Financial Statements

Fisher College

June 30, 2019 and 2018

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FISHER COLLEGE

Financial Statements

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Financial Statements:

Mayer Hoffman McCann P.C.
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Independent Auditors' Report

The Board of Trustees
Fisher College
Boston, Massachusetts

We have audited the accompanying financial statements of Fisher 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 Fisher 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 6, 2019
Boston, Massachusetts

FISHER COLLEGE

Statements of Financial Position

June 30,

	2019	2018
Assets		
Cash and cash equivalents	$ 2,051,022	$ 1,920,461
Student accounts receivable, net	131,462	170,772
Other operating assets	323,448	558,236
Pledge receivable	30,000	40,000
Perkins loans receivable, net	578,657	675,001
Investments	34,933,547	34,586,670
Investment in plant	17,192,451	16,857,294
Total assets	**$ 55,240,587**	**$ 54,808,434**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 309,893	$ 475,777
Accrued compensation and fringe benefits	157,527	146,723
Student deposits and deferred revenue	1,996,972	1,934,760
Refundable advances - U.S. Government	553,199	554,329
Capital lease obligations	203,031	-
Bonds payable	6,778,728	7,326,808
Total liabilities	**9,999,350**	**10,438,397**
Net assets:		
Without donor restrictions	45,167,534	44,301,209
With donor restrictions	73,703	68,828
Total net assets	**45,241,237**	**44,370,037**
Total liabilities and net assets	**$ 55,240,587**	**$ 54,808,434**

FISHER COLLEGE

Statements of Activities

Years Ended June 30,

	2019	***2018***
Operating:		
Revenue:		
Tuition, fees and auxiliary enterprises, net (less institutional awards to students of $11,317,007 and $11,325,768, respectively)	$ 21,375,063	$ 22,851,055
Federal and state grant aid to students	229,488	174,890
Investment return appropriated for operations	1,936,000	1,248,000
Other income	656,017	771,909
Contributions	931,415	1,044,888
Net assets released from restrictions	5,000	-
Total revenue	**25,132,983**	**26,090,742**
Expenses:		
Educational:		
Instruction	11,233,240	11,523,529
Student services	4,565,783	4,305,681
Auxiliary enterprises	3,415,635	3,688,575
Total program expenses	19,214,658	19,517,785
General, administration and institutional	5,144,300	5,050,874
Institutional advancement and alumni services	478,563	269,021
Total expenses	**24,837,521**	**24,837,680**
Change in net assets without donor restrictions from operations	**295,462**	**1,253,062**
Nonoperating:		
Investment return, net of amounts appropriated for operations	570,863	1,314,983
Loss on retirement of debt	-	(59,184)
Gain on asset held for sale	-	10,657,369
Increase in net assets without donor restrictions	**866,325**	**13,166,230**
Change in net assets with donor restrictions:		
Gifts	8,500	53,500
Net assets released from restrictions	(5,000)	-
Gain/(loss) on permanently restricted funds	1,375	(172)
Increase in net assets with donor restrictions	**4,875**	**53,328**
Change in net assets	**871,200**	**13,219,558**
Net assets, beginning of year	44,370,037	31,150,479
Net assets, end of year	**$ 45,241,237**	**$ 44,370,037**

See accompanying notes to the financial statements.

FISHER COLLEGE

Statements of Cash Flows

Years Ended June 30,

	2019	*2018*
Cash flows from operating activities:		
Increase in net assets	$ 871,200	$ 13,219,558
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	1,590,449	1,617,870
Net realized and unrealized gains on investments	(2,128,652)	(2,027,213)
Gain from asset held for sale	-	(10,657,369)
Increase in allowance for Perkins loans receivable	15,337	17,480
Change in:		
Student accounts receivable, net	39,310	(61,963)
Pledges receivable	10,000	(40,000)
Other operating assets	234,788	(11,315)
Accounts payable and accrued expenses	(165,884)	(230,004)
Accrued compensation and fringe benefits	10,804	(1,922)
Student deposits and deferred revenue	62,212	107,873
Total adjustments	**(331,636)**	**(11,286,563)**
Net cash and cash equivalents provided by operating activities	**539,564**	**1,932,995**
Cash flows from investing activities:		
Disbursement of Perkins loans to students	-	(133,700)
Repayment of Perkins loans from students	81,007	78,984
Purchases of investments	(1,288,122)	(18,300,521)
Sales and maturities of investments	2,836,511	3,835,624
Cash paid to acquire property, plant and equipment	(1,461,875)	(2,110,014)
Net proceeds from asset held for sale	-	14,643,917
Net cash and cash equivalents used in investing activities	**167,521**	**(1,985,710)**
Cash flows from financing activities:		
Payments on bonds and mortgage payable	(528,938)	(593,582)
Net proceeds from bonds issued	-	107,264
Payment for capital leases	(46,456)	-
Change in refundable advances - U.S. Government	(1,130)	(7,007)
Net cash and cash equivalents used in financing activities	**(576,524)**	**(493,325)**
Net increase (decrease) in cash and cash equivalents	**130,561**	**(546,040)**
Cash and cash equivalents, beginning of year	1,920,461	2,466,501
Cash and cash equivalents, end of year	**$ 2,051,022**	**$ 1,920,461**
Supplemental disclosure of cash flow information:		
Purchase of investment in plant with capital leases	**$ 249,487**	**$ -**

See accompanying notes to the financial statements.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Fisher College (the "College") is a private, not-for-profit, nondenominational institution offering graduate and undergraduate educational opportunities leading to master's degrees, bachelor's degrees, associate's degrees as well as certificates in various programs of study. The College's main campus is located in Boston, Massachusetts, along with three other Massachusetts locations. The College operates a traditional educational experience through its day division along with more flexible programs through its division of continuing education. The College also offers many courses on-line further enhancing flexibility for students. The College's students are mainly from the greater Boston area.

The College is accredited through 2020 by the New England Commission of Higher Education, Inc. The College's accreditation status, like other educational organizations, is subject to certain operating and interim reporting requirements.

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

The College qualifies as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) pursuant to a determination letter received from the Internal Revenue Service and is generally exempt from Federal and state income taxes. Given the limited taxable activities of the College, management concluded that disclosures relative to tax provisions are not necessary.

Basis of Presentation

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

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

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 the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Included in cash and cash equivalents is $107,937 and $17,954 at June 30, 2019 and 2018, respectively, representing amounts held in restricted cash associated with the Perkins Loan Program discussed later in these notes.

Student Accounts Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized. The College has no contract assets at June 30, 2019 and 2018. Of the balances, approximately $131,500 and $170,800 are due from students rather than from federal financial aid at June 30, 2019 and 2018, respectively.

Student 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. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 60 days or the student no longer attends the institution. Interest is not charged on student accounts receivable. 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. The allowance for double accounts was approximately $88,000 and $92,500 for the years ended June 30, 2019 and 2018, respectively. Activity through the allowance was considered immaterial and thus detail of a roll forward has not been provided.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Perkins Loans Receivable and Refundable Advances - U.S. Government

Perkins loans receivable represents amounts loaned to students under the Federal Perkins Loan Program ("Perkins"). Perkins funds have been made available mostly from the DOE and to a much lesser extent an institutional match of funds to support what in the past had been a revolving loan fund. The amounts advanced by the DOE are generally refundable subject to certain adjustments and thus are reflected as an obligation.

Perkins loans receivable are carried at the original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis which includes using historical experience applied to an aging of accounts. Credit risk is mitigated given that uncollectable accounts that meet certain requirements can be assigned to the DOE and thus reduce the advances owed. Interest income is recorded when received. Loans receivable are considered past due if any portion of the balance due is outstanding for more than 30 days. Interest and late fees on past due accounts are recorded when received.

Investments

Investments in marketable securities are carried at fair value. Fair value is determined as per fair value policies summarized later in this section. Investments in real estate are carried at amortized cost. Depreciation and amortization associated with such real estate is recorded using the straight-line method over twenty years.

Investment return (loss) is reported in the statements of activities and consists of interest, dividends and realized and unrealized gains and losses.

The College utilizes the expertise of an investment manager to guide investment strategy and a custodian to hold such assets.

Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. 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 investments in marketable securities. 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. The standards also allow for the use of the net asset value per share as a practical expedient of fair value when quoted prices are not available. 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 as follows:

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.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

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.

Investment in Plant

Investment in plant is recorded at cost when the estimated useful life is over one year at the date of acquisition and when such amounts exceed a management established capitalization threshold. In the case of donated assets, such amounts are recorded at fair value at the date of gift using Level 3 inputs. Additions, renewals and betterments are capitalized, unless it is a relatively minor amount. Expenditures for repairs and maintenance are charged to expense as incurred. Property, plant and equipment are depreciated using the straight-line method over their respective estimated useful lives which range from 5 to 20 years.

Student Deposits and Deferred Revenue

Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents 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.

Substantially all amounts included in deferred revenue 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 to deferred revenue amounts on a quantitative or qualitative basis. Certain enrollment deposits are returned to students who ultimately do not enroll.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Refundable Advances - U.S. Government

Refundable Advances - U.S. Government represent federal amounts received by the College that are used in the Perkins Loan Program. This balance is subject to certain adjustments under the terms of the program. The difference between the cash plus the net Perkins loans receivable less the liability for refundable advances represents the College's investments in the program. This amount is part of net assets without donor restrictions.

Bonds Payable

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

Physical Asset Retirement Obligations

The College records physical asset retirement obligations when incurred if their fair values can be reasonably estimated. The College's most significant physical asset retirement obligation relates to asbestos remediation, consisting primarily of encapsulated asbestos that the College might remediate if it performed major renovations of such buildings. This conditional obligation has indeterminate settlement dates. As a result, the College is unable to develop a reasonable estimate of fair values. The College will continue to assess its ability to estimate fair values at each future reporting date. Should sufficient additional information become available, the College will recognize a liability.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. The College derives revenues primarily 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 enterprises revenue are recorded at established rates, net of institutional awards provided directly to students. Net transaction price is fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. 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 or auxiliary activity.

Students may withdraw from programs of study within certain time limits as under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund near the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

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

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 statements of activities report the changes in net assets without donor restrictions from operating and nonoperating activities. Operating revenues consist of those items attributable to the College’s academic programs and auxiliary enterprises. This includes investment return appropriated for operations under the spending policy adopted by the board of trustees. All other amounts are considered nonoperating.

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Unconditional promises to give, that will be paid by the donor’s estate, are recorded when verifiably committed and are discounted using the remaining life expectancy of the donor. Fair value is determined at the original date of record as described in this section using Level 2 fair value inputs.

Conditional contributions and intentions to give are recorded as revenue when the conditions have been met. Pledge intentions are not recorded as revenue or as assets. Contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied. The College had no conditional contributions at June 30, 2019 and 2018.

The College reports gifts or property, plant and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

The College recognizes advertising expenses when incurred.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

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

Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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

Use of Estimates

The preparation of the College’s 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. Actual results could differ from those estimates.

New Accounting Pronouncements

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

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. The College adopted this standard using the modified retrospective approach on July 1, 2018.

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

Associated with the adoption of this standard, consideration was given 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.

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

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

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

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

The financial statement standards were applied to all periods presented with the new categories as prescribed by the standard with impact to total reported amounts as with donor restrictions and without.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

As required under the modified retrospective method used for both revenue recognition and contribution accounting, the College is required to indicate the effects of adopting 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 statements. In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

Subsequent Events

The College has evaluated subsequent events through October 6, 2019, the date the financial statements were issued. No significant matters were identified for disclosure during this evaluation.

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 education and related services as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are not available to meet current operating needs.

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

Note 2 - Liquidity and Availability (Continued)

As of June 30, 2019, the following tables show the total liquid 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:

Liquid financial assets at year end:	
Cash and cash equivalents	$ 2,051,022
Student accounts receivable, net	131,462
Pledges receivable	30,000
Investments convertible to cash in the next 12 months	33,161,490
Total financial assets at year end	**$ 35,373,974**
Financial assets available to meet general expenditures over the next 12 months:	
Cash and cash equivalents	$ 1,943,085
Student accounts receivable, net	131,462
Pledges receivable in one year or less	10,000
Endowment spending rate distribution and appropriations	2,049,000
Total financial assets available to meet general expenditures over the next 12 months	**$ 4,133,547**

While investments are considered to be functioning as endowment by the board, such amounts are readily available upon board vote and not subject to donor restriction if such funds are needed by the College. Thus the College has over $33,000,000 of liquidity if required, in addition to the above. In addition, the College has a line of credit in the amount of $1,500,000 available to meet general expenditures, as needed.

Note 3 - Perkins Loans Receivable

Perkins loans receivable consisted of the following at June 30:

	2019	***2018***
Current	$ 389,619	$ 462,175
0-270 days past due	62,809	74,753
Greater than 270 days past due	315,485	311,993
Total	767,913	848,921
Less: allowance for uncollectible accounts	(189,256)	(173,920)
Net Perkins loans receivable	**$ 578,657**	**$ 675,001**

Note 3 - Perkins Loans Receivable (Continued)

Allowances for uncollectible accounts are as follows at June 30:

	2019	*2018*
Beginning balance	$ 173,920	$ 156,440
Provision	15,336	17,480
Ending balance	**$ 189,256**	**$ 173,920**

Note 4 - Investments and Fair Value

Investments were as follows at June 30:

	2019	*2018*
Investments at fair market value:		
Long-term investments:		
Cash equivalents	$ 2,867,355	$ 8,363,722
Equities:		
U.S. large-cap	23,356,794	18,505,729
U.S. mid-cap	971,300	945,009
U.S. small-cap	610,584	433,992
International securities	5,355,457	4,358,521
	33,161,490	**32,606,973**
Investments at amortized cost:		
Real estate (residential rental property)	7,055,616	7,029,870
Less: accumulated depreciation	(5,283,559)	(5,050,173)
	1,772,057	**1,979,697**
Investments	**$ 34,933,547**	**$ 34,586,670**

Included in the College's equities are both publicly traded stocks and mutual funds. All of the College's investments at fair market value are considered Level 1 fair values as of June 30, 2019 and 2018 and accordingly such amounts have daily liquidity. The College does not have unfunded capital commitments.

Investment in real estate is at amortized cost which management believes is substantially below the fair value of these properties. Other real estate in the same area as the College's has appreciated substantially in recent years. Using recent sales of similar buildings in its neighborhood, the College has estimated the market value of its real estate investment to be in excess of $24,000,000 at June 30 2019.

Note 4 - Investments and Fair Value (Continued)

Investment return was as follows for the years ended June 30:

	2019	2018
Investment return from real estate assets	$ 379,899	$ 157,845
Investment return from non real estate assets	2,126,964	2,405,138
Total investment return	2,506,863	2,562,983
Less: investment return appropriated for operations	(1,936,000)	(1,248,000)
Investment return, net of amounts appropriated for operations	**$ 570,863**	**$ 1,314,983**

Depreciation expense related to investments in real estate was approximately $233,500 and $309,500 for the years ended June 30, 2019 and 2018, respectively.

Note 5 - Investment in Plant

Investment in plant consisted of the following at June 30:

	Estimated Useful Life	2019	2018
Land		$ 4,416,015	$ 4,416,015
Art		18,000	18,000
Building and improvements	20 years	21,412,224	21,108,044
Furniture and equipment	5 years	2,820,480	2,970,872
Library books	10 years	181,985	210,239
Automobiles	5 years	142,852	128,142
		28,991,556	28,851,312
Less: accumulated depreciation		(11,799,105)	(11,994,018)
Investment in plant		**$ 17,192,451**	**$ 16,857,294**

See Note 4 for depreciation expense on assets included in investment in real estate. The College made disposals of $1,571,117 and $1,092,673 during the years ended June 30, 2019 and 2018, respectively.

Note 5 - Investment in Plant (Continued)

Depreciation and amortization are comprised of the following components for the years ended June 30:

	2019	2018
Investment in plant	$ 1,376,205	$ 1,311,110
Real estate investment	233,386	309,615
Bond premium amortization	(41,068)	(23,461)
Bond deferred issue cost amortization	21,926	20,606
Total depreciation and amortization	**$ 1,590,449**	**$ 1,617,870**

In October 2017, the College sold certain real estate. A summary of the transaction is as follows:

Gross sales price	$ 22,500,000
Less: commissions and cost of sale	(1,021,925)
Net sales proceeds	21,478,075
Less: outstanding debt extinguishment	(6,834,158)
Net cash proceeds	**$ 14,643,917**

Management deposited most of the net proceeds into its investment accounts. The gain on sale was computed as follows:

Net sales proceeds	$ 21,478,075
Less: carrying value of asset held for sale	(10,820,706)
Gain on sale of asset held for sale	**$ 10,657,369**

Note 6 - Capital Lease Obligations

In fiscal year 2019, the College entered into two capital leases for lighting upgrade equipment and computers. The College has the option to purchase the equipment for a nominal cost at the termination of the lease. Assets included in property, plant and equipment under the capital leases totaled $249,487. At June 30, 2019, the net book value of the assets was $221,796.

The first lease, in the amount of $125,227, is for 48 months bearing annual interest of 2.91%. The second lease, in the amount of $125,840, is for 60 months bearing annual interest of 2.93%.

Note 6 - Capital Lease Obligations (Continued)

Future scheduled lease payments are as follows:

2020	$	60,226
2021		60,226
2022		60,226
2023		32,516
Total lease payments		213,194
Less: interest		(10,163)
Total	**$**	**203,031**

Note 7 - Bonds Payable

Bonds payable were as follows at June 30:

		2019		***2018***
Massachusetts Development Finance Agency ("MDFA"), Revenue Bonds, Fisher College Issue, Series 2017. Principal due in annual installments commencing in 2018 through 2037. Interest payable semi-annually at a fixed rate of 5%. The loan and trust agreement includes a pledge of revenue of the College as well as other administrative and financial loan covenants.	$	5,785,000	$	5,980,000
Massachusetts Development Finance Agency ("MDFA"), Revenue Bonds, Fisher College Issue, Series B (2010). Loan principal due in monthly installments commencing in 2010 through 2020. Interest payable monthly at a fixed rate of 2.55%. The loan and security agreement includes a pledge of revenues of the College and is subject to certain administrative and financial covenants.		459,034		792,972
		6,244,034		6,772,972
Unamortized issue premium		759,301		800,369
Unamortized bond issuance costs		(224,607)		(246,533)
Total bonds payable	**$**	**6,778,728**	**$**	**7,326,808**

Note 7 - Bonds Payable (Continued)

Maturities of bonds payable are as follows:

2020	$ 552,677
2021	331,357
2022	230,000
2023	240,000
2024	245,000
Thereafter	4,645,000
	$ 6,244,034

Interest expense was $276,440 and $426,290 for the years ended June 30, 2019 and 2018, respectively. Cash paid for interest was $320,650 and $482,075 for the years ended June 30, 2019 and 2018, respectively.

Note 8 - Line of Credit

The College has an uncollateralized demand line of credit from its main operating bank in the amount of $1,500,000 for general purposes expiring June 30, 2020. No amounts were outstanding against this line at June 30, 2019 and 2018.

Note 9 - Endowment and Net Asset Matters

Endowment

The College's endowment consists of investments in marketable equity securities, stock mutual funds, money market mutual funds and real estate consisting of residential rental property. Its endowment, with the exception of $20,000 of funds with donor restrictions, is without restriction but does function as endowment. 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.

Note 9 - Endowment and Net Asset Matters (Continued)

Endowment (Continued)

The following represents required disclosure relative to the composition and activities of endowment assets for the years ended June 30:

	2019	***2018***
Assets functioning as endowment assets at beginning of year	$ 34,586,670	$ 18,404,175
Additions:		
Transfer to investments given net proceeds from asset held for sale	-	14,000,000
Gifts and additions	25,866	19,302
Capital expenditures from operations on real estate investments	25,746	67,843
Total additions	51,612	14,087,145
Investment return	2,128,651	2,404,966
Deductions:		
Depreciation expense on real estate investments	(233,386)	(309,616)
Transfer to operations	(1,600,000)	-
Total deductions	(1,833,386)	(309,616)
Change in assets functioning as endowment assets	346,877	16,182,495
Assets functioning as endowment assets at end of year	**$ 34,933,547**	**$ 34,586,670**

Net cash proceeds from rental real estate of $613,285 and $467,460 for the years ended June 30, 2019 and 2018, respectively, have been excluded from the above endowment activities as the cash flows are maintained within the College's operating bank accounts. Amounts appropriated by the Board of Trustees for operations were $1,936,000 and $1,248,000 for the years ended June 30, 2019 and 2018, respectively.

Note 9 - Endowment and Net Asset Matters (Continued)

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. It is the goal of the aggregate long-term investments to generate an average total return that exceeds the spending/payout rate plus inflation.

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.

Spending Policy

The Board of Trustees has appropriated investment income and gains to operations of $1,936,000 and $1,248,000 for the years ended June 30, 2019 and 2018, respectively. Included in the appropriation for the year ended June 30, 2019 is an additional draw of $640,000 approved by the Board of Trustees to supplement current operations. This is calculated by multiplying 5% times the College's rolling three-year average of the market value investment portfolio plus 5% of the net historical cost of the real estate portfolio. If the College used the estimated fair value of the real estate portfolio in this calculation, the appropriation would amount to approximately 3%. Investment return net of amounts appropriated to operations is reported as nonoperating revenue. The Board of Trustees has approved an appropriation to operating revenues of $2,049,000 for the year ending June 30, 2020, which includes an additional draw of $420,000 approved by the Board to fund current operations.

Note 9 - Endowment and Net Asset Matters (Continued)

Net assets are summarized as follows at June 30:

	2019	2018
Undesignated	$ 23,295	$ 184,053
Net investment in plant	10,210,692	9,530,486
Board designated endowment	34,933,547	34,586,670
Total funds without donor restrictions	45,167,534	44,301,209
Other funds with restrictions	73,703	68,828
Total funds with donor restrictions	73,703	68,828
Total net assets	**$ 45,241,237**	**$ 44,370,037**

Note 10 - Revenue Matters

The College's revenues from tuition, fees and auxiliary enterprises are all recognized over time. Factors than can impact the amount and timing of amount of cash flows include polices 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 DOE rules which differ for newly enrolled versus continuing students with respect to financial 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.

The College has a number of lines of business which include traditional undergraduate education, traditional graduate programs and other continuing education programs. The following table summarizes the percentages of revenue from each of these programs with auxiliary enterprises being ascribed to the program from which such revenues are derived.

	2019	2018
Revenue		
Day division	69%	68%
Graduate and Professional Studies	31%	32%

Note 11 - Natural Classification of Expenses

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

	2019			
	Program Services	*General, Administration and Institutional*	*Institutional Advancement and Alumni Services*	*Total*
Salaries and wages	$ 8,798,166	$ 2,418,586	$ 239,827	$ 11,456,579
Employee benefits	1,048,547	325,593	10,255	1,384,395
Payroll taxes	635,134	155,084	17,726	807,944
Consulting and other professional fees	439,213	428,107	26,321	893,641
Advertising and promotion	1,089,386	547,651	-	1,637,037
Office expenses	3,236	415	-	3,651
Information technology	300,317	254,030	68	554,415
Occupancy	1,114,521	5,924	551	1,120,996
Travel and entertainment	484,131	35,598	6,479	526,208
Conferences, conventions and meetings	31,170	4,431	35	35,636
Interest and discount fees	255,807	108,540	5,278	369,625
Depreciation and amortization	1,128,568	257,952	15,479	1,401,999
Insurance	247,352	56,501	5,256	309,109
Repairs, maintenance, sanitation services	749,353	108,696	8,967	867,016
Utilities, communications, telephone	543,511	177,823	3,524	724,858
Materials and supplies	363,253	79,451	6,461	449,165
Dining services	1,239,644	22,545	3,190	1,265,379
Formal and social functions	379,520	13,193	25,778	418,491
Memberships, subscriptions, licenses	117,364	41,514	2,948	161,826
Printing, design, postage	91,478	15,210	97,396	204,084
Other expenses	154,987	87,456	3,024	245,467
Total functional expenses	**$ 19,214,658**	**$ 5,144,300**	**$ 478,563**	**$ 24,837,521**

Note 11 - Natural Classification of Expenses (Continued)

	2018			
	Program Services	General, Administration and Institutional	Institutional Advancement and Alumni Services	Total
Salaries and wages	$ 8,973,997	$ 2,451,797	$ 18,569	$ 11,444,363
Employee benefits	1,100,808	318,518	8,253	1,427,579
Payroll taxes	646,719	160,233	1,942	808,894
Consulting and other professional fees	532,228	564,234	160,935	1,257,397
Advertising and promotion	956,042	11,268	4,249	971,559
Office expenses	3,655	745	30	4,430
Information technology	339,733	242,076	2,100	583,909
Occupancy	1,070,942	6,962	371	1,078,275
Travel and entertainment	526,632	50,000	8,170	584,802
Conferences, conventions and meetings	39,743	10,214	34	49,991
Interest and discount fees	313,497	118,579	3,813	435,889
Depreciation and amortization	1,100,901	226,401	8,408	1,335,710
Insurance	250,248	54,917	2,925	308,090
Repairs, maintenance, sanitation services	843,267	97,967	5,035	946,269
Utilities, communications, telephone	574,074	239,782	2,481	816,337
Materials and supplies	429,654	79,709	3,433	512,796
Dining services	1,106,072	9,711	6,945	1,122,728
Formal and social functions	350,610	31,963	11,308	393,881
Memberships, subscriptions, licenses	102,060	63,844	38	165,942
Printing, design, postage	111,770	21,843	19,852	153,465
Other expenses	145,133	290,111	130	435,374
Total functional expenses	**$ 19,517,785**	**$ 5,050,874**	**$ 269,021**	**$ 24,837,680**

Note 12 - Employee Benefit Plan

The College contributes a percentage of salary of all eligible participating employees to the College's defined contribution plan administered by the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Contributions to these plans were approximately $396,000 and $397,000 for the years ended June 30, 2019 and 2018, respectively.

Note 13 - Commitments and Contingencies

Operating Leases

The College leases certain premises and office equipment under operating lease arrangements that expire at various dates through 2024. Certain leases provide for additional rent for increases in operating expenses and real estate taxes.

Minimum future rental payments under non-cancelable leases are as follows:

2020	$	886,400
2021		233,900
2022		236,700
2023		154,000
2024		1,600
Total minimum future lease payments	**$**	**1,512,600**

Total rent expense under operating leases was $906,028 and $747,091 for the years ended June 30, 2019 and 2018, respectively.

Lease Revenue

The College leases certain owned space to third party tenants under lease agreements that expire at various dates through 2023.

Minimum future lease income is as follows:

2020	$	220,300
2021		211,200
2022		197,900
2023		100,700
Total minimum future lease income	**$**	**730,100**

Total rental income, included in other income on the statements of activities, was $216,600 and $212,000 for the years ended June 30, 2019 and 2018, respectively.

Note 13 - Commitments and Contingencies (Continued)

Lease Revenue (Continued)

The College also leases residential units from its investments in real estate. Tenants have annual lease agreements or are tenants at will. Future rental income was not included in the above schedule due to the short-term nature of these agreements. Net rental income from these properties are included as part of investment return.

Litigation

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

Contracts

The College has a contract with its food service provider expiring in 2026. The agreement gives the provider exclusive rights to prepare and serve food on the Boston campus. As part of the agreement, the provider advanced $600,000 to the College to renovate and upgrade its dining facility. The College has included these amounts in deferred revenue and will amortize them over the life of the contract. If the College should cancel the agreement, the unamortized balance of the deferred revenue shall be reimbursed to the provider. The unamortized balance of this advance was approximately $420,000 and $480,000 for the years ended June 30, 2019 and 2018, respectively.

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

Other

The College utilizes a number of agents who, on an ongoing basis, assist in locating international students for a fee. These arrangements have provided important revenue to the College. The College’s arrangements with these providers are at will.

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.