*

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 College targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the College seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

### *Note 13 - Employee Benefit Plans*

All full-time and part-time faculty and staff of the College working in excess of 1,000 hours per year are eligible after one year of service to participate in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA-CREF"). The College matches, on a 1 to 1 basis, employee contributions to a maximum of 7.5% of compensation, as defined by the plan. Employees may also elect to participate in a supplemental tax-deferred annuity plan sponsored by TIAA-CREF. Contributions may not exceed amounts permitted by the Internal Revenue Code. Retirement plan expense was $1,146,829 and $1,166,800 for the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, the College offered retirement plans pursuant to Sections 457(b) and 457(f) of the Internal Revenue Code for certain employees. The College contributed $36,375 and $18,000 to the 457(b) plan for the years ended June 30, 2019 and 2018, respectively. The assets and liabilities related to the 457(f) plan totaled $291,643 and $200,000 at June 30, 2019 and 2018, respectively. The 457(f) plan vested on June 30, 2019 and was paid in August 2019.

Eligible employees may elect to participate in the College's health insurance program. The College purchases a self-insured medical plan developed by the Educators Health Insurance Exchange of New England ("EdHealth"). The College has a liability for estimated unpaid claims of $31,760 and $158,070 at June 30, 2019 and 2018, respectively.

Employees may also participate in a flexible spending plan and make contributions for certain benefits such as healthcare and dependent care assistance programs on a pre-tax basis.

### *Note 14 - Related-Party Transactions*

The College and the Village have several contractual relationships as follows:

#### *Land Lease*

The Village leases the land on which its facility is located under a thirty-year lease agreement with the College that expires in December 2028. The remaining lease payments include annual payments of $207,509 through 2021. Future minimum lease payments to the College are as follows for the years ending June 30:

| | | |
|---|---|---|
| 2020 | $ | 207,509 |
| 2021 | | 207,509 |
| | **$** | **415,018** |

In addition, under the terms of the ground lease agreement, the Village is responsible for payment of additional ground rent to the College to include all taxes, assessments, betterments, excises, user fees and any other municipal government fees or charges that might be levied.

Land lease income is recorded on the straight-line basis over the lease term. Lease income recognized for the years ended June 30, 2019 and 2018 is $205,840. Deferred lease income has been recorded for the amount of lease income received in excess of the straight-line lease income, the cumulative amount of which was approximately $1,489,000 and $1,487,000 at June 30, 2019 and 2018, respectively.

#### *Other Village Agreements*

The College and the Village have a Master Service Agreement (the “Agreement”) expiring on June 30, 2020. The Agreement is comprised of five separate agreements which cover management, educational services, information technology services, maintenance and security. Under the management portion of the Agreement, the Village is required to make monthly payments to the College totaling 2.9% of the monthly operating revenues of the Village. At the end of the fiscal year, the College shall receive from the Village 10% of any surplus up to $200,000 and 5% of any operating surplus in excess of $200,000. The educational services portion of the Agreement is calculated on a cost plus 20% basis, the information technology services agreement is calculated on a cost plus 15% basis, the maintenance agreement is calculated on a cost plus 10% basis and the security services agreement is calculated on a cost plus 15% basis. The Village reimburses the College for executive fees related to the Village President’s compensation plus a 22% fringe benefit rate. Other reimbursements include direct costs associated with health insurance and corporate purchasing cards managed by the College.

### *Note 14 - Related-Party Transactions (Continued)*

#### *Other Village Agreements (Continued)*

A summary of payments from the Village to the College under the above agreements is as follows for the years ended June 30:

| | | ***2019*** | | ***2018*** |
|---|---|---|---|---|
| Land lease | $ | 207,509 | $ | 207,509 |
| Management fees | | 519,094 | | 490,964 |
| Executive fees | | 293,296 | | 263,190 |
| Educational services fees | | 262,451 | | 206,239 |
| Information technology services fees | | 190,066 | | 197,263 |
| Maintenance and security fees | | 771,359 | | 740,134 |
| **Total payments** | **$** | **2,243,775** | **$** | **2,105,299** |

The College recognized $2,027,306 and $1,897,790 in revenue related to the agreement with the Village for the years ended June 30, 2019 and 2018, respectively, which is included in auxiliary enterprises revenue in the Statements of Activities. Land lease income recognized, $205,840 for each of the years ended June 30, 2019 and 2018, is included in non-operating activities on the Statements of Activities.

At June 30, 2019 and 2018, $124,177 and $50,871, respectively, was payable by the Village to the College, the receivable of which is included in accounts receivable on the Statements of Financial Position.

### *Note 15 - Collaborative Services*

The College has an agreement for collaborative information technology services with another local college, with the goal of providing quality services to each college campus in a cost effective manner. The agreement will expire in 2021.

### *Note 16 - Functional Expenses*

Expenses by functional classification for the years ended June 30 are as follows:

| | 2019 | | | | | | 2018 |
|---|---|---|---|---|---|---|---|
| | *Instruction* | *Academic Support* | *Student Services* | *Auxiliary Enterprises* | *Institutional Support* | *Total* | *Total* |
| Expenses: | | | | | | | |
| Salaries and benefits | $ 12,824,873 | $ 2,558,684 | $ 6,671,476 | $ 5,598,332 | $ 5,080,283 | $ 32,733,648 | $ 32,818,132 |
| Supplies and services | 707,922 | 531,722 | 2,393,149 | 4,069,822 | 2,386,112 | 10,088,727 | 9,748,756 |
| Occupancy, utilities and repairs | 1,112,020 | 211,981 | 663,574 | 3,314,362 | 217,953 | 5,519,890 | 5,210,829 |
| Depreciation | 1,251,970 | 52,668 | 669,992 | 3,165,985 | 498,102 | 5,638,717 | 5,300,415 |
| Interest | 371,570 | 319 | 78,947 | 2,341,678 | 72,353 | 2,864,867 | 2,670,616 |
| Other | 1,295,328 | 359,911 | 1,399,701 | 933,818 | 951,012 | 4,939,770 | 5,134,055 |
| | **$ 17,563,683** | **$ 3,715,285** | **$ 11,876,839** | **$ 19,423,997** | **$ 9,205,815** | **$ 61,785,619** | **$ 60,882,803** |

### *Note 17 - Commitments and Contingencies*

The College committed to pay a fee to a third party equal to 10% of ground rental payments made by the Village to the College through 2021. In both the years ended June 30, 2019 and 2018, $20,751 was expensed for this purpose.

Future minimum payments under this fee arrangement are as follows for the years ending June 30:

| | |
|---|---|
| 2020 | $ 20,751 |
| 2021 | 20,751 |
| | **$ 41,502** |

The College has entered into various operating lease agreements. The leases generally require that the College pay for insurance, maintenance and certain other operating expenses. Lease expense related to these agreements was $294,002 and $360,373 in fiscal years 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending June 30:

| | |
|---|---|
| 2020 | $ 200,327 |
| 2021 | 124,825 |
| 2022 | 46,197 |
| 2023 | 8,527 |
| | **$ 379,876** |

The College is periodically involved in claims, suits and other legal matters, all of which arise in the normal course of business. Management does not believe that the outcome of any currently pending matters, either individually or in the aggregate, will have a material impact on the College's financial position, changes in net assets and cash flows.

***Note 17 - Commitments and Contingencies (Continued)***

All funds expended by the College in connection with government grants are subject to review or audit by government agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock in tuition prices by limiting future increases to the changes in CPI plus 2%. This could result in discounts on tuition charged to students in the future.

The College has employment agreements with its President and certain members of its senior management team that stipulate a variety of business terms typical in the education sector.

An agreement exists with a former President and/or his wife to reside at Lasell Village at their discretion upon attaining the age of 65. The College would be responsible for loaning the former President 90% of the entrance fee which would revert to the College upon the former President and his wife’s departure or death.

The College has an agreement with a company to operate the College’s food services on campus, including the dining hall, providing the exclusive right to provide meals related to the meal plan, flex dollars, and the operation of all retail operations. The contract is up for renewal in 2027.

The College has an agreement with Citizens Bank, N.A. for a $3 million demand line of credit. Interest is computed on one month LIBOR (2.38% at June 30, 2019) plus 3% and security interests are the same as those for the bond obligations (see Note 10). As of June 30, 2019 and 2018, there was no outstanding balance on the line of credit. The line of credit is a revolving line and renews automatically.