



**ENDICOTT COLLEGE**

Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

(With Independent Auditors' Report Thereon)



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report

The Board of Trustees  
Endicott College:

We have audited the accompanying financial statements of Endicott College, which comprise the statement of financial position as of June 30, 2021, the related statements of activities and cash flows for the year 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit 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 Endicott College as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



*Report on Summarized Comparative Information*

We have previously audited the College's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*KPMG LLP*

Boston, Massachusetts

October 28, 2021

**ENDICOTT COLLEGE**

## Statement of Financial Position

June 30, 2021

(with comparative information for June 30, 2020)

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 21,233,264	23,447,743
Accounts and loans receivables, net (note 4)	3,583,531	3,123,948
Contributions receivable, net (note 5)	857,471	1,693,958
Deposits with bond trustee (note 9)	—	234
Other assets	903,693	833,782
Investments, at fair value (note 6)	132,554,314	100,750,882
Land, buildings, improvements, and equipment, net (note 8)	273,529,438	269,903,625
Total assets	<u>\$ 432,661,711</u>	<u>399,754,172</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 8,752,669	7,118,701
Student deposits and deferred revenue	11,554,321	14,885,727
Bonds, notes, and leases payable, net (note 9)	85,846,048	93,885,381
Fair value of interest rate swaps (note 9)	7,546,079	10,073,016
Refundable advances – U.S. government grants	605,106	633,282
Total liabilities	<u>114,304,223</u>	<u>126,596,107</u>
Net assets:		
Without donor restrictions	298,475,159	258,164,224
With donor restrictions (note 10)	19,882,329	14,993,841
Total net assets	<u>318,357,488</u>	<u>273,158,065</u>
Total liabilities and net assets	<u>\$ 432,661,711</u>	<u>399,754,172</u>

See accompanying notes to financial statements.

**ENDICOTT COLLEGE**

Statement of Activities

Year ended June 30, 2021

(with summarized information for the year ended June 30, 2020)

	<b>2021</b>			<b>2020 Total</b>
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>	
<b>Operating:</b>				
<b>Revenues:</b>				
Tuition and fees, net of financial aid	\$ 75,701,567	—	75,701,567	74,854,868
Residence and dining fees	36,845,492	—	36,845,492	30,595,943
Net student fees (note 2)	112,547,059	—	112,547,059	105,450,811
Contributions	646,452	793,214	1,439,666	1,881,617
Federal and state grants	3,869,660	—	3,869,660	2,779,001
Investment income	2,524,968	—	2,524,968	2,529,179
Conference and education services	765,692	—	765,692	6,134,515
Other income	1,441,181	—	1,441,181	2,040,878
Net assets released from restrictions (note 11)	1,191,265	(1,191,265)	—	—
<b>Total revenues</b>	<b>122,986,277</b>	<b>(398,051)</b>	<b>122,588,226</b>	<b>120,816,001</b>
<b>Expenses:</b>				
Instruction	38,527,732	—	38,527,732	38,287,063
Academic support	11,705,287	—	11,705,287	12,549,980
Student services	14,328,302	—	14,328,302	14,305,918
Institutional support	16,902,911	—	16,902,911	16,989,700
Conference and education services	2,150,307	—	2,150,307	7,957,110
Other auxiliary services	25,935,014	—	25,935,014	19,381,344
<b>Total expenses</b>	<b>109,549,553</b>	<b>—</b>	<b>109,549,553</b>	<b>109,471,115</b>
Increase in net assets from operations	13,436,724	(398,051)	13,038,673	11,344,886
<b>Nonoperating:</b>				
Contributions	—	1,963,233	1,963,233	541,767
Investment income (loss), net	24,219,052	3,451,528	27,670,580	(3,292,827)
Loss on disposal of fixed asset	—	—	—	(3,003,593)
Change in fair value of interest rate swaps (note 9)	2,526,937	—	2,526,937	(2,515,627)
Net assets released from restrictions (note 11)	128,222	(128,222)	—	—
<b>Total nonoperating</b>	<b>26,874,211</b>	<b>5,286,539</b>	<b>32,160,750</b>	<b>(8,270,280)</b>
Increase in net assets	40,310,935	4,888,488	45,199,423	3,074,606
Net assets at beginning of year	258,164,224	14,993,841	273,158,065	270,083,459
Net assets at end of year	\$ 298,475,159	19,882,329	318,357,488	273,158,065

See accompanying notes to financial statements.

**ENDICOTT COLLEGE**

Statement of Cash Flows

Year ended June 30, 2021

(with comparative information for the year ended June 30, 2020)

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Increase in net assets	\$ 45,199,423	3,074,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,173,142	8,854,190
Loss on disposal of fixed asset	—	3,003,593
Change in fair value of interest rate swaps	(2,526,937)	2,515,627
Net realized and unrealized losses (gains)	(27,326,961)	3,594,963
Contributions for long-term investments	(1,669,000)	(579,970)
Changes in accounts and other receivables, net	(500,605)	(26,720)
Changes in contributions receivable, net	836,487	465,135
Changes in other assets	(69,911)	(6,160)
Changes in accounts payable and accrued expenses	938,772	(134,241)
Changes in student deposits and deferred revenues	(3,331,406)	4,892,490
Net cash provided by operating activities	20,723,004	25,653,513
Cash flows from investing activities:		
Purchases of equipment and building improvements	(12,051,406)	(20,717,754)
Purchase of investments	(15,438,173)	(14,427,338)
Proceeds from sales and maturities of investments	10,961,704	5,864,535
Change in loans receivable	41,022	54,579
Net cash used in investing activities	(16,486,853)	(29,225,978)
Cash flows from financing activities:		
Proceeds (repayment) of borrowing from line of credit	(4,000,000)	4,000,000
Payments on bonds	(2,497,063)	(2,058,249)
Proceeds from finance leases	—	43,795
Payments on notes payable and finance leases	(1,594,625)	(1,819,602)
Contributions for long-term investment	1,669,000	579,970
Change in government grants refundable	(28,176)	(44,134)
Change in deposits with bond trustee	234	4,818,830
Net cash provided by (used in) financing activities	(6,450,630)	5,520,610
Net (decrease) increase in cash and cash equivalents	(2,214,479)	1,948,145
Cash and cash equivalents, beginning of year	23,447,743	21,499,598
Cash and cash equivalents, end of year	\$ 21,233,264	23,447,743
Supplemental data:		
Cash paid for interest	\$ 3,191,722	3,357,261
Change in accounts payable related to property and equipment	695,196	1,845,585

See accompanying notes to financial statements.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(1) Background and History**

Endicott College (Endicott or the College) is located on a 235-acre oceanfront campus in Beverly, Massachusetts, 30 miles north of the City of Boston. Founded in 1939, Endicott is a private coeducational, not-for-profit, nonsectarian institution of higher education. In 1944, the College was approved by the Commonwealth of Massachusetts to grant Associate in Arts and Associate in Science degrees and in 1952 received accreditation from the New England Association of Schools and Colleges. Founded as a two-year institution “to educate women for greater independence and an enhanced position in the workplace,” Endicott became a two-plus-two year institution in 1988 and became a four-year coeducational institution in 1994. Today, all traditional undergraduate students are bachelor’s degree applicants. Master’s level programs were offered to begin in 1996. Doctoral programs were offered to begin in 2012.

Endicott College seeks to provide an education built upon a combination of theory and practice, which is tested through internships and work experience. The College supports seven academic schools which house associate, bachelor, master, and doctoral programs.

Traditional undergraduate students can enroll in the Bachelor of Fine Arts, Bachelor of Arts, and Bachelor of Science degrees. Traditional undergraduate enrollment as of fall 2020 includes 2,836 full-time students. Approximately 89% live on campus. The Van Loan School of Professional Studies enrolls a non-traditional adult undergraduate population and offers an Associate in Science, Bachelor of Arts, and Bachelor of Science degrees. Fall 2020 enrollment totaled 276 students.

Graduate degree programs at Endicott College include a Master of Arts, Master of Education, Master of Fine Arts, Master of Science, Master of Business Administration, Doctor of Education, and Doctor of Philosophy degrees in addition to Post-Baccalaureate and Post-Master’s certificates. Enrollment in graduate-level courses and programs in Beverly, Boston, and other sites in Massachusetts, Madrid, Spain, and Leysin, Switzerland totaled 1,214 students in fall 2020.

#### **(2) Summary of Significant Accounting Policies**

##### ***(a) Basis of Statement Presentation***

The accompanying financial statements, which are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP), have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

##### ***(b) Classification of Net Assets***

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *With donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the College, the passage of time, or be maintained in perpetuity.
- *Without donor restrictions* – Net assets not subject to donor-imposed stipulations.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(c) Statement of Activities**

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's undergraduate and graduate programs, as well as internally and externally managed conference and events services. Endowment activities relating to the College's investments and valuation changes on the interest rate swaps are reported as nonoperating revenue.

Revenues are reported as increases and expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets. When resources with donor restriction (including endowment income appropriated under the spending formula) are expended for the purposes specified by the donor, the amounts are reclassified from revenue with donor restriction to revenue without donor restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and endowment income subject to donor-imposed stipulations that are met in the same reporting period are reported as support for net assets without donor restrictions. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The College reports contributions of land, buildings, or equipment as nonoperating support without donor restriction unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as nonoperating support without donor restrictions, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as nonoperating support with donor restrictions until the assets are acquired and placed in service.

Dividends, interest, and net gains (losses) on investments are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the current use of the income or net gains; and
- as increases (decreases) in net assets without donor restrictions in all other cases.

Expenses associated with fundraising activities of the College were \$1,670,478 and \$1,710,355 in 2021 and 2020, respectively, which are included principally in institutional support in the statement of activities.



## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(d) Cash and Cash Equivalents**

For purposes of the statements of cash flows, the College considers investments acquired with an original maturity date of three months or less to be cash equivalents, unless they are part of long-term investment funds. Cash equivalents included in funds held by bond trustee and endowment assets are not considered cash and cash equivalents for the purpose of the statement of cash flows.

#### **(e) Fair Value Measurements**

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments are measured and reported at fair value using a hierarchy that prioritizes inputs used to measure fair value into one of the following three categories:

*Level 1* – quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date;

*Level 2* – inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – unobservable inputs for assets or liabilities are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability.

#### **(f) Land, Buildings, Improvements, and Equipment**

Land, buildings, improvements, and equipment are stated at cost, except for donated assets, which are recorded at fair market value at the date of gift. Depreciation is computed using the straight-line method over the related assets' estimated useful economic lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized.

#### **(g) Bond Issue Costs**

Bond issue costs are amortized using the effective interest rate method over the life of the associated bond issue.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(h) Revenue Recognition from Contracts with Customers**

Revenue is recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration expected to be entitled for in exchange for the provision of the goods or services.

##### *(i) Tuition and Fees, Residence and Dining Fees*

A contract is entered into when a student enrolls in a program and covers a course or semester. The contract consists of one performance obligation if the student is enrolled in only academic course work and multiple performance obligations if the contract contains residence and/or dining services. Tuition and fee revenue occurs when the student begins attending the course and is recognized ratably over the academic period. Housing and dining revenue is recognized when the student begins using the services and is recognized over the period that the services are provided.

Revenue is presented at transaction price, determined by annual published rates less institutional financial aid awarded to qualifying students. The billing and academic cycles vary whether the student is enrolled in the Undergraduate College or in the Van Loan School for Graduate and Professional Studies. For the year ended June 30, 2021, the College recorded \$112,547,059 in revenue from tuition and fees, housing and dining revenue net of financial aid of \$40,151,324. For the year ended June 30, 2020, the College recorded \$105,450,811 in revenue from tuition and fees, housing and dining revenue net of financial aid of \$39,901,848.

Payments received in advance of services rendered are recognized as a contract liability and reported as student deposits and deferred revenue on the statement of financial position. This amounted to \$7,833,199 and \$12,267,832 as of June 30, 2021 and 2020, respectively, and are recognized when earned, primarily in the subsequent fiscal year.

##### *(ii) Conference and Education Services*

Conference and education service revenue consists of direct contracts with customers for Misselwood Events and a contract with an external service provider for goods and services provided at the Wylie Inn and Conference Center. Performance obligations vary based on the contract entered into and can contain a combination of venue rental, food and beverage, and lodging. Revenue is recognized when the event occurs. Deposits and advanced payments are recognized as deferred revenue on the statement of financial position and amounted to \$560,362 and \$382,178 as of June 30, 2021 and June 30, 2020, respectively.

##### **(i) Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the valuation of contributions, loans, and other receivables, and the useful lives of buildings, improvements, and equipment. Actual results could differ from those estimates.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

**(j) Tax Status**

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. 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.

**(k) Prior Year Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**(l) Reclassification**

Certain 2020 balances have been reclassified to conform to the 2021 presentation.

**(m) Recently Issued Accounting Standards**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), as amended, that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the balance sheet, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the College has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. The College adopted ASU 2016-02 in fiscal year 2021 using the modified retrospective approach. The guidance did not materially impact the College's results of operations.

**(3) Liquidity**

The College has the following financial assets available to meet its general expenditures, which includes operating expenses, scheduled principal payments on debt, and capital construction costs not financed by debt, as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 21,171,245	23,324,710
Accounts receivable, net	2,906,739	2,406,134
Contributions receivable due in one year or less, net	105,600	368,943
Deposits with bond trustee	—	234
Investments, at fair value	3,442,436	3,435,062
Budgeted fiscal year endowment appropriation	<u>503,367</u>	<u>354,515</u>
Total financial assets available within one year	<u>\$ 28,129,387</u>	<u>29,889,598</u>

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Included in the financial assets not available for expenditure within one year, the College had \$112,905,769 and \$86,125,440 of board-designated endowment funds as of June 30, 2021 and 2020, respectively. The amounts from those funds could be made available, if necessary, subject to approval by the Board of Trustees and investment liquidity provisions. However, the College does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of the annual budget process.

In addition to the financial resources available to meet expenditures within one year, the College anticipates collecting sufficient operating revenues to cover general expenditures. Cash flows from operating revenue have seasonal fluctuations due to the timing of tuition billings, conferencing and events, and contributions received.

**(4) Accounts and Loans Receivables, Net**

Accounts receivable and loans receivables, net, consisted of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Student accounts receivable, net	\$ 2,215,907	1,713,738
Other accounts receivable	690,832	692,396
Loans receivable, net	676,792	717,814
	\$ 3,583,531	3,123,948

Student accounts receivable are net of an allowance for uncollectible accounts of approximately \$554,000 and \$466,000 as of June 30, 2021 and 2020, respectively.

Loans receivable are net of an allowance for uncollectible loans of approximately \$57,000 as of June 30, 2021 and 2020, respectively.

**(5) Contributions Receivable, Net**

Contributions receivable consisted of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 155,000	86,100
One year to five years	662,082	1,599,170
Five years and thereafter	58,400	59,600
	875,482	1,744,870
Less present value discount (0.29% to 2.73%) and allowance for uncollectible pledges	(18,011)	(50,912)
	\$ 857,471	1,693,958

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(6) Investments**

##### **(a) Strategy**

The overall investment objective of the College is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

##### **(b) Reporting Basis**

Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. The College also holds shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity and real asset strategies which are valued using current estimates at fair value based upon net asset value (NAV) unless they are determined to have a readily determinable fair value. These valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the College's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets. NAV is used as a practical expedient to estimate the fair value of the College's interest in these funds, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. The College has assessed the NAV provided by the external managers and believes the amounts reported represent a reasonable estimate of fair value.

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

The following tables summarize the College's investments by major category in the fair value hierarchy as of June 30, 2021 and 2020, as well as related strategy, liquidity and funding commitments:

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Total</u>	<u>Liquidity</u>	<u>Days' notice</u>
Investments at fair value:				
Cash equivalents	\$ 618,989	618,989		
Money market funds	1,035,483	1,035,483		
Registered investment companies:				
Fixed income	18,372,880	18,372,880		
U.S. equities	35,641,807	35,641,807		
Non-U.S. equities	30,302,169	30,302,169		
Real assets	1,327,838	1,327,838		
Commingled trusts:				
U.S. and global fixed income	141,139	141,139		
Non-U.S. equities	5,700,651	5,700,651		
Real assets	5,176,721	5,176,721		
Multiple strategies	9,442,544	9,442,544		
Investments at fair value	107,760,221	107,760,221		
Investments measured at NAV:				
Hedge funds	—	14,877,176	Varies (1)	Varies (2)
Private equity:				
Venture capital funds	—	5,447,869	Illiquid (3)	Not applicable
Real estate	—	4,469,048	Illiquid (3)	Not applicable
Total investments	\$ 107,760,221	132,554,314		

(1) Redemption or liquidation period is quarterly or semi-annually.

(2) Between 30–90 days' notice is required.

(3) These funds are expected to liquidate within 5–10 years. Unfunded future commitments aggregate \$10,607,476.

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Total</u>	<u>Liquidity</u>	<u>Days' notice</u>
Investments at fair value:				
Cash equivalents	\$ 173,919	173,919		
Money market funds	1,033,766	1,033,766		
Registered investment companies:				
Fixed income	15,152,814	15,152,814		
U.S. equities	22,193,373	22,193,373		
Non-U.S. equities	24,581,854	24,581,854		
Real assets	969,097	969,097		
Commingled trusts:				
U.S. and global fixed income	141,139	141,139		
U.S. equities	3,440,437	3,440,437		
Non-U.S. equities	3,924,792	3,924,792		
Real assets	3,741,152	3,741,152		
Multiple strategies	<u>7,981,249</u>	<u>7,981,249</u>		
Investments at fair value	83,333,592	83,333,592		
Investments measured at NAV:				
Hedge funds	—	12,175,544	Varies (1)	Varies (2)
Private equity:				
Venture capital funds	—	2,333,059	Illiquid (3)	Not applicable
Real estate	<u>—</u>	<u>2,908,687</u>	Illiquid (3)	Not applicable
Total investments	<u>\$ 83,333,592</u>	<u>100,750,882</u>		

(1) Redemption or liquidation period is quarterly or semi-annually.

(2) Between 30–90 days' notice is required.

(3) These funds are expected to liquidate within 5–10 years. Unfunded future commitments aggregate \$7,135,537.

**(c) Commitments**

Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the College may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The College cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Certain hedge funds of funds contain “rolling” lock-up provisions. Under such provisions, tranches of the investment are available for redemption at calendar year-end once every two or three years, if the College makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

#### **(7) Endowment**

The College’s endowment consists of 129 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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.

##### **(a) Relevant Law**

The Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) permits the Board of Trustees to exercise its discretion in determining the appropriate level of expenditure from a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and, 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. In accordance with appropriate accounting standards, the College classifies as the amounts to be held in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund consists of accumulated investment income on the gift, until appropriated for spending by the Board of Trustees.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature that are reported as underwater funds or reductions in net assets with donor restrictions and totaled \$0 and \$2,620 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the contributions with donor restrictions.



**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Endowment funds consist of the following as of June 30, 2021:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total</b>
		<b>Original gift</b>	<b>Accumulated gains (losses)</b>	
Board-designated	\$ 112,905,769	—	—	112,905,769
Donor-restricted:				
Other	—	11,884,721	4,234,649	16,119,370
Total endowment funds	<u>\$ 112,905,769</u>	<u>11,884,721</u>	<u>4,234,649</u>	<u>129,025,139</u>

Endowment funds consist of the following as of June 30, 2020:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>		<b>Total</b>
		<b>Original gift</b>	<b>Accumulated gains (losses)</b>	
Board-designated	\$ 86,125,440	—	—	86,125,440
Donor-restricted:				
Underwater	—	50,795	(2,620)	48,175
Other	—	9,975,142	1,167,063	11,142,205
Total endowment funds	<u>\$ 86,125,440</u>	<u>10,025,937</u>	<u>1,164,443</u>	<u>97,315,820</u>

Changes in endowment funds for the year ended June 30, 2021 are as follows:

	<b>Net assets without donor restrictions</b>	<b>Net assets with donor restrictions</b>	<b>Total</b>
Endowment funds, July 1, 2020	\$ 86,125,440	11,190,380	97,315,820
Investment return:			
Investment income	2,460,332	343,615	2,803,947
Net appreciation	24,219,052	3,107,909	27,326,961
Total	26,679,384	3,451,524	30,130,908
Contributions	100,945	1,858,783	1,959,728
Appropriation of endowment assets for expenditure	—	(381,317)	(381,317)
Endowment funds, June 30, 2021	<u>\$ 112,905,769</u>	<u>16,119,370</u>	<u>129,025,139</u>

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

Changes in endowment funds for the year ended June 30, 2020 are as follows:

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Endowment funds, July 1, 2019	\$ 84,949,890	10,722,860	95,672,750
Investment return:			
Investment income	2,165,968	302,145	2,468,113
Net depreciation	<u>(3,302,799)</u>	<u>(292,164)</u>	<u>(3,594,963)</u>
Total	(1,136,831)	9,981	(1,126,850)
Contributions	2,312,381	737,882	3,050,263
Appropriation of endowment assets for expenditure	<u>—</u>	<u>(280,343)</u>	<u>(280,343)</u>
Endowment funds, June 30, 2020	<u>\$ 86,125,440</u>	<u>11,190,380</u>	<u>97,315,820</u>

**(b) Return Objectives and Risk Parameters**

The College has adopted investment and spending policies for endowment assets that are intended to ensure a total return (yield plus capital appreciation) necessary to at least preserve, but expected to enhance (in real dollar terms) endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period of time as well as board-designated funds. Board-designated funds are net assets without donor restrictions and account for approximately 88% and 88.5% of the total endowment as of June 30, 2021 and 2020, respectively.

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 a diversified asset allocation that places emphasis on investments in equities, fixed income and alternative investments in a 55-20-25% ratio to achieve its long-term return objectives within prudent risk constraints.

**(c) Spending Policy and How the Investment Objectives Relate to Spending Policy**

Under the College's current endowment spending policy, which is conservative when measured against the guidelines specified under state law, income and dividends are reinvested and appropriations (draws) are made only for donor-stipulated purposes; that amount is typically less than 1% of the endowment. Generally, the maximum draw is no greater than 5% of the average fair value of each individual donor-restricted endowment investment. A total of \$381,317 and \$280,343 was appropriated in 2021 and 2020, respectively. The amount appropriated for spending in 2021 and 2020 was less than the maximum allowed due to economic conditions. The College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate greater than planned payouts. Further, the College has committed to an annual transfer from operations to help build the endowment.

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

**(8) Land, Buildings, Improvements, and Equipment, Net**

The College's investment in plant as of June 30 is as follows:

	<u>Estimated lives</u>	<u>2021</u>	<u>2020</u>
Land	—	\$ 10,884,132	10,884,132
Construction in process	—	5,472,617	13,453,652
Buildings and land improvements	50 years	326,767,308	307,274,915
Furniture, equipment, and books	3–10 years	28,056,928	26,861,996
Motor vehicles and similar assets	3 years	<u>1,671,444</u>	<u>1,631,132</u>
		372,852,429	360,105,827
Less accumulated depreciation		<u>(99,322,991)</u>	<u>(90,202,202)</u>
		<u>\$ 273,529,438</u>	<u>269,903,625</u>

Depreciation expense charged to operations amounted to \$9,120,789 and \$8,801,693 in 2021 and 2020, respectively.

**(9) Bonds, Notes, and Leases Payable, Net**

**(a) Bonds Payable**

On March 31, 2015, the College entered into an agreement with the Massachusetts Development Finance Agency (MDFA) for an \$18,000,000 Revenue Bond, Series 2015. The bond was purchased by People's United Bank for the purpose of constructing a new residence hall on campus which was completed in September 2015. The Bond has a fifteen-year term and carries a fixed interest rate of 2.50%. The balance as of June 30, 2021 and 2020 was \$15,679,685 and \$16,153,020, respectively.

On March 15, 2017 the College entered into an agreement with MDFA for a \$32,625,000 Revenue Bond, Series 2017. The bond was purchased by Bank of America for the purpose of refinancing both the Series 2012 MHEFA Revenue Bond as well as a taxable term loan with Bank of America from August 2012 and for the payment of closing costs. The bond has a seven-year term and carries a variable interest rate of 68% of the one month LIBOR rate plus 0.70%. The interest rate as of June 30, 2021 and 2020 was 0.82% and 0.88%, respectively. The balance as of June 30, 2021 and 2020 was \$28,355,000 and \$29,715,000, respectively. In addition to this refinancing, the College partially terminated a portion of its interest rate swaps associated with the variable rate debt in order to correctly align the amortization of the interest rate swaps with the underlying debt.

In conjunction with the College's issuances of variable-rate debt, the College entered into interest rate swaps with a financial institution counterparty for the purpose of swapping the variable rates on the underlying debt for fixed rates. The interest rates on the Series C, Series D and Series E swaps are 4.40%, 4.165% and 3.82% with termination dates of October 1, 2023, May 1, 2024 and October 1, 2037, respectively. The value of the swap, which is recorded as a liability of \$7,546,079 as of June 30, 2021 and \$10,073,016 as of June 30, 2020, represents the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates and other

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

market factors. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swaps' fair value at subsequent reporting dates. If the College repays the debt on schedule, the value of each swap will reach zero at its final maturity. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 in the fair value hierarchy.

On December 6, 2017, the College entered into an agreement with MDFA for a \$25,900,000 Revenue Bond, Series 2017B. The bond was purchased by People's United Bank for the purpose of constructing an academic center on campus. The parking garage was completed in August 2018 and Phase 1 of this project was completed on June 1, 2019. Phase 2 is scheduled to be completed in December 2020. The Bond has a thirty-year term and carries a fixed interest rate of 2.87%. The balance as of June 30, 2021 and 2020 was \$25,528,033 and 25,900,000.

On December 6, 2017, the College entered into an agreement with MDFA for an \$8,893,000 Revenue Refunding Bond, Series 2017C. The bond was purchased by People's United Bank for the purpose of refinancing a \$10,000,000 Series F Bond. The Bond has a twenty-four year term and carries a fixed interest rate of 2.84%. The balance as of June 30, 2021 and 2020 was \$7,911,538 and \$8,203,299, respectively.

#### **(b) Deposits with Bond Trustee**

Deposits with bond trustee include amounts held by People's United Bank under the requirements of the Series 2017B revenue bond agreement. This fund, comprised of cash, is carried at fair market value. The balance was \$0 and \$234 as of June 30, 2021 and 2020, respectively.

#### **(c) Notes Payable**

##### *(i) Line of Credit*

The College maintains its line of credit with Bank of America for \$8,500,000 available through April 1, 2022. The interest rate charged as of June 30, 2021 is the LIBOR Rate plus zero percentage points. The balance was \$0 and \$4,000,000 as of June 30, 2021 and 2020, respectively.

##### *(ii) Term Loan*

On July 1, 2013 the College entered into a loan agreement in the amount of \$10,000,000 with Bank of America for the purposes of repaying the College's existing term loan and funding various capital projects at the College at an interest rate of 2.60% per annum. The balance as of June 30, 2021 and 2020 was \$7,532,931 and \$7,873,859, respectively.

On January 27, 2016 the College entered into a loan agreement in the amount of \$6,000,000 with Bank of America for the purposes of funding the construction of a new residence hall on campus which was completed in September 2016. The loan has a 7-year term and carries a fixed interest rate of 2.38% per annum. The balance as of June 30, 2021 and June 30, 2020 was \$1,613,000 and \$2,602,000, respectively.

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

(iii) *Finance Lease Line of Credit*

On January 1, 2016 the College entered into a Lease Line of Credit with TD Bank in the amount of \$1,499,601 for new campus security systems and upgrades to existing equipment. The amount outstanding on the lease line of credit was \$0 and \$236,611 as of June 30, 2021 and 2020, respectively.

On July 14, 2017 the College entered into a Lease Line of Credit with Allstate Capital in the amount of \$29,735 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2021 and 2020 was \$0 and \$0, respectively.

On August 1, 2018 the College entered into a Lease Line of Credit with Trimarc Financing Solutions in the amount of \$38,966 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2021 and 2020 was \$0 and \$13,495, respectively.

On September 1, 2019 the College entered into a Lease Line of Credit with Trimarc Financing Solutions in the amount of \$43,795 for new athletic equipment. The amount outstanding on the lease line of credit as of June 30, 2021 and 2020 was \$13,943 and \$28,534 respectively.

The scheduled principal payments for all debt are as follows:

	<u>Bonds</u>	<u>Leases</u>	<u>Term loans</u>	<u>Total</u>
Year ending June 30:				
2022	\$ 2,839,968	13,944	1,361,025	4,214,937
2023	2,925,324	—	961,364	3,886,688
2024	3,013,344	—	6,823,542	9,836,886
2025	3,104,388	—	—	3,104,388
2026	3,203,257	—	—	3,203,257
2027 and thereafter	62,387,974	—	—	62,387,974
	<u>\$ 77,474,255</u>	<u>13,944</u>	<u>9,145,931</u>	<u>86,634,130</u>

Scheduled principal payments for all debt include unamortized issuance costs of \$788,082 and \$840,435 as of June 30, 2021 and 2020, respectively.

On an annual basis the College is required to meet various financial covenants.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### (10) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Donor restricted endowments:		
Scholarship and fellowships	\$ 14,481,211	9,680,497
Endowed chairs	667,320	540,720
Other programming	970,839	969,163
Pledges receivable	857,471	1,693,958
Purpose restricted and other	<u>2,905,488</u>	<u>2,109,503</u>
Total with donor restrictions	<u>\$ 19,882,329</u>	<u>14,993,841</u>

#### (11) Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the purposes or occurrence of events specified by the donors as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Scholarship	\$ 619,375	383,904
Capital purposes	128,222	138,353
Entrepreneurship and engineering	151,600	141,458
Center for Humanities	122,911	80,454
Other purposes	<u>297,379</u>	<u>129,560</u>
	<u>\$ 1,319,487</u>	<u>873,729</u>

#### (12) Pension Plan

All full-time personnel are covered by the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) professional retirement plan, a defined contribution plan. The College incurred pension expense under this plan of \$3,089,078 and \$3,016,196 for the years ended June 30, 2021 and 2020, respectively.

#### (13) Natural Classification of Expenses

Expenses are presented by functional classification on the Statement of Activities. Program services include instruction, academic support, student services, conference and education services, and other auxiliary services. Supporting services include institutional support.

The College allocates expenses for fringe benefits, operation and maintenance of plant, depreciation, amortization, and interest expense across the functional categories. Fringe benefits are allocated based on the salary and wage expense at the end of the fiscal year. Operation of maintenance of plant, depreciation, amortization, and interest are allocated based on square footage.

**ENDICOTT COLLEGE**

Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

The following presents expenses by natural and functional classification as of June 30, 2021 and 2020:

	<b>2021</b>						
	<b>Instruction</b>	<b>Academic support</b>	<b>Student services</b>	<b>Other auxiliary services</b>	<b>Conference and education services</b>	<b>Institutional support</b>	<b>Total</b>
Salaries and employee benefits	\$ 30,843,536	9,640,655	9,027,602	4,874,897	630,206	10,077,872	65,094,768
Supplies and service contracts	2,995,999	973,341	2,873,084	10,346,506	914,168	4,704,049	22,807,147
Depreciation and amortization	2,175,348	297,519	1,070,524	5,227,489	6,487	395,775	9,173,142
Occupancy	813,625	99,107	354,899	1,457,981	288,513	133,370	3,147,495
Interest	753,551	103,062	370,834	1,810,827	2,247	137,098	3,177,619
Other operating expenses	945,673	591,603	631,359	2,217,314	308,686	1,454,747	6,149,382
	<u>\$ 38,527,732</u>	<u>11,705,287</u>	<u>14,328,302</u>	<u>25,935,014</u>	<u>2,150,307</u>	<u>16,902,911</u>	<u>109,549,553</u>
	<b>2020</b>						
	<b>Instruction</b>	<b>Academic support</b>	<b>Student services</b>	<b>Other auxiliary services</b>	<b>Conference and education services</b>	<b>Institutional support</b>	<b>Total</b>
Salaries and employee benefits	\$ 30,814,109	10,521,026	8,963,620	4,182,320	1,318,530	10,003,652	65,803,257
Supplies and service contracts	2,244,858	833,914	1,499,940	7,280,204	4,958,570	4,211,402	21,028,888
Depreciation and amortization	2,289,799	279,068	999,100	4,102,858	812,160	371,205	8,854,190
Occupancy	1,155,839	140,792	504,171	2,071,214	409,863	187,723	4,469,602
Interest	672,680	81,983	293,508	1,205,307	238,591	109,049	2,601,118
Other operating expenses	1,109,778	693,197	2,045,579	539,441	219,396	2,106,669	6,714,060
	<u>\$ 38,287,063</u>	<u>12,549,980</u>	<u>14,305,918</u>	<u>19,381,344</u>	<u>7,957,110</u>	<u>16,989,700</u>	<u>109,471,115</u>

**(14) Related Parties**

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy. The College has determined that for the fiscal years ended June 30, 2021 and 2020, no significant relationships existed.

## ENDICOTT COLLEGE

### Notes to Financial Statements

June 30, 2021

(with comparative information for June 30, 2020)

#### **(15) Commitments and Contingencies**

The College is subject to certain legal proceedings and claims that arose in the ordinary course of conducting its activities. Management has determined, after consultation with legal counsel, that the College has defensible positions and that any ultimate liabilities not covered by insurance will not materially affect the College's financial position.

#### **(16) Risks and Uncertainties – Pandemic**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Although it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the College's finances, the College could experience material adverse effects posed by the risks, or our stakeholders' perceptions of the risks, related to COVID-19. As a result of the pandemic, beginning in March 2020, the College suspended in-person education and other campus-based activities, resulting in foregone revenues, the most significant of which resulted from the refunding of a portion of residence and dining revenues, as described below. Although the College incurred certain incremental costs due to the pandemic, including transitioning to online education and work environments, it also experienced reductions in certain other recurring costs, such as travel and utilities. In fiscal year 2021, the College resumed residential education providing both in-person and remote learning.

As a result of the COVID 19 pandemic, in fiscal year 2020 the College was granted \$2,062,000 from the Higher Education Emergency Relief Fund (HEERF) under the 18004(a)(1) Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In fiscal year 2020, the College disbursed \$1,031,000 to students in the form of emergency financial aid grants, and utilized the institutional portion of CARES Act funds of \$1,000,000 to offset residence and dining refunds.

In fiscal year 2021, the College was granted a total of \$2,063,007 from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act, HEERF II). The College disbursed \$1,031,504 to students in the form of emergency financial aid grants, with the remaining institutional funds of \$1,031,503 utilized to support institutional expenditures or lost revenues related to the pandemic.

#### **(17) Subsequent Events**

The College has evaluated subsequent events for potential recognition or disclosure through October 28, 2021 the date on which the financial statements were issued. On September 29, 2021, the College entered into a loan agreement in the amount of \$30,000,000 with Bank of America for the purpose of funding the construction of a new nursing and health sciences building as well as various other capital projects. The loan will amortize over 30 years, has a 10-year term and carries a fixed interest rate of 2.34%.