

Financial Statements and Report of
Independent Certified Public
Accountants

Curry College

May 31, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Curry College

Report on the financial statements

We have audited the accompanying financial statements of Curry College (the "College"), which comprise the statements of financial position as of May 31, 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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 Curry College as of May 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
September 19, 2019

Curry College

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 17,950,215	\$ 31,534,139
Accounts receivable, net of allowance for doubtful accounts of \$1,262,000 and \$1,113,000, respectively	1,380,234	1,570,369
Student loans receivable, net of allowance for doubtful accounts of \$55,500 in 2019 and 2018	145,097	172,762
Contributions receivable	1,168,775	1,562,130
Other receivables	654,097	858,524
Prepaid expenses and other assets	615,695	590,499
Capital projects funds	-	6,654,208
Investments	98,597,738	99,689,666
Land, buildings, and equipment, net	110,280,554	100,737,869
Total assets	\$ 230,792,405	\$ 243,370,166
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,741,907	\$ 8,786,452
Student deposits and deferred revenue	3,670,347	3,397,872
Government advances - student loans	162,881	154,996
Bonds payable, net	79,239,695	82,323,406
Total liabilities	91,814,830	94,662,726
NET ASSETS		
Without donor restrictions	134,548,089	144,132,334
With donor restrictions	4,429,486	4,575,106
Total net assets	138,977,575	148,707,440
Total liabilities and net assets	\$ 230,792,405	\$ 243,370,166

The accompanying notes are an integral part of these statements.

Curry College

STATEMENT OF ACTIVITIES

**For the year ended May 31, 2019
(with comparative prior year totals)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE, GAINS, AND OTHER SUPPORT:				
Student tuition and fees	\$ 85,460,203	\$ -	\$ 85,460,203	\$ 87,489,281
Less: institutional scholarships	<u>(39,162,778)</u>	<u>-</u>	<u>(39,162,778)</u>	<u>(37,788,654)</u>
Net student tuition and fees	46,297,425	-	46,297,425	49,700,627
Auxiliary enterprises	24,028,946	-	24,028,946	24,986,105
Government grants and contracts	3,965	-	3,965	34,380
Private gifts and grants	387,017	205,993	593,010	2,032,674
Income appropriated under spending policy	4,714,000	-	4,714,000	4,029,000
Interest income	385,493	-	385,493	478,449
Net assets released from restrictions	<u>317,830</u>	<u>(317,830)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>76,134,676</u>	<u>(111,837)</u>	<u>76,022,839</u>	<u>81,261,235</u>
EXPENSES:				
Program				
Instruction	31,568,832	-	31,568,832	31,976,321
Student services	20,518,531	-	20,518,531	20,736,714
Auxiliary enterprises	12,090,710	-	12,090,710	12,049,744
Academic support	6,846,790	-	6,846,790	7,136,838
Management and general	7,589,193	-	7,589,193	7,295,785
Institutional advancement	<u>1,130,238</u>	<u>-</u>	<u>1,130,238</u>	<u>1,047,425</u>
Total expenses	<u>79,744,294</u>	<u>-</u>	<u>79,744,294</u>	<u>80,242,827</u>
Change in net assets from operations	(3,609,618)	(111,837)	(3,721,455)	1,018,408
NON-OPERATING ACTIVITIES				
Gifts and bequests for long-term investment	-	143,912	143,912	74,975
Net assets released from restriction	171,077	(171,077)	-	-
Investment return	(1,431,704)	(6,618)	(1,438,322)	8,917,444
Income appropriated under spending policy	<u>(4,714,000)</u>	<u>-</u>	<u>(4,714,000)</u>	<u>(4,029,000)</u>
Total non-operating revenue (expense)	<u>(5,974,627)</u>	<u>(33,783)</u>	<u>(6,008,410)</u>	<u>4,963,419</u>
Change in net assets	(9,584,245)	(145,620)	(9,729,865)	5,981,827
Net assets at beginning of year	<u>144,132,334</u>	<u>4,575,106</u>	<u>148,707,440</u>	<u>142,725,613</u>
Net assets at end of year	<u>\$ 134,548,089</u>	<u>\$ 4,429,486</u>	<u>\$ 138,977,575</u>	<u>\$ 148,707,440</u>

The accompanying notes are an integral part of this statement.

Curry College

STATEMENT OF ACTIVITIES

For the year ended May 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT:			
Student tuition and fees	\$ 87,489,281	\$ -	\$ 87,489,281
Less: institutional scholarships	(37,788,654)	-	(37,788,654)
Net student tuition and fees	49,700,627	-	49,700,627
Auxiliary enterprises	24,986,105	-	24,986,105
Government grants and contracts	28,375	6,005	34,380
Private gifts and grants	1,472,295	560,379	2,032,674
Income appropriated under spending policy	4,029,000	-	4,029,000
Interest income	478,449	-	478,449
Net assets released from restrictions	355,233	(355,233)	-
Total revenues, gains, and other support	81,050,084	211,151	81,261,235
EXPENSES:			
Program			
Instruction	31,976,321	-	31,976,321
Student services	20,736,714	-	20,736,714
Auxiliary enterprises	12,049,744	-	12,049,744
Academic support	7,136,838	-	7,136,838
Management and general	7,295,785	-	7,295,785
Institutional advancement	1,047,425	-	1,047,425
Total expenses	80,242,827	-	80,242,827
Change in net assets from operations	807,257	211,151	1,018,408
NON-OPERATING ACTIVITIES			
Gifts and bequests for long-term investment	-	74,975	74,975
Net assets released from restriction	112,400	(112,400)	-
Investment return	8,710,837	206,607	8,917,444
Income appropriated under spending policy	(4,029,000)	-	(4,029,000)
Total non-operating revenue	4,794,237	169,182	4,963,419
Change in net assets	5,601,494	380,333	5,981,827
Net assets at beginning of year	138,530,840	4,194,773	142,725,613
Net assets at end of year	\$ 144,132,334	\$ 4,575,106	\$ 148,707,440

The accompanying notes are an integral part of this statement.

Curry College

STATEMENTS OF CASH FLOWS

For the years ended May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,729,865)	\$ 5,981,827
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,645,862	6,615,998
Amortization of debt issuance costs	28,985	28,985
Net realized and unrealized loss (gain) on investments	2,769,518	(7,749,305)
Change in allowance for doubtful accounts	149,000	135,475
Contributions restricted for long-term investment	(143,912)	(74,975)
Change in operating assets and liabilities:		
Accounts receivable, gross	(354,468)	(165,954)
Other receivables	204,429	(215,209)
Contributions receivable	393,355	(443,253)
Prepaid expenses and other assets	(25,196)	243,276
Accounts payable and accrued expenses	(44,546)	57,929
Student deposits and deferred revenue	668,077	(119,290)
Net cash provided by operating activities	<u>561,239</u>	<u>4,295,504</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(14,967,635)	(262,570,502)
Proceeds from sale of investments	13,290,045	273,494,342
Purchase of land, buildings, and equipment	(16,188,547)	(8,147,454)
Change in capital project funds	6,654,208	3,180,141
Student loans disbursed	-	(29,500)
Student loans repaid	27,665	31,335
Net cash (used in) provided by investing activities	<u>(11,184,264)</u>	<u>5,958,362</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds payable	(3,112,696)	(3,025,736)
Proceeds from contributions restricted for long-term investment	143,912	74,975
Other financing activities	7,885	(61,003)
Net cash used in financing activities	<u>(2,960,899)</u>	<u>(3,011,764)</u>
 Net (decrease) increase in cash	(13,583,924)	7,242,102
 Cash at beginning of year	<u>31,534,139</u>	<u>24,292,037</u>
 Cash at end of year	<u>\$ 17,950,215</u>	<u>\$ 31,534,139</u>
 Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,422,400	\$ 2,511,500

The accompanying notes are an integral part of these statements.

Curry College

NOTES TO FINANCIAL STATEMENTS

May 31, 2019 and 2018

1. ORGANIZATION

Curry College (the "College") was established in 1879 and serves as an independent institution offering undergraduate and graduate degrees to approximately 3,300 full and part-time students who are primarily from New England and the Mid-Atlantic states. The College's main campus is located on approximately 130 acres in Milton, Massachusetts and a branch campus is located in Plymouth, Massachusetts. The College is accredited by The New England Commission of Higher Education and offers students a rich blend of liberal arts and career-directed programs, including business management, nursing, communication, education, and criminal justice. The College is a nationally recognized leader in educating students with learning differences. The College also offers Master in Education, Master in Criminal Justice, Master in Business Administration, Master in Nursing, and Master in Accounting degrees.

The College participates in student financial assistance programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts, which facilitate the payment of tuition and other expenses for certain students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Also included in this category are net assets designated by the Board of Trustees, including "funds functioning as endowment".

With donor restrictions - Net assets subject to donor-imposed restrictions that permit the College to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the College. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but may permit the College to use or expend part or all of the economic benefits derived from the donated assets.

Interest, dividends, and net gains or losses on investments are reported as follows:

- as increases or decreases in net assets with donor restrictions if the terms of the gift require that they be applied to the principal of a permanently endowed fund;
- as increases or decreases in net assets with donor restrictions if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and
- as increases or decreases in net assets without donor restrictions in all other cases.

Non-operating revenue/expenses include endowment gifts, gifts for property and equipment, investment income and loss on long-term investments, realized and unrealized gains and losses on long-term investments, loss on sale of assets, and net assets released from restrictions for capital acquisitions. To the extent investment income and gains/losses are used for operations as defined by the College's Board approved spending rate policy (see Note 9), they are reclassified as investment income/loss used for operations on the Statement of Activities. All other activity is classified as operating revenue/expenses.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 are reported in the Statements of Activities as net assets released from restrictions.

The College reports gifts of equipment or other assets as net assets 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 net assets with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash accounts and short-term investments with maturities from date of purchase of three months or less. The carrying value of these cash equivalents is a reasonable estimate of fair value due to their short-term nature. Fair value is determined based on quoted market value prices with the exception of cash sweep accounts and certificates of deposit, which are carried at their principal amount.

Allowance for Doubtful Accounts

The College establishes an allowance for doubtful accounts for accounts receivable amounts that may not be collectible. The College evaluates the allowance for doubtful accounts periodically based on the age of its accounts receivable balances, the number of active and inactive students and an analysis of its collection history. The College writes off accounts receivable when they are determined to be uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Student Loans Receivable

Student loans receivable are recorded at their estimated net realizable value, and include both institutional funds and Student Perkins loans. Student Perkins loans are funded through Federal government loan programs or institutional resources. For all loans, management estimates the allowance for credit losses based on historical collection experience and current economic conditions.

On September 30, 2017, the Federal government terminated the Perkins Loan Program. No additional loans under this program are authorized to be awarded after this date. In the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the Federal government. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the government advances for students.

Other Receivables

Other receivables include funds owed to the College by third parties, including the Department of Education, for services or agreements. All other receivables are expected to be collected in fiscal year 2020.

Capital Project Fund

At May 31, 2018, the capital project fund represented amounts deposited under the debt agreement of the 2016B Mass Development Finance Agency Revenue Bonds financing (see Note 8). The funds were restricted for a specific capital improvement project at the College. The Capital Project fund was invested in money market funds for the year then ended.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Bond Issuance Costs

Costs relating to the issuance of long-term debt are netted against the liability for bonds payable to which they pertain and subsequently amortized into the Statement of Activities over the term of the debt repayment period using the straight-line method. Debt issuance costs of \$670,515 and \$699,500, net of amortization expense, at May 31, 2019 and 2018, respectively have been presented as a deduction from the related bonds payable.

Investments

Investments are stated at fair value. The value of publicly traded securities is based upon quoted market prices and net asset values ("NAV"). Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third-party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics, prior to investment and on a regular basis going forward. Management believes that these valuations are a reasonable estimate of fair value as of May 31, 2019 and May 31, 2018, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Fair Value Measurement

The College follows the accounting and disclosure standards pertaining to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

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

The three levels of the fair value hierarchy are as follows:

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

An asset's or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The College follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, investments measured using the NAV practical expedient are exempt from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the required information for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, or if received as a gift, at fair value at the date of receipt. Maintenance and repairs are charged to operations as incurred, while betterments and additions are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	20 - 37 years
Building improvements	10 - 30 years
Land improvements	10 - 30 years
Furniture, equipment, and vehicles	3 - 10 years
Library books	10 years

Conditional Asset Retirement Obligations

Existing laws, regulations, or contracts may require the College to perform an asset retirement activity even if that activity can be deferred indefinitely. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, the College recognizes a liability for the fair value of conditional asset retirement obligations based on estimated retirement requirements. As of May 31, 2019 and 2018, the College's estimated liability was approximately \$276,000 and \$289,000, respectively, which is included in the accounts payable and accrued expenses in the accompanying Statements of Financial Position.

Government Advances - Student Loans

These amounts include funds advanced to the College under the Federal Perkins Loan Program. On September 30, 2017, the Federal government terminated the Perkins Loan Program. No additional loans under this program are authorized to be awarded after this date. In the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the Federal government.

Revenue Recognition

A substantial portion of the College's revenue is derived from student tuition and fees including federal and state student assistance, private contributions, and auxiliary enterprises related to the College. Auxiliary enterprises include activities related to food and housing services provided by the College. Auxiliary enterprises also include revenue from the bookstore, rental income related to the College's management of a state-owned skating rink, revenue from the early childhood education center, and rental revenue from third parties who use the College's campus facilities during the summer months. Tuition, fees, and auxiliary revenue are recognized as revenue in the period to which they relate. Student deposits and deferred revenue represent tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Contribution revenue is recorded at fair value at the time of the transfer. Transactions reported as contributions represent transfers to the College of cash, or other assets, or the cancellation of its liabilities in a nonreciprocal and voluntary transfer.

Federal and State Student Assistance

Financial aid for students is provided by grants and loans through programs of the Federal government and the Commonwealth of Massachusetts. Federal aid totaled approximately \$23,702,000 and \$24,510,000 for the years ended May 31, 2019 and 2018, respectively. Massachusetts state aid totaled approximately \$744,000 and \$751,000 for the years ended May 31, 2019 and 2018, respectively. This aid is paid for the benefit of the students and is not included in the Statement of Activities.

Institutional Scholarships

Although reported in the Statement of Activities as an adjustment to revenue, the College's grants for scholarships are managed as a core program expense. The financial aid program assists students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of grants and loans designed to help cover some of the costs of attendance when combined with student and family contributions based on their ability to pay. Additionally, the College maintains a merit aid program. Student assistance is funded, in part, by income from endowed scholarship funds, gifts for specific scholarships, and other gifts available for use in current operations. Institutional scholarships totaled \$39,162,778 and \$37,788,654 for the years ended May 31, 2019 and 2018, respectively.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the years ended May 31, 2019 and 2018 were approximately \$800,000 and \$748,000, respectively, and are included in management and general, and institutional advancement expenses on the Statement of Activities.

Income Taxes

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Such estimates include allowances for doubtful accounts, the liability for conditional asset retirement obligations, accrual of certain post-employment obligations, and estimated useful lives of land, buildings, and equipment. Actual results could differ from those estimates.

Related Party Transactions

The College has conflict of interest policies to protect its interests in connection with certain related party transactions. For the year ended May 31, 2019, the College was a party to separate transactions involving one member of its Board of Trustee who provided function hosting services to the College. For the year ended May 31, 2018, the College was a party to separate transactions involving two members of its Board of Trustees who provided vehicle leasing and related services and function hosting services to the College.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

and one employee who provided testing services to the College. Related party transactions totaled approximately \$17,000 and \$118,000 for the years ended May 31, 2019 and 2018, respectively. Prior to entering into these transactions, the College obtained competitive cost and other information from unrelated vendors and management believes the terms and conditions from these related parties were more favorable to the College. These transactions were settled in accordance with the College's customary trade payables practices.

Concentrations of Credit Risk

The College's main concentrations of potential credit risk involve cash and cash equivalents, investments, and student accounts receivable. The College limits this risk by investing otherwise available cash balances in a fully-insured demand deposit marketplace sweep account ("marketplace sweep account") with a bank, utilizing mutual funds with appropriate investment objectives for its longer term fixed income investments and maintaining responsive payment and collection policies, including financial counseling, for its students.

The marketplace sweep account allows the College to maintain Federal Deposit Insurance Corporation ("FDIC") insurance on cash balances by distributing funds that exceed the amounts necessary for College obligations, to accounts at multiple banks, each of which maintains an FDIC insurance level of \$250,000. All funds in the marketplace sweep account are available to the College for use daily.

Not-for-profit Financial Statement Presentation

During fiscal 2019, the College adopted FASB Accounting Standards Update ("ASU") No. 2016-014; Presentation of Financial Statements of Not-for-Profit Entities. This guidance was intended to provide more useful information to donors, grantors, creditors, and other financial statement users. Main provisions of the guidance include: presentation of two classes of net assets versus the previously required three; as requiring additional disclosures for expenses by nature and function, and for the liquidity and availability of resources.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"). ASU 2015-14 defers by one year the effective date of ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2017-09"). The deferral results in ASU 2014-09 being effective for fiscal years beginning after December 15, 2018. The College has not yet determined the effect of the adoption of this guidance will have on the financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. The new standard is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or enter into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of the initial application. The College has not yet determined the effect of the adoption of this guidance will have on the financial statements.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY

The College's financial assets available within one year of the Statement of Financial Position for general expenditure are as follows as of May 31, 2019:

Financial assets:	
Cash and cash equivalents	\$ 17,950,215
Accounts receivable to be collected during the year	1,380,234
Contributions receivable to be collected during the year	530,442
Other receivables to be collected during the year	246,478
Fiscal 2020 spending policy allocation	<u>4,782,000</u>
Total financial assets available within one year	24,889,369
Liquidity resources:	
Bank line of credit	<u>3,000,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 27,889,369</u>

As part of the College's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the College has available a line of credit in the amount of \$3,000,000, which it could draw upon. Although the College does not intend to spend from its board designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized at May 31:

	<u>2019</u>	<u>2018</u>
Unconditional promises are expected to be collected in:		
Less than one year	\$ 530,442	\$ 706,130
One to five years	<u>638,333</u>	<u>856,000</u>
	<u>\$ 1,168,775</u>	<u>\$ 1,562,130</u>

The College discounts contributions receivable using a risk-free rate based upon U.S. Treasury notes. For the years ended May 31, 2019 and 2018, the College has determined that discounts on contributions receivable are not material to the financial statements.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

5. INVESTMENTS

The fair value of investments at May 31, 2019 and 2018 are summarized as follows:

	2019	2018
Equity Strategies:		
U.S. equities	\$ 22,583,579	\$ 23,046,261
Emerging market equities	2,847,149	2,862,676
Marketable alternatives	6,894,650	-
International equities	42,024,753	44,652,483
Fixed-Income Strategies:		
Cash and cash equivalents	13,423,548	18,775,869
Fixed income securities	10,824,059	10,352,377
Total	\$ 98,597,738	\$ 99,689,666

Equity Strategies

Equity investments include direct and indirect investments in equity securities of U.S. companies of all sizes. The purpose of the equity allocation is to provide a total return that will provide for both growth in principal and, to a lesser extent, current income.

International and emerging market equity investments include direct and indirect investments in equity securities of companies located in developed, emerging, and frontier market countries outside the U.S. In addition to sharing the purpose of the domestic equity allocation, international equity investments allow exposure to countries that may be growing faster than the United States.

Fixed-Income Strategies

Fixed income investments, both core and global, include cash, cash equivalents, and direct and indirect investments in bonds and other income securities. The purposes of these fixed-income allocations are to provide a deflation hedge and to reduce the overall volatility of the portfolio through additional diversification. Investments in cash and cash equivalents are also intended to preserve liquid capital for future investment or other cash needs of the College.

Income (loss) on investments for the years ended May 31 consisted of the following:

	2019	2018
Investment returns:		
Interest and dividends	\$ 1,695,030	\$ 1,471,348
Realized and unrealized (losses) gains	(2,767,984)	7,747,898
Investment fees	(365,368)	(301,802)
Total investment return	\$ (1,438,322)	\$ 8,917,444

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Fair Value Measurements

The following table presents the College's investments by level within the valuation framework at May 31:

	May 31, 2019		
	Level 1	Measured at Net Asset Value**	Total
Investments			
Cash and cash equivalents	\$ 13,423,548	\$ -	\$ 13,423,548
U.S. equities	22,583,579	-	22,583,579
International equities	22,364,252	-	22,364,252
Marketable alternatives	6,894,650	-	6,894,650
Fixed-income securities	10,824,059	-	10,824,059
Alternative investments			
International equities*	-	19,660,501	19,660,501
Emerging market equities*	-	2,847,149	2,847,149
Total	<u>\$ 76,090,088</u>	<u>\$ 22,507,650</u>	<u>\$ 98,597,738</u>
	May 31, 2018		
	Level 1	Measured at Net Asset Value**	Total
Investments			
Cash and cash equivalents	\$ 18,775,869	\$ -	\$ 18,775,869
U.S. equities	23,046,261	-	23,046,261
International equities	23,501,375	-	23,501,375
Marketable alternatives	10,352,377	-	10,352,377
Alternative investments			
International equities*	-	21,151,108	21,151,108
Emerging market equities*	-	2,862,676	2,862,676
Total	<u>\$ 75,675,882</u>	<u>\$ 24,013,784</u>	<u>\$ 99,689,666</u>

* Certain investments that are measured at fair value using the NAV per share (or its equivalents) practical expedient have not been categorized in the fair value hierarchy above. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position.

** Investments are redeemable in thirty days or less. There are no future purchase commitments for these investments.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

6. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at May 31:

	2019	2018
Land and land improvements	\$ 13,378,080	\$ 13,261,151
Building and building improvements	136,107,450	135,951,250
Furniture, equipment, and vehicles	30,992,569	29,783,621
Library books	1,921,632	1,921,633
Subtotal	182,399,731	180,917,655
Accumulated depreciation and amortization	(92,267,282)	(85,682,939)
Subtotal	90,132,449	95,234,716
Construction-in-process	20,148,105	5,503,153
Land, building, and equipment, net	\$ 110,280,554	\$ 100,737,869

Depreciation expense was \$6,645,862 and \$6,615,998 for the years ended May 31, 2019 and 2018, respectively.

7. LINE OF CREDIT

The College has \$3,000,000 line of credit with a bank, renewable annually in November. The terms of the arrangement require payment of interest only on a monthly basis, at the Wall Street Journal prime rate minus 0.25% (5.50% and 4.75% at May 31, 2019 and 2018, respectively). Provisions of the agreement require the College to have no outstanding balance under the line of credit for two sixty-day periods during the year. Borrowings are collateralized by accounts receivable. There were no borrowings outstanding under the line of credit as of May 31, 2019 or 2018, nor were there any borrowings against the line of credit during either fiscal year.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

8. BONDS PAYABLE

Bonds payable consisted of the following at May 31:

	2019	2018
<p>Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2013, dated December 20, 2013. The bonds carry an initial ten-year fixed rate of 2.90% which reset on the 10th and 20th anniversaries based on a formula. The bonds are secured on a parity basis by substantially all real and personal property of the College.</p>	\$ 32,505,000	\$ 34,170,000
<p>Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2015, dated January 30, 2015. The bonds carry an initial ten-year fixed rate of 2.85% which reset on the 10th anniversary based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2035. The bonds are secured on a parity basis by substantially all real and personal property of the College.</p>	12,464,683	13,070,942
<p>Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2016A, dated March 21, 2016. The bonds carry an initial ten-year fixed rate of 2.90% which resets on the 10th anniversary based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2016. The bonds are secured on a parity basis by substantially all real and personal property of the College.</p>	25,842,845	26,465,192
<p>Massachusetts Development Finance Agency Revenue Bonds, Curry College Issue, Series 2016B, dated June 21, 2016. The bonds carry an initial ten-year fixed rate of 2.90% which resets on the 10th and 20th anniversaries based on a formula. The bonds are due in varying installments, plus interest, with final maturity in 2046. The bonds are secured on a parity basis by substantially all real and personal property of the College.</p>	9,097,682	9,316,772
Total bonds payable	79,910,210	83,022,906
Less: Unamortized debt issue costs	670,515	699,500
Bond payable, net	\$ 79,239,695	\$ 82,323,406

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Future principal payments are as follows:

2020	\$	3,200,953
2021		3,296,804
2022		3,394,070
2023		3,496,363
2024		3,600,384
Thereafter		<u>62,921,636</u>
Total	\$	<u>79,910,210</u>

The Mortgage and Trust Agreement dated April 1, 1999, as supplemented and amended by agreements with regard to the 2013, 2015, 2016A and 2016B bond issues, contains certain financial covenants which provide for, among other things, minimum debt service coverage and cash and investment reserve ratios. As of May 31, 2019 and 2018, the College was in compliance with these financial covenants.

Interest expense was approximately \$2,155,000 and \$2,325,000 for the years ended May 31, 2019 and 2018, respectively. The College recorded capitalized interest of approximately \$245,000 and \$164,000 and for the years ended May 31, 2019 and 2018, respectively.

9. ENDOWMENT

The College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments. Quasi-endowment funds are internally restricted until such time as the Board of Trustees votes to release such funds for specific purposes or for the general use of the College. The aggregate of such board-designated funds is \$89,444,538 and \$95,590,242 as of May 31, 2019 and 2018, respectively, and is included in net assets without donor restrictions in the accompanying Statements of Financial Position.

Interpretation of Relevant Law

The College has continued to follow its policy, under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), of requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowment, (b) the original value of subsequent gifts to permanent endowment, if any, and (c) accumulations to permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until they are appropriated for expenditure in a manner consistent with the donor's intentions, the College's spending policy and in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are then reported in net assets with donor restrictions. 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 May 31, 2019 and 2018, the College had no funds with deficiencies.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Strategies Employed for Achieving Objectives

The primary objective is to utilize a total return approach with a cross section of fixed income and equity securities through mutual funds that combine income and dividend growth for inflation protection, and earnings growth and credit enhancement for appreciation.

Endowment Investment Policy

The College has adopted an investment philosophy that attempts to provide current income, long-term returns and growth at a rate in excess of inflation, and a diversity of endowment assets in order to reduce the risk of incurring large losses or wide swings in market value from year to year, and to achieve investment results, over the long term, that compare favorably with appropriate market indexes. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Spending Policy

Under the College's quasi-endowment spending policy in effect for the years ended May 31, 2019 and 2018, up to 5% of the rolling twelve-quarter average market value of the quasi endowment as of December 31 preceding the applicable fiscal year was appropriated for current operations. This appropriation amounted to \$4,714,000 and \$4,029,000 for the years ended May 31, 2019 and 2018, respectively. The College appropriates interest, dividends, and realized and unrealized gains and losses to donor-restricted endowed funds as spending distributions. During the year ended May 31, 2018, the College withdrew \$12,100,000 from the endowment, first to satisfy the quasi-endowment spending policy with the balance earmarked for a capital project on campus. No funds were withdrawn from the endowment for the year ended May 31, 2019.

Endowment Fund Net Assets

	May 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,429,486	\$ 4,429,486
Board-designated funds	89,444,538	-	89,444,538
Total endowment net assets	\$ 89,444,538	\$ 4,429,486	\$ 93,874,024
	May 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,575,106	\$ 4,575,106
Board-designated funds	95,590,242	-	95,590,242
Total endowment net assets	\$ 95,590,242	\$ 4,575,106	\$100,165,348

The table above includes donor-restricted funds, which are purpose or time restricted in addition to accumulated earnings on donor-restricted endowment funds. Accumulated earnings on donor-restricted endowment funds was \$910,615 and \$1,026,883 at May 31, 2019 and 2018, respectively.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

Endowment Fund Activity

	For the Year Ended May 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 95,590,242	\$ 4,575,106	\$100,165,348
Investment return (loss):			
Investment income	1,637,780	57,250	1,695,030
Realized and unrealized gains (losses), net	(3,069,484)	(63,868)	(3,133,352)
Total investment return (loss)	(1,431,704)	(6,618)	(1,438,322)
Net gifts, grants, and pledge payments	-	349,905	349,905
Quasi-endowment spending draw	(4,714,000)	-	(4,714,000)
Appropriation of endowment assets for expenditure and other releases	-	(488,907)	(488,907)
Net assets, end of year	<u>\$ 89,444,538</u>	<u>\$ 4,429,486</u>	<u>\$ 93,874,024</u>

Endowment Fund Activity

	For the Year Ended May 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 98,979,973	\$ 4,194,773	\$103,174,746
Investment return (loss):			
Investment income	1,436,989	34,085	1,471,074
Realized and unrealized gains (losses), net	7,273,280	172,522	7,445,802
Total investment return (loss)	8,710,269	206,607	8,916,876
Net gifts, grants, and pledge payments	-	641,359	641,359
Quasi-endowment spending draw	(4,029,000)	-	(4,029,000)
Supplemental endowment draw	(8,071,000)	-	(8,071,000)
Appropriation of endowment assets for expenditure and other releases	-	(467,633)	(467,633)
Net assets, end of year	<u>\$ 95,590,242</u>	<u>\$ 4,575,106</u>	<u>\$100,165,348</u>

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as to use are for the following purposes at May 31:

	2019	2018
Scholarships	\$ 1,317,269	\$ 1,413,259
Instruction	405,063	527,480
Student services	366,557	353,381
Plant improvements	245,801	245,800
Institutional support	169,691	161,874
Auxiliary enterprises	117,778	144,819
Academic support	146,795	211,873
	\$ 2,768,954	\$ 3,058,486
Total		

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended May 31:

	2019	2018
Instructions	\$ 147,931	\$ 89,280
Scholarships	117,388	156,762
Academic support	100,581	26,842
Student services	98,762	185,991
Auxiliary enterprises	24,245	4,312
Institutional support	-	4,446
	\$ 488,907	\$ 467,633
Total		

Net assets restricted by donors for permanent endowment consisted of the following at May 31:

	2019	2018
Appreciation used restricted for:		
Scholarships	\$ 1,430,853	\$ 1,336,947
Lectures	105,006	55,000
General endowment	69,987	69,987
Instruction	54,686	54,686
	\$ 1,660,532	\$ 1,516,620
Total		

11. RETIREMENT PLANS

The College maintains a defined contribution retirement plan under the Code Section 403(b). For eligible employees, the College makes matching contributions into the plan. An eligible employee is defined as an employee who has completed one year of eligible service and works 1,000 hours annually. The College also allows employees to make supplemental contributions that are not matched by the College. Both the

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

employee and the College's contributions vest immediately. Total expenses under this plan amounted to approximately \$2,383,000 and \$2,421,000 for the years ended May 31, 2019 and 2018, respectively.

12. COMMITMENTS AND CONTINGENCIES

The College leases certain property, equipment, and vehicles under operating leases expiring through 2022. Rental expense for the leases amounted to approximately \$394,000 and \$401,000 for the years ended May 31, 2019 and 2018, respectively. The future minimum lease payments, at May 31, 2019, for each of the next three years and in the aggregate are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 404,063
2021	175,401
2022	<u>117,600</u>
Total	<u>\$ 697,064</u>

Substantially all of the College's faculty are covered by a collective bargaining agreement and are represented by the Curry College Chapter of the American Association of University Professors (the "AAUP"). The College's agreement with its faculty does not provide for tenure. The College has a system of rolling contracts whereby faculty members, who have achieved a status similar to tenure, are perpetually in the first year of a three-year contract and can only be terminated for cause. The agreement also provides for certain potential post-employment and post-retirement benefits. The College had recorded estimated liabilities for the probable cost of providing these benefits in the amount of approximately \$89,900 at May 31, 2019 and 2018. The estimates were based on the expected timing of when each individual faculty member will become eligible for these benefits (based on age and years of service), the experience of faculty utilizing these benefits and the terms of the recent bargaining agreement, which was executed on June 29, 2017 with an extended term through May 31, 2020.

In conducting its activities, the College from time to time is the subject of various legal claims. Management believes that the ultimate resolution of any such claims would not have a material adverse effect on the financial position of the College.

13. FUNCTIONAL EXPENSES

The College's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student services, and academic support are incurred in support of this program activity. Natural expenses attributable to more than one functional expense category are allocated based on percentage of effort, usage, square footage, and other criteria.

Curry College

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2019 and 2018

The College's expenses on a functional basis for the years ended May 31, 2019 were as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Institutional Advancement</u>	<u>Total</u>	<u>FY18</u>
Salaries	\$ 34,883,202	\$ 3,460,194	\$ 372,653	\$ 38,716,049	\$ 38,834,769
Benefits	9,538,241	1,051,423	104,534	10,694,198	11,460,204
Contracted services	3,324,763	959,079	100,676	4,384,518	4,280,174
Rental and maintenance	2,571,297	140,154	16,376	2,727,827	2,477,761
Utilities	2,625,233	194,669	35,204	2,855,106	2,505,613
Interest	1,999,607	98,422	56,675	2,154,704	2,324,797
Depreciation	6,221,099	333,345	91,418	6,645,862	6,615,998
Dining	4,323,615	-	-	4,323,615	4,397,497
Other expenses	5,537,806	1,351,907	352,702	7,242,415	7,346,014
Total expenses	<u>\$ 71,024,863</u>	<u>\$ 7,589,193</u>	<u>\$ 1,130,238</u>	<u>\$ 79,744,294</u>	<u>\$ 80,242,827</u>

14. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, the College evaluated subsequent events occurring through September 19, 2019, the date that the financial statements were issued.