



Financial Statements

Franklin W. Olin College of Engineering, Inc.

June 30, 2020 and 2019



FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Financial Statements

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Independent Auditors' Report

The Board of Trustees
Franklin W. Olin College of Engineering, Inc.
Needham, Massachusetts

We have audited the accompanying financial statements of Franklin W. Olin College of Engineering, Inc. (the "College"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2020 and 2019, 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.

Mayer Hoffmann McCann P.C.

October 17, 2020
Boston, Massachusetts

FRANKLIN W. OLIN COLLEGE OF ENGINEERING

Statements of Financial Position (in thousands)

	<i>June 30,</i>	
	2020	2019
Assets		
Cash and cash equivalents	\$ 6,746	\$ 9,018
Accounts receivable, net	1,460	851
Contributions receivable, net	938	488
Prepaid expenses and other assets	3,183	2,093
Long-term investments	361,142	375,414
Long-term investments, facilities renewal and replacement fund	8,595	8,542
Plant and equipment, net	75,191	77,994
Interest rate swap agreements	3,938	4,112
Total assets	\$ 461,193	\$ 478,512
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 5,240	\$ 4,663
Deferred revenue and deposits	2,949	4,053
Bonds payable, net	158,058	158,201
Interest rate swap agreements	18,910	13,297
Total liabilities	185,157	180,214
Net assets:		
Without donor restrictions	46,130	48,171
With donor restrictions	229,906	250,127
Total net assets	276,036	298,298
Total liabilities and net assets	\$ 461,193	\$ 478,512

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statements of Activities
(in thousands)

Year Ended June 30, 2020
(with comparative totals for 2019)

	2020		Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating revenues				
Student revenues, net of student aid of \$12,405 and \$11,749, respectively	\$ 9,707	\$ -	\$ 9,707	\$ 10,530
Contributions	920	820	1,740	1,709
Government grants and other contracts	2,618	-	2,618	1,948
Other	1,563	-	1,563	1,783
Net assets released for:				
Olin endowment spending	22,700	-	22,700	20,300
Other purpose restrictions	1,245	(1,245)	-	-
	38,753	(425)	38,328	36,270
Operating expenses				
Instruction	11,554	-	11,554	11,854
Research	822	-	822	849
Academic support	3,504	-	3,504	3,246
Student services	11,462	-	11,462	11,393
Sponsored programs	2,675	-	2,675	2,816
Development and fundraising	1,554	-	1,554	1,392
Institutional support	9,416	-	9,416	8,521
	40,987	-	40,987	40,071
	(2,234)	(425)	(2,659)	(3,801)
Nonoperating activities				
Contributions	-	735	735	165
Investment return, net of expenses	193	7,956	8,149	20,362
Change in value of interest rate swap agreements	(5,787)	-	(5,787)	(1,532)
Loss on modification of debt	-	-	-	(203)
Net assets released for:				
Olin endowment spending	-	(22,700)	(22,700)	(20,300)
Change in value of interest rate swap agreements	5,787	(5,787)	-	-
	193	(19,796)	(19,603)	(1,508)
Change in net assets	(2,041)	(20,221)	(22,262)	(5,309)
Net assets, beginning of year	48,171	250,127	298,298	303,607
Net assets, end of year	\$ 46,130	\$ 229,906	\$ 276,036	\$ 298,298

See accompanying notes to the financial statements.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statement of Activities
(in thousands)

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Student revenues, net of student aid of \$11,749	\$ 10,530	\$ -	\$ 10,530
Contributions	970	739	1,709
Government grants and other contracts	1,948	-	1,948
Other	1,783	-	1,783
Net assets released for:			
Olin endowment spending	20,300	-	20,300
Other purpose restrictions	1,299	(1,299)	-
	36,830	(560)	36,270
Operating expenses			
Instruction	11,854	-	11,854
Research	849	-	849
Academic support	3,246	-	3,246
Student services	11,393	-	11,393
Sponsored programs	2,816	-	2,816
Development and fundraising	1,392	-	1,392
Institutional support	8,521	-	8,521
	40,071	-	40,071
	(3,241)	(560)	(3,801)
Change in net assets from operating activities			
	(3,241)	(560)	(3,801)
Nonoperating activities			
Contributions	-	165	165
Investment return, net of expenses	421	19,941	20,362
Change in value of interest rate swap agreements	(1,532)	-	(1,532)
Loss on modification of debt	(203)	-	(203)
Net assets released for:			
Olin endowment spending	-	(20,300)	(20,300)
Transfer to facilities renewal and replacement fund	600	(600)	-
Change in value of interest rate swap agreements	1,532	(1,532)	-
	818	(2,326)	(1,508)
	(2,423)	(2,886)	(5,309)
Change in net assets			
	(2,423)	(2,886)	(5,309)
Net assets, beginning of year	50,594	253,013	303,607
Net assets, end of year	\$ 48,171	\$ 250,127	\$ 298,298

See accompanying notes to the financial statements.

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

Statements of Cash Flows
(in thousands)

	Years Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (22,262)	\$ (5,309)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,234	4,160
Net realized and unrealized gain on long-term investments	(6,156)	(17,111)
Contributions designated for long-term investment	(665)	(163)
Write-off of construction in process	198	-
Loss on modification of debt	-	203
Change in value of interest rate swap agreements	5,787	1,532
Change in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other assets	(1,699)	(89)
Contributions receivable	(450)	298
Accounts payable and accrued expenses, deferred revenues and deposits	(1,128)	391
	<u>(22,141)</u>	<u>(16,088)</u>
Net cash used in operating activities	(22,141)	(16,088)
Cash flows from investing activities:		
Purchases of investments	(71,946)	(54,353)
Sales and maturities of investments	92,323	71,769
Acquisition and construction of property and equipment	(1,173)	(860)
	<u>19,204</u>	<u>16,556</u>
Net cash provided by investing activities	19,204	16,556
Cash flows from financing activities:		
Debt issuance costs	-	(81)
Contributions designated for long-term investment	665	163
	<u>665</u>	<u>82</u>
Net cash provided by financing activities	665	82
Net increase (decrease) in cash and cash equivalents	(2,272)	550
Cash and cash equivalents, beginning of year	<u>9,018</u>	<u>8,468</u>
Cash and cash equivalents, end of year	\$ <u>6,746</u>	\$ <u>9,018</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 5,384</u>	<u>\$ 5,365</u>
Plant and equipment additions remaining in accounts payable	<u>\$ 601</u>	<u>\$ -</u>

See accompanying notes to the financial statements.