

2017 & 2016 Annual Financial Statements

PIONEER INSTITUTE, INC.

185 Devonshire Street; Suite 1101

Boston, Massachusetts 02110

Year Ended September 30, 2017

(with Comparative Totals for September 30, 2016)

Contents:	Page
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Revenues & Investment Income & Functional Expenses by Program	6-8
Notes to Financial Statements	9-18

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Glenn Ricciardelli, P.C

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, 2016 and 2017, 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, 2016 and 2017, and the changes in their net assets and its cash flows for the year 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 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements our report dated January 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, 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 thru 8 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 8, 2018

PIONEER INSTITUTE, INC.

Statements of Financial Position

As of September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS:</u>		
<i><u>Current Assets:</u></i>		
Cash & Cash Equivalents	\$269,829	\$593,417
Contributions Receivable	189,884	82,550
Prepaid Expenses & Deposits (Note K)	192,391	7,674
Total Current Assets	<u>652,104</u>	<u>683,642</u>
<i><u>Property & Equipment:</u></i>		
Property	952,984	952,984
Furniture & Fixtures	23,896	23,896
Office Equipment	49,507	40,172
Software	138,027	126,927
Subtotal	1,164,415	1,143,979
Less: Accumulated Depreciation & Amortization	<u>(274,987)</u>	<u>(225,376)</u>
Net Property & Equipment	889,427	918,603
<i><u>Other Assets</u></i>		
Long-Term Investments (Note F)	2,020,360	2,038,391
Long-Term Contribution Receivable	50,000	-
Total Assets	<u>\$3,611,892</u>	<u>\$3,640,636</u>
<u>LIABILITIES:</u>		
Accounts Payable & Accrued Expenses	106,410	51,531
Total Liabilities	<u>106,410</u>	<u>51,531</u>
<u>NET ASSETS:</u>		
Unrestricted	2,477,318	2,648,786
Permanently Restricted (Note C)	285,712	266,124
Temporarily Restricted (Note C)	742,453	674,195
Total Net Assets	<u>3,505,483</u>	<u>3,589,105</u>
Total Liabilities and Net Assets	<u>\$3,611,892</u>	<u>\$3,640,636</u>

PIONEER INSTITUTE, INC.

Statements of Activities

Years Ended September 30, 2017 and 2016

	2017	2016
<u>CHANGE in UNRESTRICTED NET ASSETS:</u>		
Revenues:		
Contributions	\$1,226,031	\$1,790,948
Sales of Publications, Tickets, etc.	20,330	31,260
Total Unrestricted Revenues	1,246,361	1,822,208
Net Assets Released from Restrictions: (Note D)		
Satisfaction of Program Restrictions	677,368	775,054
Total Unrestricted Revenues & Assets Released from Restriction	1,923,729	2,597,262
Expenses:		
Management & General Operations	156,743	139,681
Fund Raising	351,419	333,069
Outreach & Public Communications	68,549	78,200
<i>Major Research & Program Categories:</i>		
PioneerEducation	701,026	735,499
PioneerOpportunity	129,359	76,585
PioneerHealth	181,925	155,430
PioneerPublic	464,210	458,580
Lovett C. Peters Lecture Series	71,197	53,610
Total Expenses	2,124,430	2,030,653
Interest Income	133	237
Dividend Income	42,822	36,986
Realized Gains (Losses) on Long-Term Investments	(12,686)	928
Unrealized Gains (Losses) on Long-Term Investments	(1,037)	65,601
Subtotal	29,232	103,752
Increase (Decrease) in Unrestricted Net Assets	(171,468)	670,361
<u>CHANGE in PERMANENT & TEMPORARILY RESTRICTED NET ASSETS:</u>		
Temporarily Restricted:		
Contributions - Temporary Restriction (Note A, C)	736,068	661,234
Interest Income	0	12
Dividend Income	244	32
Net Assets Released from Restrictions (Note D)	(668,054)	(767,007)
Total Increase (Decrease)	68,258	(105,729)
Permanently Restricted:		
Contributions - Permanent Restriction (Note A, C)	6,500	2,000
Interest Income	1	1
Dividend Income	15,683	10,820
Realized Losses on Long Term Investments	(6,604)	(527)
Unrealized Gains on Long Term Investments	13,321	18,144
Net Assets Released from Restrictions (Note D)	(9,314)	(8,046)
Increase in Permanent & Temporarily Restricted Net Assets	87,845	(83,338)
<u>INCREASE (DECREASE) in NET ASSETS:</u>	(83,623)	587,023
<u>NET ASSETS:</u> Beginning of Year	3,589,105	3,002,082
<u>NET ASSETS:</u> End of Year	\$3,505,483	\$3,589,105

PIONEER INSTITUTE, INC.

Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS from OPERATING ACTIVITIES:</u>		
Change in Net Assets	(\$83,623)	\$587,023
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization	49,611	45,894
(Increase) in Contributions Receivable	(157,333)	(35,101)
Decrease (Increase) in Prepaid Expenses & Deposits	(184,717)	12,801
Increase/(Decrease) in Accounts Payable & Accrued Expenses	54,879	(16,336)
Unrealized Gains on Long Term Investments	(12,284)	(83,744)
Realized Gains (Losses) in Long Term Investments	(19,290)	401
Contributions Restricted for Purchase of Equip. & Other LT Purposes	(15,000)	(49,050)
Contributions Permanently Restricted	(6,500)	(2,000)
Net Cash Provided by (Used in) Operating Activities	<u>(374,257)</u>	<u>459,887</u>
 <u>CASH FLOWS from INVESTING ACTIVITIES:</u>		
Purchase of Long-term Assets	(20,435)	(7,500)
(Purchase & Income Reinvestments) / Sales of Long-Term Investments	<u>49,605</u>	<u>(836,966)</u>
Net Increase (Decrease) in Cash Provided by Investing Activities	<u>29,170</u>	<u>(844,466)</u>
 <u>CASH FLOWS from FINANCING ACTIVITIES:</u>		
Contributions Restricted for Purchase of Equip. & Other LT Purposes	15,000	49,050
Contributions Permanently Restricted	<u>6,500</u>	<u>2,000</u>
Net Cash Provided by Financing Activities	<u>21,500</u>	<u>51,050</u>
 <u>NET (DECREASE) in CASH & CASH EQUIVALENTS:</u>	(323,588)	(333,529)
 <u>CASH & EQUIVALENTS:</u> Beginning of Year	<u>593,417</u>	<u>926,946</u>
 <u>CASH & EQUIVALENTS:</u> End of Year	<u><u>\$269,829</u></u>	<u><u>\$593,417</u></u>

PIONEER INSTITUTE, INC.
Supplemental Schedule - Summary of Funding & Expenses by Program
For the Years Ended September 30th, 2017 and 2016

Account Number / Description	FY2016 DISTRIBUTION of FUNDING & EXPENSE by PROGRAM													FY2017 Total Funding & Expense	FY2016 Total Funding & Expense
	MAJOR RESEARCH & PROGRAM CATEGORIES														
	Management & General Operations	Fund Raising	Lovett C. Peters Memorial Fund	Roger Perry Internship Fund	Outreach & Public Communication	Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series	Colby Hewitt Endowment				
REVENUE:															
UNRESTRICTED DONATIONS:															
4-1010 · Individual Donations	\$ 927,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 927,031	\$ 1,542,993	
4-1020 · Corporate Donations	13,500	-	-	-	-	-	-	-	-	-	-	-	13,500	17,633	
4-1030 · Foundation Donations	268,000	-	-	-	-	-	-	-	-	-	-	-	268,000	210,500	
Total - Unrestricted Donations	1,208,531	-	-	-	-	-	-	-	-	-	-	-	1,208,531	1,771,127	
IN-KIND DONATIONS:															
4-1040 · In-Kind Donations	17,500	-	-	-	-	-	-	-	-	-	-	-	17,500	19,821	
Total - In-Kind Donations	17,500	-	-	-	-	-	-	-	-	-	-	-	17,500	19,821	
PERMANENT & TEMPORARILY RESTRICTED DONATIONS:															
4-2010 · Individual Donations	15,000	1,333	-	-	50,000	30,807	-	500	20,878	4,250	-	-	122,768	245,234	
4-2020 · Corporate Donations	-	-	-	-	-	5,000	-	-	-	750	-	-	5,750	1,100	
4-2030 · Foundation Donations	-	-	-	-	2,700	481,000	-	-	15,000	-	-	-	498,700	294,650	
4-2040 · Event Sponsorship	-	-	-	-	-	-	500	7,000	101,350	-	-	-	108,850	120,250	
Subtotal	15,000	1,333	-	-	52,700	516,807	500	7,500	137,228	5,000	-	-	736,068	661,234	
Endowments:															
4-2110 · Colby Hewitt Endowment	-	-	-	-	-	-	-	-	-	-	-	6,500	6,500	2,000	
Subtotal	-	-	-	-	-	-	-	-	-	-	-	6,500	6,500	2,000	
Total 4-2000 - Restricted Donations	15,000	1,333	-	-	52,700	516,807	500	7,500	137,228	5,000	6,500	-	742,568	663,234	
OTHER REVENUE:															
4-5000 · Ticket Sales	-	-	-	-	-	-	-	2,500	15,850	-	-	-	18,350	16,800	
4-6000 · Book Sales	-	-	-	-	-	949	185	46	-	-	-	-	1,180	11,510	
4-7000 · Editorial Income	800	-	-	-	-	-	-	-	-	-	-	-	800	2,950	
Subtotal	800	-	-	-	-	949	185	2,546	15,850	-	-	-	20,330	31,260	
Total Income	1,241,831	1,333	-	-	52,700	517,756	685	10,046	153,078	5,000	6,500	-	1,988,929	2,485,442	
OPERATING EXPENSES:															
EMPLOYMENT COSTS:															
6-1100 · Gross Wages	97,661	175,347	-	-	30,905	361,935	87,794	84,821	200,774	3,091	-	-	1,042,326	968,961	
6-1200 · Federal P/R Taxes-employer	6,535	11,733	-	-	2,068	24,218	5,875	5,676	13,434	207	-	-	69,746	64,337	
6-1300 · State P/R Taxes	20	35	-	-	6	73	18	17	40	1	-	-	210	651	
6-1400 · Health & Dental-employer	7,384	13,258	-	-	2,337	27,365	6,638	6,413	15,180	234	-	-	78,807	71,048	
6-1500 · 401K-employer share	2,078	3,732	-	-	658	7,703	1,868	1,805	4,273	66	-	-	22,183	21,837	
6-1550 · Pension Plan Charges	470	843	-	-	149	1,740	422	408	965	15	-	-	5,012	1,536	
6-1600 · Workmen's Compensation	97	173	-	-	31	358	87	84	198	3	-	-	1,030	1,816	
6-1800 · Payroll Expenses	374	671	-	-	118	1,385	336	325	768	12	-	-	3,987	3,764	
Subtotal	114,617	205,792	-	-	36,271	424,776	103,037	99,548	235,634	3,628	-	-	1,223,302	1,133,950	
OUTSIDE SERVICES:															
6-2100 · Consultants	854	39,283	-	-	270	35,277	767	1,154	6,810	27	-	-	84,442	15,601	
6-2400 · Annual Audit	22,500	-	-	-	-	-	-	-	-	-	-	-	22,500	22,500	
Subtotal	23,354	39,283	-	-	270	35,277	767	1,154	6,810	27	-	-	106,942	38,101	
RESEARCH:															
6-3160 · Data/FOIA	-	-	-	-	-	-	-	1,500	-	-	-	-	1,500	180	
6-3200 · Contracts	-	65	-	-	1,000	70,943	5,300	43,292	75,421	7,003	-	-	203,023	293,838	
6-3300 · Prizes	-	-	-	-	-	-	-	-	14,000	-	-	-	14,000	25,000	
Subtotal	-	65	-	-	1,000	70,943	5,300	44,792	89,421	7,003	-	-	218,523	319,018	
PRINTING & PUBLISHING:															
6-4100 · Printing Costs	-	23,072	-	-	5,010	344	-	2,360	5,929	3,409	-	-	40,124	48,750	
6-4300 · Editors/Writers	-	-	-	-	-	800	-	-	-	-	-	-	800	3,000	

PIONEER INSTITUTE, INC.
Supplemental Schedule - Summary of Funding & Expenses by Program
For the Years Ended September 30th, 2017 and 2016

Account Number / Description	FY2016 DISTRIBUTION OF FUNDING & EXPENSE by PROGRAM											FY2016 Total Funding & Expense
	Management & General Operations	Fund Raising	Lovett C. Peters Memorial Fund	Roger Perry Internship Fund	Outreach & Public Communication	MAJOR RESEARCH & PROGRAM CATEGORIES					FY2017 Total Funding & Expense	
						Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series		
6-4400 · Graphic Design	-	3,274	-	-	4,927	3,956	160	3,268	5,866	190	-	24,098
Subtotal	-	26,346	-	-	9,937	5,100	160	5,628	11,795	3,599	-	75,848
DISTRIBUTION COSTS:												
6-5200 · Postage Costs	302	10,140	-	-	377	1,298	271	567	1,315	10	-	18,215
6-5400 · Mailing Services	-	9,540	-	-	4,361	-	-	-	775	-	-	10,975
6-5500 · Advertising Costs	106	250	-	-	2,249	48,716	-	1,879	7,679	-	-	15,567
6-5600 · Mailing Lists	-	7,533	-	-	-	-	-	-	-	-	-	3,000
Subtotal	408	27,464	-	-	6,987	50,013	271	2,447	9,769	10	-	47,756
EVENTS & MEETINGS:												
6-6100 · Room Costs	1,018	750	-	-	-	4,705	-	3,513	1,423	-	-	20,013
6-6200 · Food & Beverage Costs	3,690	3,683	-	-	-	7,699	8,764	7,132	52,585	30,742	-	113,859
6-6250 · Transportation	28	23	-	-	-	6,948	53	41	192	302	-	13,543
6-6300 · Photography	-	-	-	-	-	-	-	-	-	1,400	-	450
6-6600 · Audio-Visual	-	-	-	-	75	5,565	-	4,420	11,138	5,988	-	28,523
6-6800 · Honorarium	-	-	-	-	-	29,500	-	-	-	15,800	-	45,145
6-6950 · Other Event Expenses	-	-	-	-	-	1,247	224	-	2,400	2,015	-	5,138
Subtotal	4,736	4,456	-	-	75	55,664	9,041	15,106	67,738	56,247	-	226,672
STAFF BUSINESS EXPENSES:												
6-7100 · Breakfasts/Lunches	763	3,536	-	-	112	1,650	225	501	743	-	-	5,751
6-7200 · Training/Meeting Fees	-	-	-	-	-	-	-	445	350	219	-	300
6-7300 · Transportation	141	7,138	-	-	957	5,173	33	423	1,068	88	-	12,831
6-7400 · Meals/Food	-	-	-	-	134	355	-	-	11	-	-	1,878
6-7600 · Lodging	-	842	-	-	-	2,863	-	-	742	-	-	2,691
Subtotal	904	11,516	-	-	1,203	10,040	258	1,370	2,914	307	-	23,452
OFFICE OPERATIONS:												
6-8101 · Condo fees	2,635	4,732	-	-	834	9,767	2,369	2,289	5,418	83	-	27,490
6-8175 · Equip. Contracts/Rental	342	868	-	-	153	1,791	575	420	994	15	-	4,675
6-8180 · Equip. Maintenance & Repairs	762	1,369	-	-	241	2,825	685	662	1,567	24	-	648
6-8300 · Telephone	269	482	-	-	85	996	242	233	552	9	-	2,676
6-8500 · Office Supplies	1,127	2,555	-	-	411	4,673	1,013	1,293	3,535	48	-	21,969
6-8600 · Insurance	1,041	1,870	-	-	330	3,860	936	905	2,141	33	-	8,337
6-8750 · Legal/Professional Fees	-	-	-	-	-	-	-	255	4,000	-	-	9,500
6-8800 · Publications/Subscriptions	283	8,967	-	-	2,584	2,329	-	1,780	1,842	9	-	19,785
6-9925 · Newsclips	-	-	-	-	3,500	-	-	-	-	-	-	5,600
6-8850 · Dues/Memberships	47	584	-	-	2,715	174	42	41	96	1	-	3,700
6-8875 · Licenses and Permits	48	1,112	-	-	15	503	43	42	208	2	-	2,896
6-8876 - Bad Debts	-	-	-	-	-	-	-	-	-	-	-	1,450
Subtotal	6,556	22,538	-	-	10,867	26,918	6,161	7,665	20,353	224	-	101,283
INTERNET/WEBSITE:												
6-9100 · Internet Access	146	262	-	-	46	541	131	127	300	5	-	1,436
6-9300 · Programming	-	-	-	-	404	4,310	-	-	9,800	-	-	6,410
6-9400 · Hosting	59	106	-	-	19	218	53	52	121	2	-	827
Subtotal	205	368	-	-	469	5,070	184	178	10,221	6	-	16,702
Total Operating Expense	150,779	337,828	-	-	67,078	683,799	125,180	177,888	454,655	71,050	-	2,068,259
OTHER EXPENSE:												
8-1200 · Bank Service Charges	107	-	-	-	-	-	-	-	-	-	-	88
8-1300 · Brokerage Fees	1,199	-	-	-	-	-	-	-	-	-	-	500
8-1600 · Credit Card & Fulfillment Fees	10	5,245	-	-	-	-	-	-	-	-	-	5,176
8-2000 · Depreciation & Amortization Expense	4,648	8,346	-	-	1,471	17,227	4,179	4,037	9,556	147	-	45,894
Subtotal	5,964	13,591	-	-	1,471	17,227	4,179	4,037	9,556	147	-	56,172
Total Expense	156,743	351,419	-	-	68,549	701,026	129,359	181,925	464,211	71,197	-	2,030,654

PIONEER INSTITUTE, INC.
Supplemental Schedule - Summary of Funding & Expenses by Program
For the Years Ended September 30th, 2017 and 2016

Account Number / Description	FY2016 DISTRIBUTION OF FUNDING & EXPENSE by PROGRAM											FY2016 Total Funding & Expense	
	MAJOR RESEARCH & PROGRAM CATEGORIES										FY2017 Total Funding & Expense		
	Management & General Operations	Fund Raising	Lovett C. Peters Memorial Fund	Roger Perry Internship Fund	Outreach & Public Communication	Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series			Colby Hewitt Endowment
OTHER INCOME:													
7-1000 · Interest Income	133	-	-	-	-	-	-	-	-	-	-	134	250
7-2000 · Dividend Income	42,822	-	244	-	-	-	-	-	-	-	-	58,748	47,838
7-4000 · Other Capital Gains/(Losses)	(12,686)	-	-	-	-	-	-	-	-	-	-	(19,290)	401
7-5000 · Increase/(Decrease) in mkt.value	(1,036)	-	-	-	-	-	-	-	-	-	-	12,286	83,746
Subtotal	29,233	-	244	-	-	-	-	-	-	-	-	51,879	132,236
Net Income/(Loss)	\$ 1,114,322	\$ (350,086)	\$ 244	\$ -	\$ (15,849)	\$ (183,271)	\$ (128,674)	\$ (171,879)	\$ (311,133)	\$ (66,197)	\$ 28,902	\$ (83,623)	\$ 587,023
CHANGE IN RESTRICTED NET ASSETS:													
PERMANENTLY RESTRICTED FUNDS:													
Beginning Balance - Permanently Restricted Fund	-	-	-	-	-	-	-	-	-	-	-	266,125	243,733
Plus: 2017 Permanently Restricted Contributions	-	-	-	-	-	-	-	-	-	-	-	6,500	2,000
Plus/(Minus): Dividends, Interest, Δ Mkt VI Perm. Resl	-	-	-	-	-	-	-	-	-	-	-	22,402	28,438
Subtotal	-	-	-	-	-	-	-	-	-	-	-	295,027	274,171
Less: 2017 Funds Released From Permanent Restrict	-	-	-	-	-	-	-	-	-	-	-	(9,314)	(8,046)
Ending Permanently Restricted Balance	-	-	-	-	-	-	-	-	-	-	-	285,713	266,125
TEMPORARILY RESTRICTED FUNDS:													
Beginning Balance - Temporarily Restricted Fund:	-	42,868	130,055	59,550	-	365,158	76,564	-	-	-	-	674,195	779,924
Plus: 2017 Funds Released from Perm. Rstcd. Funds	-	-	-	-	-	-	-	9,314	-	-	-	9,314	8,046
Plus: 2017 Temporarily Restricted Income	15,000	1,333	244	-	52,700	516,807	500	7,500	137,228	5,000	-	736,311	661,279
Subtotal	15,000	44,201	130,299	59,550	52,700	881,965	77,064	16,814	137,228	5,000	-	1,419,821	1,449,249
Less: Temporarily Restricted Funds Expended	(9,335)	(31,901)	(25,000)	(11,000)	(2,700)	(427,890)	(10,500)	(16,814)	(137,228)	(5,000)	-	(677,368)	(775,054)
Ending Temporarily Restricted Balance	\$ 4,165	\$ 12,300	\$ 105,299	\$ 48,550	\$ 50,000	\$ 454,075	\$ 66,564	\$ -	\$ -	\$ -	\$ -	\$ 742,453	\$ 674,195

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

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 presents information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted Net Assets – 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.

Temporarily Restricted Net Assets – 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.

Permanently Restricted Net Assets – Endowment resources accumulated through donations or grants that are subject to donor-imposed stipulations are maintained in perpetuity with the principal to be invested by PIONEER. These net assets include the original value of the gift, plus any subsequent additions. Unexpended appreciation on restricted assets is included in restricted net assets unless otherwise instructed by the donor.

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 unrestricted. Unconditional promises to give, subject to donor imposed restrictions, with due dates scheduled after the balance sheet date are shown as increases in temporarily restricted net assets and shall be reclassified to unrestricted net assets when the related purpose or time restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

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.

PIONEER reports gifts of cash and other assets as permanently restricted support if they are received with donor stipulations that limit the access to the principal portion of the original donated assets. The release of permanently restricted assets amounted to \$9,314 and \$8,046, in the years ended September 30, 2017 and 2016, respectively.

Contributions receivable represent amounts unconditionally pledged by donors that have not been received by PIONEER. Current contributions receivable were \$189,884 and \$82,550 as of September 30, 2017 and 2016, respectively. During the year ended September 30, 2017, Pioneer received an unconditional pledge of \$50,000 expected to be realized subsequent to the next fiscal year, which has been classified as a long-term receivable.

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 unrestricted, temporarily restricted, or permanently restricted 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 and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction. Restrictions on contributions related to the acquisition of long-lived assets are considered satisfied at the time the asset is acquired. During the year ended September 30, 2016, Pioneer received a one-time bequest of \$756,000, which is reported as an unrestricted contribution.

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. In 2016, \$1,450 of receivables were deemed uncollectible and written-off. There was no allowance for uncollectible contributions at September 30, 2017 and 2016.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

CONTRIBUTED SERVICES:

The in-kind contributions for 2017 and 2016 consisted of donated Certified Public Accounting services valued by management at \$17,500 and which are included in program and administrative revenues and expenditures as well as certain event expenses. Additionally, in 2016 Pioneer received in-kind event expenses amounting to \$2,321.

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 considered part of long-term investments. Management believes the Institute is not exposed to any significant credit risk on cash and cash equivalents (see Note I).

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 permanently restricted net assets if the terms of the gift require that amounts be applied to principal, as increases or decreases in temporarily restricted net assets if the term of the gift imposed restriction on current use, and increases or decreases in unrestricted net assets in all other cases.

FAIR VALUE MEASUREMENTS: (see Note E)

PIONEER reports investments at fair value on a recurring basis in their 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. 2009-12, 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

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

rules, which allow for either Level 2 or Level 3 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 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 INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

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

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 is 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.

2016 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, 2016 from which the summarized information was derived. Additionally, certain 2016 amounts were reclassified to permit comparison with 2017 amounts.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

NOTE B - PROPERTY & EQUIPMENT

PIONEER's investments in property and equipment as of September 30, 2017 & 2016 were comprised of the following:

	<u>2017</u>	<u>2016</u>
Property	\$952,984	\$952,984
Furniture & Fixtures	23,895	23,895
Office Equipment	49,507	40,172
Software	138,027	126,927
Equipment Under Capital Lease		<u>12,543</u>
Subtotal	1,176,958	1,143,979
Less: Accumulated Depreciation	<u>(276,242)</u>	<u>(225,376)</u>
Net Property & Equipment	<u>\$900,716</u>	<u>\$918,603</u>

NOTE C - RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following specific programs at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Colby Hewitt Endowment for Health Care	\$285,712	\$266,124
Total Permanently Restricted	<u>\$285,712</u>	<u>\$266,124</u>

Temporarily restricted net assets are available for the following specific programs at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Management & General Operations	\$ 4,165	\$ -
Development Activities & Direct Mail Campaign	12,300	42,868
Lovett C. Peters Memorial Fund	105,299	130,055
Roger Perry Internship Fund	48,550	59,550
Outreach & Public Communications	50,000	-
PioneerEducation	454,075	365,158
PioneerOpportunity	<u>66,564</u>	<u>76,564</u>
Total Temporarily Restricted	<u>\$742,453</u>	<u>\$674,195</u>

NOTE D - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor. For the years ended September 30, 2017 and 2016, the following purpose restrictions were accomplished:

	<u>2017</u>	<u>2016</u>
Management & General Operations	\$ 9,335	\$ -
Development Activities & Direct Mail Campaign	31,901	47,893
Outreach and Public Communications	2,700	2,000
Lovett C. Peters Memorial Fund	25,000	5,833

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

Roger Perry Internship Program	11,000	10,500
PioneerEducation	427,890	512,356
PioneerOpportunity	10,500	3,225
PioneerHealth	16,814	74,796
PioneerPublic	137,228	115,200
Lovett C. Peters Lecture Series	5,000	5,250
Net Assets Released from Restrictions	<u>\$677,368</u>	<u>\$775,054</u>

NOTE E – FAIR VALUE OF INVESTMENTS

PIONEER investments are reported at fair value in the accompanying statements of net assets.

September 30, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity Mutual Funds and Equity Index Funds	\$221,372	\$221,372
Corporate Bond Funds	295,344	295,344
Equities (Domestic or UK with International Operations)	182,761	182,761
Real Estate Investment Trusts (Equity and Index Funds)	33,232	33,232
Money Market Funds	1,287,450	1,287,450

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

The fair market values at September 30, 2017 and 2016 are as follows:

Description	2017	2016
Equity Mutual Funds and Equity Index Funds	\$221,372	\$98,502
Corporate Bond Funds	295,344	403,692
Government Bond Funds	-	168,355
Equities (Domestic or UK with International Operations)	182,761	227,404
Real Estate Investment Trusts (Equity and Index Funds)	33,232	201,449
Money Market Fund	1,287,450	938,989
Total	<u>\$2,020,159</u>	<u>\$2,038,391</u>

Investment income from cash equivalents and investments is comprised of the following for the years ended September 30, 2017 and 2016.

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

Description	2017	2016
Dividend & Interest	\$58,883	\$48,087
Net Realized Gains (Losses)	(19,290)	401
Net Unrealized Gains	12,284	83,746
Total	<u>\$51,879</u>	<u>\$132,234</u>

NOTE G – AGENCY TRANSACTION

PIONEER holds no “pass through” grants as of September 30, 2017

NOTE H – 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 2017 and 2016, matching contributions to the plan totaled \$22,183 and \$21,837, respectively.

NOTE I – CONCENTRATION OF CREDIT AND MARKET RISK

PIONEER maintains several bank accounts at two large regional financial institutions. The unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. 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 J – RESTRICTED ENDOWMENT NET ASSETS

PIONEER holds endowment funds for the benefit named Colby Hewitt Endowment for Health Care. These funds are valued at the market value of the investments that make up this endowment. The values of the original donations and appreciation of endowment assets that are not immediately available to withdraw are classified as permanently restricted net assets.

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, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Fund classifies as

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

permanently restricted net assets (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 to the fund. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until these amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. PIONEER considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 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

Fund-by-Fund Analysis:

(a) Changes in Endowment Net Assets

Changes in endowment net assets for the years ended September 30, 2017 and 2016 are as follows:

	<u>Permanently Restricted</u>	<u>Total Fair Market Value</u>
Endowment Net Assets as of Sept. 30, 2015	\$ 243,733	\$ 243,733
Plus: Investment Income	10,822	10,822
Plus: Net Gain on Investments	<u>17,617</u>	<u>17,617</u>
Total Investment Return	<u>28,438</u>	<u>28,439</u>
Plus: Contributions	2,000	2,000
Less: Assets Released from Restrictions	<u>(8,046)</u>	<u>(8,046)</u>
Endowment Assets as of September 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

PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2017 and 2016

Less: Assets Released from Restrictions	(9,314)	(9,314)
Endowment Assets as of September 30, 2017	\$ <u>285,712</u>	\$ <u>285,712</u>

(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, 2017 and 2016.

(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.

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 endowment should increase over the long-term.

NOTE K— 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 is a member of PIONEER's board of directors. The 2017 Statement of Financial Condition includes \$156,000 in Prepaid Expenses and Deposits related to the contract.

NOTE L— SUBSEQUENT EVENTS

PIONEER did not have any recognized or non-recognized subsequent events after September 30, 2017, the date of the statement of financial position. Subsequent events have been evaluated through January 8, 2018, the date the financial statements were available to be issued.