

2018 & 2017 Annual Financial Statements

PIONEER INSTITUTE, INC.

185 Devonshire Street; Suite 1101

Boston, Massachusetts 02110

Year Ended September 30, 2018

(with Comparative Totals for September 30, 2017)

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Glenn Ricciardelli, P.C

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
PIONEER INSTITUTE, INC.
185 Devonshire Street; Suite 1101
Boston, Massachusetts 02110

Report on Financial Statements

We have audited the accompanying financial statements of PIONEER INSTITUTE, INC. (a not-for-profit corporation), which comprise the statement of financial position as of September 30, 2017 and 2018, and the related statement of activities and changes in net assets, cash flows, and revenues and investment income and functional expenses by program for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements and Revenues & Investment Income & Functional Expenses by Program

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 of 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 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 principles used and 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 PIONEER INSTITUTE, INC. as of September 30, 2017 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.

Report on Summarized Comparative Information

We have previously audited Pioneer's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Revenues & Investment Income & Functional Expenses by Program on Pages 6 & 7 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully,

Glenn Ricciardelli, PC

Boston, Massachusetts

January 4, 2019

PIONEER INSTITUTE, INC.

Statements of Financial Position

As of September 30, 2018 (with Comparative Totals for September 30, 2017)

	2018	2017
<u>ASSETS:</u>		
<i>Current Assets:</i>		
Cash & Cash Equivalents (Note A)	\$245,074	\$269,829
Contributions Receivable (Note A)	217,887	189,884
Prepaid Expenses & Deposits	14,995	192,391
Total Current Assets	<u>477,956</u>	<u>652,104</u>
<i>Property & Equipment:</i>		
Property	987,364	952,984
Furniture & Fixtures	23,896	23,896
Office Equipment	49,507	49,507
Software	138,027	138,027
Subtotal	<u>1,198,795</u>	<u>1,164,415</u>
Less: Accumulated Depreciation & Amortization	<u>(322,448)</u>	<u>(274,987)</u>
Net Property & Equipment	876,347	889,428
<i>Other Assets</i>		
Long-term Investments (Note E)	2,189,848	2,020,360
Film Production Costs (Note L)	140,000	-
Long-term Contribution Receivable	-	50,000
Total Assets	<u><u>\$3,684,151</u></u>	<u><u>\$3,611,893</u></u>
 <u>CURRENT LIABILITIES:</u>		
Accounts Payable & Accrued Expenses	<u>42,151</u>	<u>106,410</u>
Total Liabilities	<u>42,151</u>	<u>106,410</u>
 <u>NET ASSETS:</u>		
Without Donor Restrictions	2,585,282	2,477,318
With Donor Restrictions	<u>1,056,717</u>	<u>1,028,165</u>
Total Net Assets	<u>3,641,999</u>	<u>3,505,483</u>
Total Liabilities and Net Assets	<u><u>\$3,684,151</u></u>	<u><u>\$3,611,893</u></u>

PIONEER INSTITUTE, INC.

Statements of Activities

Year Ended September 30, 2018 (with Comparative Totals for Year ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>CHANGE in NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenues:		
Contributions	\$1,028,751	\$1,226,031
Sales of Publications, Tickets, etc.	15,627	20,330
Total Unrestricted Revenues	<u>1,044,378</u>	<u>1,246,361</u>
Net Assets Released from Restrictions: (Note D)		
Satisfaction of Program Restrictions	<u>1,333,863</u>	<u>677,368</u>
Revenue Without Donor Restrictions & Assets Released from Restriction	<u>2,378,241</u>	<u>1,923,729</u>
Expenses:		
Management & General Operations	131,041	156,743
Fund Raising	339,062	351,419
Outreach & Public Communications	136,075	68,549
<i>Major Research & Program Categories:</i>		
PioneerEducation	800,561	701,027
PioneerOpportunity	270,182	129,359
PioneerHealth	140,910	181,925
PioneerPublic	407,233	464,210
Lovett C. Peters Lecture Series	<u>121,094</u>	<u>71,198</u>
Total Expenses	<u>2,346,160</u>	<u>2,124,430</u>
Interest Income	3,503	133
Dividend Income	39,057	42,822
Realized Losses on Long-term Investments	(2,122)	(12,686)
Unrealized Gains (Losses) on Long-term Investments	<u>35,445</u>	<u>(1,037)</u>
Subtotal	<u>75,883</u>	<u>29,232</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>107,964</u>	<u>(171,469)</u>
<u>CHANGE in NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions With Donor Restrictions	1,339,660	742,568
Interest Income	66	-
Dividend Income	15,408	15,929
Realized Gains (Losses) on Long-term Investments	884	(6,604)
Unrealized Gains on Long-term Investments	6,398	13,321
Net Assets Released from Restrictions (Note D)	<u>(1,333,863)</u>	<u>(677,368)</u>
Increase in Net Assets With Donor Restrictions	<u>28,553</u>	<u>87,846</u>
<u>INCREASE (DECREASE) in NET ASSETS:</u>	136,518	(83,623)
<u>NET ASSETS: Beginning of Year</u>	<u>3,505,482</u>	<u>3,589,105</u>
<u>NET ASSETS: End of Year</u>	<u>\$3,641,999</u>	<u>\$3,505,482</u>

PIONEER INSTITUTE, INC.

Statements of Cash Flows - Indirect Method

Year Ended September 30, 2018 (with Comparative Totals for Year ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
<i>CASH FLOWS from OPERATING ACTIVITIES:</i>		
Change in Net Assets	\$136,518	(\$83,623)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	131,460	49,611
(Increase) Decrease in Contributions Receivable	21,997	(157,333)
(Increase) Decrease in Prepaid Expenses & Deposits	177,396	(184,717)
Increase (Decrease) in Accounts Payable & Accrued Expenses	(64,259)	54,879
Unrealized Gains on Long Term Investments	(41,843)	(12,284)
Realized (Losses) in Long Term Investments	(1,238)	(19,290)
Contributions Restricted for Purchase of Equip. & Other LT Purposes	-	(15,000)
Contributions Permanently Restricted	(4,500)	(6,500)
Net Cash Provided by (Used in) Operating Activities	<u>355,531</u>	<u>(374,257)</u>
<i>CASH FLOWS from INVESTING ACTIVITIES:</i>		
Purchase of Long-Term Assets	(258,380)	(20,435)
(Purchase & Income Reinvestments) / Sales of Long-Term Investments	(126,407)	49,605
Net Cash Provided by (Used in) Investing Activities	<u>(384,787)</u>	<u>29,170</u>
<i>CASH FLOWS from FINANCING ACTIVITIES:</i>		
Contributions Restricted for Purchase of Equip. & Other LT Purposes	-	15,000
Contributions with Donor Restrictions	4,500	6,500
Net Cash Provided by Financing Activities	<u>4,500</u>	<u>21,500</u>
<i>NET DECREASE IN CASH & CASH EQUIVALENTS:</i>	<u>(24,756)</u>	<u>(323,587)</u>
<i>CASH & EQUIVALENTS: Beginning of Year</i>	<u>269,830</u>	<u>593,417</u>
<i>CASH & EQUIVALENTS: End of Year</i>	<u>\$245,074</u>	<u>\$269,830</u>
<i>SUPPLEMENT NON-CASH ACTIVITIES:</i>		
Fully Depreciated Assets Removed or Disposed	<u>\$ -</u>	<u>\$ -</u>

PIONEER INSTITUTE, INC.
Supplemental Schedule - Statement of Program Revenue & Functional Expenses
For the Years Ended September 30th, 2018 and 2017

Account Number / Description	FY2016 DISTRIBUTION of FUNDING & EXPENSE by PROGRAM													FY2018 Total Funding & Expenses	FY2017 Total Funding & Expenses	
	Management & General Operations	Fund Raising	Lovett C. Peters Memorial Fund	Roger Perry Internship Fund	Outreach & Public Communication	MAJOR RESEARCH & PROGRAM CATEGORIES							FY2018 Total Funding & Expenses			FY2017 Total Funding & Expenses
						Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series	Colby Hewitt Endowment	Tyler Family Endowment				
REVENUE:																
REVENUE WITHOUT DONOR RESTRICTIONS:																
4-1010 · Individual Donations	\$ 842,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 842,201	\$ 927,031	
4-1020 · Corporate Donations	19,550	-	-	-	-	-	-	-	-	-	-	-	-	19,550	13,500	
4-1030 · Foundation Donations	149,500	-	-	-	-	-	-	-	-	-	-	-	-	149,500	268,000	
Total - Unrestricted Donations	1,011,251	-	-	-	-	-	-	-	-	-	-	-	-	1,011,251	1,208,531	
IN-KIND DONATIONS:																
4-1040 · In-Kind Donations	17,500	-	-	-	51,183	-	-	-	-	-	-	-	-	68,683	17,500	
Total - In-Kind Donations	17,500	-	-	-	51,183	-	-	-	-	-	-	-	-	68,683	17,500	
REVENUE SUBJECT to DONOR RESTRICTIONS:																
4-2010 · Individual Donations	-	325	-	-	55,000	75,652	150,150	1,250	71,650	2,750	-	-	-	356,777	122,768	
4-2020 · Corporate Donations	-	-	-	-	-	5,000	51,000	-	-	2,500	-	-	-	58,500	5,750	
4-2030 · Foundation Donations	-	-	-	-	57,200	383,000	11,500	10,000	25,000	50,000	-	-	-	536,700	498,700	
4-2040 · Event Sponsorship	-	-	-	-	-	10,000	500	3,000	68,500	-	-	-	-	82,000	108,850	
Subtotal	-	325	-	-	112,200	473,652	213,150	14,250	165,150	55,250	-	-	-	1,033,977	736,068	
Endowments:																
4-2110 · Colby Hewitt Endowment	-	-	-	-	-	-	-	-	-	-	4,500	-	-	4,500	6,500	
4-4211 · William & Anngenetta Tyler Endowment	-	-	-	-	-	-	-	-	-	-	-	250,000	-	250,000	-	
Subtotal	-	-	-	-	-	-	-	-	-	-	4,500	250,000	-	254,500	6,500	
Total 4-2000 · Restricted Donations	-	325	-	-	112,200	473,652	213,150	14,250	165,150	55,250	4,500	250,000	-	1,288,477	742,568	
OTHER REVENUE:																
4-5000 · Ticket Sales	-	-	-	-	-	-	-	700	14,500	-	-	-	-	15,200	18,350	
4-6000 · Book Sales	-	-	-	-	-	208	69	-	-	-	-	-	-	277	1,180	
4-7000 · Editorial Income	100	-	-	-	-	-	50	-	-	-	-	-	-	150	800	
Subtotal	100	-	-	-	-	208	119	700	14,500	-	-	-	-	15,627	20,330	
Total Income	1,028,851	325	-	-	163,383	473,860	213,269	14,950	179,650	55,250	4,500	250,000	-	2,384,038	1,988,929	
OPERATING EXPENSES:																
EMPLOYMENT COSTS:																
6-1100 · Gross Wages	77,693	228,935	-	-	18,022	373,893	148,806	61,456	166,378	12,473	-	-	-	1,087,657	1,042,326	
6-1200 · Federal P/R Taxes-employer	5,138	15,141	-	-	1,192	24,727	9,841	4,064	11,003	825	-	-	-	71,932	69,746	
6-1300 · State P/R Taxes	88	258	-	-	20	422	168	69	188	14	-	-	-	1,228	210	
6-1400 · Health & Dental-employer	7,212	21,253	-	-	1,673	34,710	13,814	5,705	15,445	1,158	-	-	-	100,970	78,807	
6-1500 · 401K-employer share	1,775	5,231	-	-	412	8,543	3,400	1,404	3,801	285	-	-	-	24,851	22,183	
6-1550 · Pension Plan Charges	274	808	-	-	64	1,319	525	217	587	44	-	-	-	3,837	5,012	
6-1600 · Workmen's Compensation	99	291	-	-	23	475	189	78	211	16	-	-	-	1,381	1,030	
6-1800 · Payroll Expenses	268	790	-	-	62	1,290	514	212	574	43	-	-	-	3,754	3,987	
Subtotal	92,547	272,706	-	-	21,467	445,379	177,257	73,206	198,189	14,857	-	-	-	1,295,608	1,223,302	
OUTSIDE SERVICES:																
6-2100 · Consultants	621	1,831	-	-	12,259	20,991	1,190	492	1,331	100	-	-	-	38,815	84,442	
6-2400 · Annual Audit	22,500	-	-	-	-	-	-	-	-	-	-	-	-	22,500	22,500	
Subtotal	23,121	1,831	-	-	12,259	20,991	1,190	492	1,331	100	-	-	-	61,315	106,942	
RESEARCH:																
6-3160 · Data/FOIA	-	-	-	-	-	49	-	-	300	-	-	-	-	349	1,500	
6-3200 · Contracts	-	2,065	-	-	10,778	109,155	58,545	41,505	104,874	4,357	-	-	-	331,279	203,023	
6-3300 · Prizes	-	-	-	-	-	-	-	-	14,000	-	-	-	-	14,000	14,000	
Subtotal	-	2,065	-	-	10,778	109,204	58,545	41,505	119,174	4,357	-	-	-	345,627	218,523	
PRINTING & PUBLISHING:																
6-4100 · Printing Costs	723	10,934	-	-	3,724	397	-	74	4,291	971	-	-	-	21,115	40,124	
6-4300 · Editors/Writers	-	-	-	-	-	1,500	6,500	-	3,500	-	-	-	-	11,500	800	
6-4400 · Graphic Design	-	952	-	-	5,456	8,416	2,872	930	5,767	650	-	-	-	25,042	21,641	
Subtotal	723	11,886	-	-	9,180	10,313	9,372	1,004	13,558	1,621	-	-	-	57,657	62,565	
DISTRIBUTION COSTS:																
6-5200 · Postage Costs	180	3,394	-	-	1,037	1,309	358	143	676	29	-	-	-	7,126	14,280	
6-5400 · Mailing Services	-	-	-	-	3,769	-	-	-	-	-	-	-	-	3,769	14,676	
6-5500 · Advertising Costs	-	64	-	-	65,173	54,591	750	1,499	4,293	-	-	-	-	126,370	60,879	
6-5600 · Mailing Lists	-	3,295	-	-	-	-	-	-	-	-	-	-	-	3,295	7,533	
Subtotal	180	6,752	-	-	69,980	55,900	1,108	1,642	4,970	29	-	-	-	140,561	97,368	

PIONEER INSTITUTE, INC.
Supplemental Schedule - Statement of Program Revenue & Functional Expenses
For the Years Ended September 30th, 2018 and 2017

Account Number / Description	FY2016 DISTRIBUTION of FUNDING & EXPENSE by PROGRAM												FY2018 Total Funding & Expenses	FY2017 Total Funding & Expenses
	Management & General Operations	Fund Raising	Lovett C. Peters Memorial Fund	Roger Perry Internship Fund	Outreach & Public Communication	MAJOR RESEARCH & PROGRAM CATEGORIES								
						Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series	Colby Hewitt Endowment	Tyler Family Endowment		
EVENTS & MEETINGS:														
6-6100 · Room Costs	982	-	-	-	-	1,614	900	1,748	-	721	-	-	5,966	11,409
6-6200 · Food & Beverage Costs	3,882	-	-	-	-	9,395	4,862	5,906	38,339	40,064	-	-	102,448	114,295
6-6250 · Transportation	-	-	-	-	-	1,170	-	405	1,230	-	-	-	2,804	7,587
6-6300 · Photography	-	-	-	-	-	-	-	-	1,580	-	-	-	1,580	1,400
6-6600 · Audio-Visual	-	-	-	-	-	2,368	-	1,385	8,270	9,920	-	-	21,942	27,185
6-6800 · Honorarium	-	-	-	-	-	6,500	-	5,000	-	41,923	-	-	53,423	45,300
6-6950 · Other Event Expenses	-	-	-	-	-	250	196	-	-	5,850	-	-	6,296	5,886
Subtotal	4,864	-	-	-	-	21,296	5,958	14,444	49,418	98,478	-	-	194,459	213,063
STAFF BUSINESS EXPENSES:														
6-7100 · Breakfasts/Luncheons	869	2,669	-	-	110	2,194	229	82	821	-	-	-	6,975	7,530
6-7200 · Training/Meeting Fees	-	300	-	-	-	405	300	400	100	-	-	-	1,505	1,014
6-7300 · Transportation	4	2,173	-	-	121	4,014	216	12	371	40	-	-	6,950	15,021
6-7400 · Meals/Food	-	-	-	-	75	545	-	-	-	-	-	-	620	499
6-7600 · Lodging	-	-	-	-	-	1,545	-	-	-	-	-	-	1,545	4,447
Subtotal	873	5,142	-	-	305	8,704	745	494	1,292	40	-	-	17,595	28,512
OFFICE OPERATIONS:														
6-8101 · Condo fees	2,084	6,140	-	-	483	10,028	3,991	1,648	4,462	335	-	-	29,172	28,128
6-8175 · Equip. Contracts/Rental	13	38	-	-	3	1,007	25	10	28	2	-	-	1,127	5,159
6-8180 · Equip. Maintenance & Repairs	418	1,232	-	-	97	2,012	801	331	895	67	-	-	5,853	8,136
6-8300 · Telephone	168	494	-	-	39	806	321	133	359	27	-	-	2,345	2,867
6-8500 · Office Supplies	228	673	-	-	53	1,099	437	181	489	37	-	-	3,197	14,655
6-8600 · Insurance	800	4,025	-	-	231	5,364	1,555	732	1,713	406	-	-	14,827	11,116
6-8750 · Legal/Professional Fees	672	1,980	-	-	156	3,234	1,287	532	1,439	108	-	-	9,407	4,000
6-8800 · Publications/Subscriptions	297	8,648	-	-	4,800	3,575	646	1,538	2,002	48	-	-	21,554	18,048
6-9925 · Newsclips	-	-	-	-	5,000	-	-	-	-	-	-	-	5,000	3,500
6-8850 · Dues/Memberships	-	-	-	-	-	200	-	150	150	-	-	-	500	3,700
6-8875 · Licenses and Permits	68	336	-	-	16	326	130	54	145	11	-	-	1,084	1,973
Subtotal	4,747	23,566	-	-	10,878	27,651	9,192	5,308	11,682	1,040	-	-	94,064	101,283
INTERNET/WEBSITE:														
6-9100 · Internet Access	111	328	-	-	26	536	213	88	238	18	-	-	1,559	1,559
6-9300 · Programming	-	-	-	-	404	-	-	-	-	-	-	-	404	14,514
6-9400 · Hosting	57	167	-	-	13	273	109	45	122	9	-	-	794	629
Subtotal	168	495	-	-	443	809	322	133	360	27	-	-	2,757	16,702
Total Operating Expense	127,225	324,443	-	-	135,289	700,246	263,689	138,228	399,974	120,550	-	-	2,209,644	2,068,259
OTHER EXPENSE:														
8-1200 · Bank Service Charges	205	-	-	-	-	-	-	-	-	-	-	-	205	107
8-1300 · Brokerage Fees	222	-	-	-	-	-	-	-	-	-	-	-	222	1,199
8-1600 · Online Donation Fulfillment Fees	-	4,629	-	-	-	-	-	-	-	-	-	-	4,629	5,255
8-2000 · Depreciation & Amortization Expense	3,390	9,990	-	-	786	100,315	6,493	2,682	7,260	544	-	-	131,460	49,611
Subtotal	3,816	14,619	-	-	786	100,315	6,493	2,682	7,260	544	-	-	136,516	56,172
Total Expense	131,041	339,062	-	-	136,075	800,561	270,182	140,910	407,234	121,094	-	-	2,346,161	2,124,431
OTHER INCOME:														
7-1000 · Interest Income	3,503	-	-	-	-	-	-	-	-	-	6	60	3,569	134
7-2000 · Dividend Income	39,057	-	125	-	-	-	-	-	-	-	11,117	4,165	54,465	58,748
7-4000 · Other Capital Gains/(Losses)	(2,122)	-	-	-	-	-	-	-	-	-	(541)	1,426	(1,238)	(19,290)
7-5000 · Increase/(Decrease) in Market Value	35,446	-	-	-	-	-	-	-	-	-	9,704	(3,306)	41,844	12,286
Subtotal	75,884	-	125	-	-	-	-	-	-	-	20,286	2,345	98,640	51,878
Net Increase (Decrease) in Net Assets	\$ 973,694	\$ (338,737)	\$ 125	\$ -	\$ 27,308	\$ (326,701)	\$ (56,913)	\$ (125,960)	\$ (227,584)	\$ (65,844)	\$ 24,786	\$ 252,345	\$ 136,518	\$ (83,623)
CHANGE in NET ASSETS WITH DONOR RESTRICTIONS:														
Net Assets With Donor Restrictions at 9/30/17	\$ 4,165	\$ 12,300	\$ 105,299	\$ 48,550	\$ 50,000	\$ 455,575	\$ 66,564	\$ -	\$ -	\$ -	\$ 285,712	\$ -	\$ 1,028,165	\$ 940,320
Plus: 2018 Contributions With Restrictions	-	325	-	-	163,383	473,652	213,150	14,250	165,150	55,250	4,500	250,000	1,339,660	742,811
Amounts Released From Restrictions in 2018	-	(12,625)	(59,380)	(14,000)	(153,285)	(737,544)	(157,249)	(14,250)	(120,333)	(55,250)	(9,947)	-	(1,333,863)	(677,368)
Plus/(Minus): Dividends, Interest, Δ Market Value	-	-	125	-	-	-	-	-	-	-	20,285	2,345	22,740	22,402
Net Assets With Donor Restrictions at 9/30/18	\$ 4,165	\$ -	\$ 46,044	\$ 34,550	\$ 60,098	\$ 191,683	\$ 122,465	\$ -	\$ 44,817	\$ -	\$ 300,550	\$ 252,345	\$ 1,056,717	\$ 1,028,165

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

NOTE A - DESCRIPTION OF ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION:

PIONEER INSTITUTE, INC. (PIONEER) is a public policy research organization, which specializes in the support, distribution, and promotion of scholarly research on Massachusetts' public policy issues. PIONEER does not incur any costs related to lobbying for the purpose of influencing legislation as addressed under Section 501(h) of the Federal Tax Code.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of PIONEER have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting and reporting policies used by PIONEER are subsequently described to enhance the usefulness and understandability of the financial statements.

FINANCIAL STATEMENT PRESENTATION:

PIONEER has started to adopt ASU 2016-14 Presentation of Financial Statements for Not-for-Profit Entities for the years ended September 30, 2018 and 2017, with full compliance to take place in reporting for the year ended September 30, 2019. Under the new standard, among other provisions, classes of net assets are reduced from three to two, without donor restrictions and with donor restrictions, in both the Statement of Financial Position and the Statement of Activities. Additionally, the standard requires that expenses be disclosed based on both their natural and functional classifications. ASU 2016-14 also requires disclosure regarding the nature of board-designated funds, investment returns and the manner in which general expenses are allocated. Information regarding its financial position and activities according to two classes of net assets are described as follows:

Net Assets Without Donor Restrictions – All resources over which the governing board has discretionary control. The governing board of PIONEER may elect to designate such resources for a specific purpose. This designation may be removed at the Board's direction.

Net Assets With Donor Restrictions – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time. This classification also includes endowment assets accumulated through donations or grants that are subject to donor-imposed stipulations, which are maintained in perpetuity with the principal to be invested by PIONEER. Endowment net assets include the original value of the gift, plus any subsequent additions. Unexpended appreciation on restricted assets is included in endowment assets unless otherwise instructed by the donor. The release of endowment assets amounted to \$9,947 and \$9,314, in the years ended September 30, 2018 and 2017, respectively.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

PIONEER recognizes contributions as revenue when they are received or unconditionally pledged. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reclassified as without restrictions. Unconditional promises to give, subject to donor-imposed restrictions with due dates scheduled after the balance sheet date, are shown as increases in net assets with donor restrictions and shall be reclassified to net assets without donor restrictions when the related purpose or time restrictions are met. 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 market value at the date of the gift.

Contributions receivable represent amounts unconditionally pledged by donors that have not yet been received by PIONEER. Current contributions receivable were \$217,887 and \$189,884 as of September 30, 2018 and 2017, respectively. During the year ended September 30, 2017, Pioneer received an unconditional pledge of \$50,000, which was classified as non-current because it was not expected to be realized during the following operating cycle.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included in the financial statements include the fair value of certain allowances on contributions receivable, the useful lives of depreciable assets, and the allocation of expenses to operations and programs based upon the time allocated to each by PIONEER's employees.

CONTRIBUTIONS, GIFTS AND PLEDGES RECEIVABLE:

Contributions received are recorded as with or without restrictions depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Restricted gifts or promises to give are required to be reported as restricted in the period received. Restrictions on contributions related to the acquisition of long-lived assets are considered satisfied at the time the asset is acquired.

An allowance for uncollectible contributions receivable may be determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. There was no allowance for uncollectible contributions at September 30, 2018 and 2017.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

CONTRIBUTED SERVICES:

The in-kind contributions in both 2018 and 2017 consisted of donated Certified Public Accounting services valued by management at \$17,500 per annum, which are included in program and administrative revenues and expenditures as well as certain event expenses. During 2018, PIONEER received \$51,359 in in-kind contributions for social media advertisements that are reported both as revenues and expenses.

PIONEER also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No value has been reflected in the financial statements for volunteer hours because they do not meet the recognition criteria prescribed by the generally accepted accounting principles. Contributions are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

CASH AND CASH EQUIVALENTS:

PIONEER maintains its cash and cash equivalents in bank deposit accounts. Investments held in money market mutual funds are included in long-term investments in the Statement of Financial Position. Management believes the Institute is not exposed to any significant credit risk on cash and cash equivalents (see Note J).

INVESTMENTS:

PIONEER reports long-term investments at their fair value. Fair value is determined as per the fair value policies described below.

Interest, dividends and net gains and losses on investments are reported in the Statement of Activities as increases or decreases in net assets with donor restrictions if the terms of the gift require that amounts be applied to principal and increases or decreases in net assets without restrictions in all other cases.

FAIR VALUE MEASUREMENTS: (see Note E)

PIONEER reports investments at fair value on a recurring basis in its financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. These standards require an entity to maximize use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, PIONEER reports certain investments using the net asset value per share as determined by investment managers under the Accounting Standards Update No. 2015-07, called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require PIONEER to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value (NAV) practical expedient rules, which allow for either Level 2 or Level

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

3 classification, depending on lock up and notice periods associated with the underlying funds.

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes practical expedient investments with notice periods of more than 90 days.

All PIONEER's investment assets are classified within Level 1 because they are comprised of securities with readily determinable fair values based on daily quoted prices or redemption values.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and such changes could affect the amounts reported in these financial statements.

PROPERTY AND DEPRECIATION:

Property amounts are recorded at historical cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets using a straight-line basis. PIONEER adopts useful lives of 3-years for office equipment & software and 5-years for furniture and fixtures, while the values for capitalized leased assets or leasehold improvements are amortized over the length of the lease, or the life of the asset, whichever is shorter. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

PIONEER purchased an office condominium located at 185 Devonshire Street in Boston Massachusetts on December 29, 2012 for \$800,000. PIONEER has since undertaken improvements to the space, which have been capitalized as part of the cost of the property.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

PIONEER has adopted a useful life of 40 years for the condominium and began depreciating the property in November 2013 concurrent with occupancy.

EXPENSE ALLOCATION:

Pioneer reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office expenses and occupancy and certain salaries, which are allocated on the basis of estimates of time and effort.

NON-PROFIT STATUS AND INCOME TAXES:

PIONEER is recognized by the Internal Revenue Service (IRS) as an organization described under Section 501(c)(3) of the U.S. Internal Revenue Code and is generally exempt from Federal and state income taxes on related income. Donors may deduct contributions made to PIONEER under sections 170(b)(1)(A)(vi) and (viii) of the Internal Revenue Code. PIONEER is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, PIONEER is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. In the years ended September 30, 2017 & 2016, PIONEER was not subject to unrelated business income tax and it did not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

UNCERTAIN TAX POSITIONS:

PIONEER had appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. PIONEER would account for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. PIONEER has identified its tax status as a tax-exempt entity as its only significant tax position; however, PIONEER has determined that such tax position does not result in an uncertainty requiring recognition. PIONEER is not currently under examination by any taxing jurisdiction. PIONEER’s Federal and state tax returns are generally open for examination for three years following the date filed.

2017 COMPARATIVE 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 PIONEER’s financial statements for the year ended September 30, 2017 from which the summarized information was derived.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

NOTE B - PROPERTY & EQUIPMENT

PIONEER's investments in property and equipment as of September 30, 2018 & 2017 were comprised of the following:

	<u>2018</u>	<u>2017</u>
Property	\$987,364	\$952,984
Furniture & Fixtures	23,895	23,895
Office Equipment	49,507	49,507
Software	<u>138,027</u>	<u>138,027</u>
Subtotal	1,198,795	1,164,415
Less: Accumulated Depreciation	<u>(322,448)</u>	<u>(274,987)</u>
Net Property & Equipment	<u>\$876,347</u>	<u>\$889,428</u>

NOTE C - NET ASSETS WITH DONOR RESTRICTIONS

Endowment net assets are available for the following specific uses at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Colby Hewitt Endowment - Health Care	\$300,550	\$285,712
Tyler Endowment - General Operating Purposes	<u>252,345</u>	<u>-</u>
Total Endowment Net Assets	<u>\$552,895</u>	<u>\$285,712</u>

Other net assets with restrictions are available for the following specific programs at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Management & General Operations	\$4,165	\$ 4,165
Development Activities & Direct Mail Campaign	-	12,300
Lovett C. Peters Memorial Fund	46,044	105,299
Roger Perry Internship Fund	34,550	48,550
Outreach & Public Communications	60,098	50,000
PioneerEducation	191,683	455,575
PioneerOpportunity	122,465	66,564
PioneerPublic	<u>44,817</u>	<u>-</u>
Total Other Net Assets with Restrictions	<u>\$503,822</u>	<u>\$742,453</u>

NOTE D - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by the donor. For the years ended September 30, 2018 and 2017, the following purpose restrictions were accomplished:

	<u>2018</u>	<u>2017</u>
Management & General Operations	\$ -	\$ 9,335
Development Activities & Direct Mail Campaign	12,625	31,901
Outreach and Public Communications	153,285	2,700

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

Lovett C. Peters Memorial Fund	59,380	25,000
Roger Perry Internship Program	14,000	11,000
PioneerEducation	737,544	427,890
PioneerOpportunity	157,249	10,500
PioneerHealth	14,250	7,500
PioneerPublic	120,333	137,228
Lovett C. Peters Lecture Series	55,250	5,000
Colby Hewitt Endowment for PioneerHealth	9,947	9,314
Net Assets Released from Restrictions	<u>\$1,333,863</u>	<u>\$677,368</u>

NOTE E – FAIR VALUE OF INVESTMENTS

PIONEER's investments are reported at fair value in the accompanying Statement of Financial Position.

September 30, 2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Treasury Notes	\$ 746,358	\$ 746,358
Equity Mutual Funds and Equity Index Funds	282,033	282,033
Corporate Bond Funds	211,167	211,167
Equities (Domestic or UK with International Operations)	655,898	655,898
Real Estate Investment Trusts (Equity and Index Funds)	61,674	61,674
International Equities	54,914	54,914
Money Market Funds	177,805	177,805

SFAS 157, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. PIONEER's investments are comprised solely of Level 1 assets.

NOTES F– INVESTMENTS AND FINANCIAL ASSETS

The fair market values of PIONEER's investments at September 30, 2018 and 2017 are summarized on the following page:

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

Description	2018	2017
U.S. Treasury Notes	\$ 746,358	\$ -
Equity Mutual Funds and Equity Index Funds	282,033	221,372
Corporate Bond Funds	211,167	295,344
Equities (Domestic or UK with International Operations)	655,898	182,761
Real Estate Investment Trusts (Equity and Index Funds)	61,674	33,232
International Equities	54,914	-
Money Market Fund	177,805	1,287,651
Total	<u>\$2,189,848</u>	<u>\$2,020,360</u>

Investment income from cash equivalents and investments is comprised of the following for the years ended September 30, 2018 and 2017.

Description	2018	2017
Dividend & Interest	\$58,034	\$58,883
Net Realized (Losses)	(1,238)	(19,290)
Net Unrealized Gains	41,843	12,285
Total	<u>\$98,639</u>	<u>\$51,878</u>

NOTES G— AVAILABILITY & LIQUIDITY

The following represents PIONEER's financial assets as of September 30, 2018:

Financial assets, at September 30, 2018	\$2,652,809
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	(250,000)
Restricted by donor with time or purpose restrictions	(290,031)
Board Designations:	
Quasi-endowment fund, primarily for long-term investing	(750,458)
Amounts set aside for liquidity reserve	<u>(900,000)</u>
Financial assets within one year available for general expenditures	<u>\$462,320</u>

Liquidity Management

PIONEER has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 150 days of normal operating expenses, which are, on average, approximately \$900,000. Pioneer has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition,

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

as part of its liquidity management, Pioneer invests cash in excess of daily requirements in various short-term investments, including money market mutual funds and short-term treasury instruments. PIONEER's board of directors authorized up to 3.5 percent of board designated funds to be used for operating purposes each fiscal year. During the year ended September 30, 2018, PIONEER's board of directors also established a policy where by up to 10% of board designated funds could be used by management for short-term operating needs to be replenished to board-designated funds within 12 months. As of September 30, 2018, \$110,000 was outstanding under this policy.

NOTE H – AGENCY TRANSACTION

PIONEER holds no "pass through" grants as of September 30, 2018.

NOTE I – CONTRIBUTORY RETIREMENT PLAN

PIONEER offers a defined contribution plan (401k plan) administered by a third-party whereby employees can contribute up to IRS maximums and PIONEER matches 50% of the contribution up to the first 6% of the employee's salary. Employees vest immediately in employer contribution credited to their accounts. During the years ended September 2018 and 2017, matching contributions to the plan totaled \$24,851 and \$22,183, respectively.

NOTE J – CONCENTRATION OF CREDIT AND MARKET RISK

PIONEER maintains several bank accounts at two large regional financial institutions. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to at least \$250,000. At times, PIONEER's aggregate bank balances exceed the available limit of insurance, although management regularly monitors the cash positions to minimize any potential exposure to any uninsured losses.

Note K – NET ASSETS WITH DONOR RESTRICTIONS

PIONEER holds endowment funds named the Colby Hewitt Endowment for Health Care and the Tyler Family Endowment. These funds are valued at the market value of the investments that make up these endowments. The values of the original donations, which are not immediately available to withdraw, are classified as net assets with donor restrictions.

Interpretation of Relevant Law

The board of directors of PIONEER has interpreted Massachusetts' Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of September 30, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the funds are classified as net assets with restrictions, which include; (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

to the fund. PIONEER considers the following factors in making a determination to appropriate or accumulate funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Funds Analysis:

(a) Changes in Endowment Net Assets

Changes in endowment net assets for the years ended September 30, 2018 and 2017 are as follows:

	<u>Net Assets With Restrictions</u>	<u>Total Fair Market Value</u>
Endowment Net Assets as of Sept. 30, 2016	\$ 266,124	\$ 266,124
Plus: Investment Income	15,684	15,684
Plus: Net Gain on Investments	<u>6,718</u>	<u>6,718</u>
Total Investment Return	<u>22,402</u>	<u>22,402</u>
Plus: Contributions	6,500	6,500
Less: Assets Released from Restrictions	<u>(9,314)</u>	<u>(9,314)</u>
Endowment Assets as of September 30, 2017	285,712	285,712
Plus: Investment Income	15,349	15,349
Plus: Net Gain on Investments	<u>7,282</u>	<u>7,282</u>
Total Investment Return	<u>22,631</u>	<u>22,631</u>
Plus: Contributions	254,500	254,500
Less: Assets Released from Restrictions	<u>(9,947)</u>	<u>(9,947)</u>
Endowment Assets as of September 30, 2018	\$ <u>552,896</u>	\$ <u>552,896</u>

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2018 and 2017

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment fund deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficiencies of this nature as of September 30, 2018 and 2017.

(c) Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The overall investment objective of PIONEER is to achieve a total return (net of investment management fees) above guideline returns over an equity market cycle, which is typically 3 to 7 years.

d) Investment Objectives Related to Spending Policy

PIONEER's investment objectives are to maintain preservation of purchasing power on a consistent and long-term basis, and to also preserve capital absolutely over a market cycle. The primary long-term goal is to earn an investment return that permits a distribution of at least 3.5% annually for endowment purposes. Because PIONEER's spending is expected to be less than the long-term real rate of investment return, the purchasing power of the endowments should increase over the long-term.

NOTE L— RELATED PARTY TRANSACTION

PIONEER entered into a contract with a non-profit organization that would provide production services to PIONEER at a cost of \$224,000 after a competitive bidding process. An officer of the organization providing the services was a member of PIONEER's board of directors at the time of the transaction. The 2018 Statement of Financial Position includes \$140,000 in unamortized film production costs related to the contract and the 2017 Statement of Financial Condition includes \$156,000 in Prepaid Expenses and Deposits related to the contract. The film is being amortized over its useful life estimated to be two years. Amortization cost of the film amounted to \$84,000 during the year ended September 30, 2018.

NOTE M— SUBSEQUENT EVENTS

PIONEER did not have any recognized or non-recognized subsequent events after September 30, 2018, the date of the statement of financial position. Subsequent events have been evaluated through January 4, 2019, the date the financial statements were available to be issued.