

# 2019 & 2018 Annual Financial Statements

## PIONEER INSTITUTE, INC.

185 Devonshire Street; Suite 1101  
Boston, Massachusetts 02110  
Year Ended September 30, 2019 and 2018

Contents:	Page
Independent Auditor's Report .....	1
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Statements of Functional Expenses .....	6
Notes to Financial Statements .....	7 -17

**GLENN RICCIARDELLI, P.C.**

---

Certified Public Accountants

# GLENN RICCIARDELLI, P.C.

---

Certified Public Accountants  
10 High Street • Boston, Massachusetts 02111  
Office (617) 426-1551 • Facsimile (617) 426-6023

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 organization, which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements 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***

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note A to the financial statements, in 2019, the Organization adopted new accounting guidance FASB ASU No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Respectfully,

*Glenn Ricciardelli, PC*

Boston, Massachusetts

January 3, 2020

**PIONEER INSTITUTE, INC.**  
 Statements of Financial Position  
 As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS:</u></b>		
<i>Current Assets:</i>		
Cash & Cash Equivalents (Note A)	\$195,732	\$245,074
Contributions Receivable (Note A)	269,020	217,887
Prepaid Expenses & Deposits	45,653	14,995
Total Current Assets	<u>510,405</u>	<u>477,956</u>
<i>Property &amp; Equipment:</i>		
Property	992,864	987,364
Furniture & Fixtures	23,896	23,896
Office Equipment	49,507	49,507
Software	138,027	138,027
Subtotal	<u>1,204,295</u>	<u>1,198,795</u>
Less: Accumulated Depreciation & Amortization	<u>(352,589)</u>	<u>(322,448)</u>
Net Property & Equipment	851,705	876,347
<i>Other Assets</i>		
Long-term Investments (Note E)	2,262,288	2,189,848
Film Production Costs (Note L)	28,000	140,000
<b>Total Assets</b>	<b><u><u>\$3,652,398</u></u></b>	<b><u><u>\$3,684,151</u></u></b>
 <b><u>LIABILITIES:</u></b>		
Accounts Payable & Accrued Expenses	<u>\$77,938</u>	<u>\$42,151</u>
<b>Total Liabilities</b>	<b><u>77,938</u></b>	<b><u>42,151</u></b>
 <b><u>NET ASSETS:</u></b>		
Without Donor Restrictions	2,486,087	2,585,282
With Donor Restrictions	<u>1,088,373</u>	<u>1,056,718</u>
<b>Total Net Assets</b>	<b><u>3,574,460</u></b>	<b><u>3,642,000</u></b>
 <b>Total Liabilities and Net Assets</b>	 <b><u><u>\$3,652,398</u></u></b>	 <b><u><u>\$3,684,151</u></u></b>

**PIONEER INSTITUTE, INC.**

Statements of Activities

Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restirctions	Total
<i>CHANGE in NET ASSETS:</i>						
Revenues:						
Contributions	\$1,333,973	\$1,059,500	\$2,393,473	\$ 1,028,751	\$ 1,339,660	\$2,368,411
Sales of Publications, Tickets, etc.	19,196	-	19,196	15,627	-	15,627
Total Gifts, Grants & Other Receipts	<u>1,353,168</u>	<u>1,059,500</u>	<u>2,412,668</u>	<u>1,044,378</u>	<u>1,339,660</u>	<u>2,384,038</u>
Net Assets Released from Restrictions: (Note D)	1,048,206	(1,048,206)	-	1,333,863	(1,333,863)	-
Satisfaction of Program Restrictions						
<b>Total Support and Revenues</b>	<b>2,401,374</b>	<b>11,294</b>	<b>2,412,668</b>	<b>2,378,241</b>	<b>5,797</b>	<b>2,384,038</b>
Expenses:						
Management & General Operations	166,567	-	166,567	131,041	-	131,041
Fund Raising	341,486	-	341,486	339,062	-	339,062
Outreach & Public Communications	89,452	-	89,452	136,075	-	136,075
<i>Major Research &amp; Program Categories:</i>						
PioneerEducation	766,708	-	766,708	800,561	-	800,561
PioneerOpportunity	396,053	-	396,053	270,182	-	270,182
PioneerHealth	282,444	-	282,444	140,910	-	140,910
PioneerPublic	425,205	-	425,205	407,234	-	407,234
Lovett C. Peters Lecture Series	80,977	-	80,977	121,094	-	121,094
<b>Total Expenses</b>	<b>2,548,891</b>	<b>-</b>	<b>2,548,891</b>	<b>2,346,161</b>	<b>-</b>	<b>2,346,161</b>
Interest Income	12,010	19	12,029	3,503	66	3,569
Dividend Income	35,610	13,764	49,374	39,057	15,408	54,465
Realized Gains (Losses) on Long-term Investments	(12,991)	(3,030)	(16,021)	(2,122)	884	(1,238)
Unrealized Gains (Losses) on Long-term Investments	13,692	9,608	23,300	35,446	6,398	41,844
Subtotal	<u>48,321</u>	<u>20,361</u>	<u>68,682</u>	<u>75,884</u>	<u>22,756</u>	<u>98,640</u>
Change in Net Assets	(99,195)	31,655	(67,540)	107,964	28,553	136,518
<b><u>NET ASSETS:</u> Beginning of Year</b>	<b><u>2,585,282</u></b>	<b><u>1,056,718</u></b>	<b><u>3,642,001</u></b>	<b><u>2,477,318</u></b>	<b><u>1,028,165</u></b>	<b><u>3,505,483</u></b>
<b><u>NET ASSETS:</u> End of Year</b>	<b><u>\$2,486,087</u></b>	<b><u>\$1,088,373</u></b>	<b><u>\$3,574,461</u></b>	<b><u>\$2,585,282</u></b>	<b><u>\$1,056,718</u></b>	<b><u>\$3,642,001</u></b>

**PIONEER INSTITUTE, INC.**

## Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS from OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	(\$67,540)	\$136,518
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	142,142	131,460
(Increase)/Decrease in Contributions Receivable	(51,133)	21,997
(Increase)/Decrease in Prepaid Expenses & Deposits	(30,658)	177,396
Increase/(Decrease) in Accounts Payable & Accrued Expenses	35,787	(64,259)
Unrealized (Gains) Losses on Long Term Securities	(23,300)	41,843
Realized Losses in Long Term Securities	16,021	1,238
Contributions Permanently Restricted	(35,000)	(4,500)
<b>Net Cash Provided by Operating Activities</b>	<b><u>(13,681)</u></b>	<b><u>441,693</u></b>
<b><u>CASH FLOWS from INVESTING ACTIVITIES:</u></b>		
Purchase of Long-term Assets	(5,500)	(258,380)
Purchase & Income Reinvestments of Long-term Securities	(828,204)	(1,481,591)
Sales of Long-term Securities	763,042	1,269,022
<b>Net Cash Used in Investing Activities</b>	<b><u>(70,662)</u></b>	<b><u>(470,949)</u></b>
<b><u>CASH FLOWS from FINANCING ACTIVITIES:</u></b>		
Contributions Permanently Restricted	35,000	4,500
<b>Net Cash Provided by Financing Activities</b>	<b><u>35,000</u></b>	<b><u>4,500</u></b>
<b><u>NET DECREASE IN CASH &amp; CASH EQUIVALENTS:</u></b>	<b>(49,343)</b>	<b>(24,756)</b>
<b><u>CASH &amp; EQUIVALENTS:</u></b> Beginning of Year	<b><u>245,074</u></b>	<b><u>269,830</u></b>
<b><u>CASH &amp; EQUIVALENTS:</u></b> End of Year	<b><u>\$195,732</u></b>	<b><u>\$245,074</u></b>
<b><u>SUPPLEMENT NON-CASH ACTIVITIES:</u></b>		
Fully Depreciated Assets Removed or Disposed	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

# PIONEER INSTITUTE, INC.

## Statements of Functional Expenses

Years Ended September 30, 2019 and 2018

Description	F2019 MAJOR RESEARCH & PROGRAM CATEGORIES						F2019 Supporting Services		
	Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series	Outreach & Public Communication	Management & General Operations	Fund Raising	F2019 Total Expenses
<b><i>OPERATING EXPENSES:</i></b>									
EMPLOYMENT COSTS	\$ 435,759	\$ 262,795	\$ 54,206	\$ 195,862	\$ 21,648	\$ 18,679	\$ 123,660	\$ 235,432	\$ 1,348,041
CONSULTANTS & AUDIT	28,807	4,858	618	6,234	247	16,503	23,911	35,186	116,363
RESEARCH EXPENSES	58,717	32,508	143,340	115,230	3,444	-	-	2,073	355,310
PRINTING & DESIGN	10,341	4,261	4,360	16,000	5,627	9,536	-	13,753	63,879
ADVERTISING & DISTRIBUTION	61,778	65,132	35,754	19,394	256	30,856	389	10,869	224,427
EVENTS & MEETINGS	10,451	1,572	21,136	52,199	47,998	-	5,721	1,535	140,611
STAFF BUSINESS EXPENSES	11,980	2,823	16,988	2,318	-	593	2,417	5,191	42,310
OFFICE OPERATIONS	27,131	16,229	4,830	13,589	1,274	12,867	7,170	24,088	107,177
Subtotal	644,964	390,177	281,232	420,825	80,492	89,034	163,267	328,126	2,398,119
BANK & FULFILLMENT CHARGES	-	-	-	-	-	-	534	8,096	8,630
DEPRECIATION & AMORTIZATION	121,744	5,876	1,212	4,379	484	418	2,765	5,264	142,142
Total Other Expenses	121,744	5,876	1,212	4,379	484	418	3,299	13,360	150,772
Total Expenses	\$ 766,708	\$ 396,053	\$ 282,444	\$ 425,205	\$ 80,977	\$ 89,452	\$ 166,566	\$ 341,486	\$ 2,548,891

Description	F2018 MAJOR RESEARCH & PROGRAM CATEGORIES						F2018 Supporting Services		
	Pioneer Education	Pioneer Opportunity	Pioneer Health	Pioneer Public	LCP Lecture Series	Outreach & Public Communication	Management & General Operations	Fund Raising	F2018 Total Expenses
<b><i>OPERATING EXPENSES:</i></b>									
EMPLOYMENT COSTS	\$ 445,379	\$ 177,257	\$ 73,206	\$ 198,189	\$ 14,857	\$ 21,467	\$ 92,547	\$ 272,706	\$ 1,295,608
CONSULTANTS & AUDIT	20,991	1,190	492	1,331	100	12,259	23,121	1,831	61,315
RESEARCH EXPENSES	109,204	58,545	41,505	119,174	4,357	10,778	-	2,065	345,627
PRINTING & DESIGN	10,313	9,372	1,004	13,558	1,621	9,180	723	11,886	57,657
ADVERTISING & DISTRIBUTION	55,900	1,108	1,642	4,970	29	69,980	180	6,752	140,561
EVENTS & MEETINGS	21,296	5,958	14,444	49,418	98,478	-	4,864	-	194,459
STAFF BUSINESS EXPENSES	8,704	745	494	1,292	40	305	873	5,142	17,595
OFFICE OPERATIONS	28,460	9,514	5,441	12,042	1,067	11,320	4,915	24,061	96,821
Subtotal	700,246	263,689	138,228	399,974	120,550	135,289	127,225	324,443	2,209,644
BANK & FULFILLMENT CHARGES	-	-	-	-	-	-	427	4,629	5,056
DEPRECIATION & AMORTIZATION	100,315	6,493	2,682	7,260	544	786	3,390	9,990	131,460
Total Other Expenses	100,315	6,493	2,682	7,260	544	786	3,817	14,619	136,516
Total Expenses	\$ 800,561	\$ 270,182	\$ 140,910	\$ 407,234	\$ 121,094	\$ 136,075	\$ 131,041	\$ 339,062	\$ 2,346,161

# PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

## Note A - Description of Organization and 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 adopted ASU 2016-14 Presentation of Financial Statements for Not-for-Profit Entities for the years ended September 30, 2019 and 2018. 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 grantor 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, 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 \$12,244 and \$9,947, in the years ended September 30, 2019 and 2018, respectively.



## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

The changes in classification have the following effect on net assets as of September 30, 2019:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$2,486,087	
Temporarily Restricted Net Assets	492,361	
Permanently Restricted Net Assets	596,012	
Net Assets without Donor Restrictions		\$2,486,087
Net Assets with Donor Restrictions		<u>1,088,373</u>
Total Net Assets	<u>\$3,574,460</u>	<u>\$3,574,461</u>

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 are 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. Contributions receivable were \$269,020 and \$217,887 as of September 30, 2019 and 2018, respectively.

### 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 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 pledged amounts. Pledges that

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

*Year Ended September 30, 2019 and 2018*

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, 2019 and 2018.

### **Contributed Services:**

The in-kind contributions in both 2019 and 2018 consisted of donated Certified Public Accounting services valued by management at \$17,500 per annum, which are included in Management & General Operations revenues and expenses. During 2019 and 2018, PIONEER received \$93,500 and \$51,359, respectively, in in-kind contributions for social media advertisements that are reported both as revenues and expenses in the program areas advertised.

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 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 as 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 as determined by investment managers under the Accounting Standards Update No. 2015-07, called "practical expedient". The practical expedient allows net asset value to represent fair value

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

*Year Ended September 30, 2019 and 2018*

for reporting purposes when the criteria for using this method are met. Fair value standards also require PIONEER to classify the 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 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 an 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, and 39-years for commercial property. 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, 2019 and 2018*

### Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Functional Expenses. The Statements of Functional Expenses present the natural classification detail of expenses by function. 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. Amortization for certain long-term assets is allocated to programs based on specific identification.

### 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, 2018 & 2017, 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.

### **NOTE B - PROPERTY & EQUIPMENT**

PIONEER's investments in property and equipment as of September 30, 2019 & 2018 were comprised of the following:

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

	<b><u>2019</u></b>	<b><u>2018</u></b>
Property	\$992,864	\$987,364
Furniture & Fixtures	23,896	23,896
Office Equipment	49,507	49,507
Software	<u>138,028</u>	<u>138,027</u>
Subtotal	1,204,295	1,198,795
Less: Accumulated Depreciation	<u>(352,589)</u>	<u>(322,448)</u>
Net Property & Equipment	<b><u>\$851,705</u></b>	<b><u>\$876,347</u></b>

### **NOTE C - NET ASSETS WITH DONOR RESTRICTIONS**

Endowment net assets are available for the following specific uses at September 30, 2019 and 2018:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Colby Hewitt Endowment - Health Care	\$334,609	\$300,550
Tyler Endowment - General Operating Purposes	<u>261,404</u>	<u>252,345</u>
<b>Total Endowment Net Assets</b>	<b><u>\$596,013</u></b>	<b><u>\$552,895</u></b>

Other net assets with restrictions are available for the following specific programs at September 30, 2019 and 2018:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Management & General Operations	\$ -	\$ 4,165
Development Activities & Direct Mail Campaign	14,002	-
Lovett C. Peters Memorial Fund	40,544	46,044
Roger Perry Internship Fund	18,550	34,550
Lovett C. Peters Lecture Series	25,000	-
Outreach & Public Communications	7,813	60,098
PioneerEducation	125,000	191,683
PioneerOpportunity	155,303	122,465
PioneerHealth	52,408	-
PioneerPublic	<u>53,740</u>	<u>44,817</u>
<b>Total Other Net Assets with Restrictions</b>	<b><u>\$492,360</u></b>	<b><u>\$503,822</u></b>

### **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, 2019 and 2018, the following purpose restrictions were accomplished:

## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

	<b><u>2019</u></b>	<b><u>2018</u></b>
Management & General Operations	\$ 4,165	\$ -
Development Activities & Direct Mail Campaign	11,248	12,625
Outreach and Public Communications	153,285	153,285
Lovett C. Peters Memorial Fund	5,500	59,380
Roger Perry Internship Program	16,000	14,000
PioneerEducation	132,533	737,544
PioneerOpportunity	291,862	157,249
PioneerHealth	190,592	14,250
PioneerPublic	177,427	120,333
Lovett C. Peters Lecture Series	53,350	55,250
Tyler Family Endowment	1,831	-
Colby Hewitt Endowment for PioneerHealth	<u>10,413</u>	<u>9,947</u>
<b>Net Assets Released from Restrictions</b>	<b><u>\$1,048,206</u></b>	<b><u>\$1,333,863</u></b>

### **NOTE E – FAIR VALUE OF INVESTMENTS**

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

September 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<b>U.S. Treasury Notes</b>	\$ 400,056	\$ 400,056
<b>Equity Mutual Funds and Equity Index Funds</b>	324,047	324,047
<b>Corporate Bond Funds</b>	214,498	214,498
<b>Equities (Domestic or UK with International Operations)</b>	529,220	529,220
<b>Real Estate Investment Trusts (Equity and Index Funds)</b>	73,444	73,444
<b>International Equities</b>	73,432	73,432
<b>Money Market Funds</b>	647,591	647,591

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, 2019 and 2018 are summarized on the following page:

# PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

Description	2019	2018
U.S. Treasury Notes	\$ 400,056	\$746,358
Equity Mutual Funds and Equity Index Funds	324,047	282,033
Corporate Bond Funds	214,498	211,166
Equities (Domestic or UK with International Operations)	529,220	655,898
Real Estate Investment Trusts (Equity and Index Funds)	73,444	61,674
International Equities	73,432	54,914
Money Market Fund	647,591	177,805
<b>Total</b>	<b><u>\$2,262,288</u></b>	<b><u>\$2,189,848</u></b>

Investment income from cash equivalents and investments is comprised of the following for the years ended September 30, 2019 and 2018.

Description	2019	2018
Dividend & Interest	\$61,403	\$58,034
Net Realized (Losses)	(16,021)	(1,238)
Net Unrealized Gains	23,300	41,844
<b>Total</b>	<b><u>\$68,682</u></b>	<b><u>\$98,640</u></b>

## NOTES G – AVAILABILITY AND LIQUIDITY

The following represents Pioneer's financial assets as of September 30, 2019 and 2018:

Financial assets as of September 30, 2019:	\$2,727,040
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	(584,301)
Restricted by donor with time or purpose restrictions	-
Board Designations:	
Quasi-endowment fund, primarily for long-term investing	(625,045)
Amounts set aside for liquidity reserve	(977,567)
Financial assets within one year available for general expenditures	<u>\$ 540,127</u>
Financial assets as of September 30, 2018:	\$2,652,809
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	(542,376)
Restricted by donor with time or purpose restrictions	-
Board Designations:	
Quasi-endowment fund, primarily for long-term investing	(671,208)
Amounts set aside for liquidity reserve	(885,180)
Financial assets within one year available for general expenditures	<u>\$ 554,045</u>

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

PIONEER has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 150 days of the prior year's operating expenses, which are, on average, approximately \$950,000. Pioneer has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, 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% 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 whereby 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, 2019 and 2018, \$56,426 and \$110,000 was outstanding under this policy and has not been replenished.

### **NOTE H – AGENCY TRANSACTION**

PIONEER holds no "pass through" grants as of September 30, 2019.

### **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 Pioneer's contribution credited to their accounts. During the years ended September 2019 and 2018, matching contributions to the plan totaled \$23,472 and \$24,851, 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 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 endowments that 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, 2019 and 2018, there was



## PIONEER INSTITUTE, INC.

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

no such donor stipulation on the Colby Hewitt Endowment, but the Tyler Family Endowment provided for dividend income to be used for operating purposes regardless of whether the original gift value was preserved. While both endowments are restricted and are classified as net assets with restrictions, the Colby Hewitt endowment is 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 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, 2019 and 2018 are as follows:

	<u>Total Fair Market Value</u>
Endowment Assets as of September 30, 2017	\$285,712
Plus: Investment Income	15,349
Plus: Net Gain on Investments	7,282
Subtotal	<u>22,631</u>
Plus: Contributions	254,500
Less: Assets Released from Restrictions	(9,947)
Endowment Assets as of September 30, 2018	<u>\$ 552,896</u>
Endowment Assets as of September 30, 2018	\$ 552,896
Plus: Investment Income	13,957
Plus: Net Gain on Investments	6,403
Total Investment Return	<u>20,360</u>
Plus: Contributions	35,000
Less: Assets Released from Restrictions	(12,244)
Endowment Assets as of September 30, 2019	<u>\$ 596,012</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

## **PIONEER INSTITUTE, INC.**

Notes to Financial Statements

Year Ended September 30, 2019 and 2018

(deficit). When donor endowment fund deficits exist, they may be classified as a reduction of unrestricted net assets consistent with the terms of the endowment agreement. There were no deficiencies of this nature as of September 30, 2019 and 2018.

### ***(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 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 operating 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 to provide film 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 2019 and 2018 Statements of Financial Position include \$28,000 and \$140,000 in unamortized film production costs related to the contract. The film is being amortized over its useful life that was estimated to be two years. Amortization cost of the film amounted to \$112,000 and \$84,000 during the years ended September 30, 2019 and 2018, respectively.

### **NOTE M— SUBSEQUENT EVENTS**

PIONEER did not have any recognized or non-recognized subsequent events after September 30, 2019, the date of the statement of financial position. Subsequent events have been evaluated through January 3, 2020, the date the financial statements were available to be issued.