

**FY 2022 Audited financial Statements Summary**

In accordance with US Generally Acceptable Accounting Principles (GAAP) the Boston Architectural College has fulfilled the requirement for preparation and fair presentation of institutional financial statements.

The Statements of Financial Position shows that the College possessed approximately \$40 million in total assets, with total liabilities of \$19.8 million and net assets of \$20.2 million as of June 30. The BAC's operations generated a total revenue of \$19.3 million while incurring operating expenses of \$20 million. The change in net assets from operations was \$(704,042.00). Net revenue from tuition and fees increased by over \$200,000.00.

June 28, 2023

Mr. Rick Strout  
Treasurer  
Boston Architectural College  
320 Newbury Street  
Boston, MA 02115

Dear Mr. Strout:

Please find enclosed a draft copy of the financial statements of Boston Architectural College as of June 30, 2022.

Very truly yours,

David A. Dilulis

DAD/lmd  
Enclosures

**BOSTON ARCHITECTURAL COLLEGE**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

# BOSTON ARCHITECTURAL COLLEGE

## Financial Statements

June 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Boston Architectural College  
Boston, Massachusetts

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Boston Architectural College (a Massachusetts not-for-profit organization) (the "College"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boston Architectural College as of June 30 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other Matter

The financial statements of the College as of and for the year ended June 30, 2021, were audited by O'Connor and Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated January 28, 2022.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 24-25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



June 28, 2023

**BOSTON ARCHITECTURAL COLLEGE**

**Statements of Financial Position**

**June 30, 2022 and 2021**

**BOSTON ARCHITECTURAL COLLEGE**

**Statements of Financial Position**

**June 30,**

**Assets**

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Assets:</b>		
Cash and equivalents	\$ 454,035	\$ 1,169,675
Student accounts receivable, net of allowance for doubtful accounts of \$1,400,000 and \$170,597 at June 30, 2022 & 2021, respectively	8,633,234	9,585,350
Pledges receivable (Note 3)	725,508	220,800
Grants receivable	117,784	94,467
Prepaid expenses	94,814	172,024
Short-term investments (Notes 4 and 5)	1,521,040	519,584
Long-term investments (Notes 4 and 5)	11,101,174	14,336,127
Property and equipment, net (Note 6)	<u>17,385,617</u>	<u>17,644,974</u>
<b>Total Assets</b>	<b><u>\$ 40,033,206</u></b>	<b><u>\$ 43,743,001</u></b>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable	\$ 604,239	\$ 421,389
Deferred revenues	6,986,065	7,677,919
Accrued expenses	475,018	310,619
Bonds payable, net (Note 7)	<u>11,764,481</u>	<u>12,280,994</u>
<b>Total Liabilities</b>	<b><u>19,829,803</u></b>	<b><u>20,690,921</u></b>
<b>Net Assets:</b>		
Without donor restrictions (Note 9)	9,923,598	11,736,074
With donor restrictions (Note 9)	<u>10,279,805</u>	<u>11,316,006</u>
<b>Total Net Assets</b>	<b><u>20,203,403</u></b>	<b><u>23,052,080</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 40,033,206</u></b>	<b><u>\$ 43,743,001</u></b>

*The accompanying notes are an integral part of the financial statements.*



**BOSTON ARCHITECTURAL COLLEGE**

**Statement of Activities and Changes in Net Assets**

**For the Year Ended June 30, 2022**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Operating Activities:</b>			
Revenues and Other Support:			
Tuition and fees	\$ 18,188,330	\$ -	\$ 18,188,330
Less: institutional assistance	(1,162,904)	-	(1,162,904)
Less: funded scholarships	(329,716)	-	(329,716)
Net tuition and fees	16,695,710		16,695,710
Gifts and contributions of financial assets	96,526	748,529	845,055
Contribution of non-financial assets	440,000	-	440,000
Government and private grants of financial assets	757,223	645,846	1,403,069
Net assets released from restrictions (Note 9)	722,974	(722,974)	-
<b>Total Revenues and Other Support</b>	<b>18,712,433</b>	<b>671,401</b>	<b>19,383,834</b>
<b>Operating Expenses:</b>			
Program services	11,531,859	-	11,531,859
Management and general	8,314,591	-	8,314,591
Fundraising	241,426	-	241,426
<b>Total Operating Expenses</b>	<b>20,087,876</b>	<b>-</b>	<b>20,087,876</b>
<b>Changes in Net Assets from Operating Activities</b>	<b>(1,375,443)</b>	<b>671,401</b>	<b>(704,042)</b>
<b>Non-Operating Activities:</b>			
Net investment income (Note 4)	(10,305)	(1,707,602)	(1,717,907)
Strategic initiative and related expenses	(426,728)	-	(426,728)
<b>Total Non-Operating Activities</b>	<b>(437,033)</b>	<b>(1,707,602)</b>	<b>(2,144,635)</b>
<b>Changes in Net Assets</b>	<b>(1,812,476)</b>	<b>(1,036,201)</b>	<b>(2,848,677)</b>
Net Assets, Beginning of Year	11,736,074	11,316,006	23,052,080
<b>Net Assets, End of Year</b>	<b>\$ 9,923,598</b>	<b>\$ 10,279,805</b>	<b>\$ 20,203,403</b>

*The accompanying notes are an integral part of the financial statements.*

**BOSTON ARCHITECTURAL COLLEGE**

**Statement of Activities and Changes in Net Assets**

**For the Year Ended June 30, 2021**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Operating Activities:</b>			
Revenues and Other Support:			
Tuition and fees	\$ 17,960,974	\$ -	\$ 17,960,974
Less: institutional assistance	(1,041,144)	-	(1,041,144)
Less: funded scholarships	(448,426)	-	(448,426)
Net tuition and fees	16,471,404	-	16,471,404
Gifts and contributions of financial assets	175,730	329,930	505,660
Contribution of non-financial assets	22,500	-	22,500
Government and private grants of financial assets	473,898	55,000	528,898
Other revenue	26,355	-	26,355
Net assets released from restrictions (Note 9)	198,982	(198,982)	-
<b>Total Revenues and Other Support</b>	<b>17,368,869</b>	<b>185,948</b>	<b>17,554,817</b>
<b>Operating Expenses:</b>			
Program services	10,027,129	-	10,027,129
Management and general	7,015,067	-	7,015,067
Fundraising	216,877	-	216,877
<b>Total Operating Expenses</b>	<b>17,259,073</b>	<b>-</b>	<b>17,259,073</b>
<b>Changes in Net Assets from Operating Activities</b>	<b>109,796</b>	<b>185,948</b>	<b>295,744</b>
<b>Non-Operating Activities:</b>			
Forgiveness of Paycheck Protection Program loan	1,901,500	-	1,901,500
Net investment income (Note 4)	199,367	2,931,084	3,130,451
Strategic initiative and related expenses	(812,432)	-	(812,432)
<b>Total Non-Operating Activities</b>	<b>1,288,435</b>	<b>2,931,084</b>	<b>4,219,519</b>
<b>Changes in Net Assets</b>	<b>1,398,231</b>	<b>3,117,032</b>	<b>4,515,263</b>
Net Assets, Beginning of Year	10,337,843	8,198,974	18,536,817
<b>Net Assets, End of Year</b>	<b>\$ 11,736,074</b>	<b>\$ 11,316,006</b>	<b>\$ 23,052,080</b>

*The accompanying notes are an integral part of the financial statements.*

# BOSTON ARCHITECTURAL COLLEGE

## Statement of Functional Expenses

For the Year Ended June 30, 2022

	<u>Program Activities</u>						
	<u>Instructional</u>	<u>Student Services</u>	<u>Academic Support</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising Costs</u>	<u>Total</u>
Salaries and wages	\$ 4,405,918	\$ 1,386,673	\$ 1,163,040	\$ 6,955,631	\$ 2,973,377	\$ 145,716	\$10,074,724
Benefits and payroll taxes	569,526	516,273	243,095	1,328,894	577,936	-	1,906,830
Accreditation and memberships	30,439	3,186	21,138	54,763	28,591	-	83,354
Events	24,459	43,693	7,100	75,252	108,439	44,898	228,589
Marketing and advertising	4,000	-	-	4,000	931,197	-	935,197
Books, journals and publications	102,892	2,255	-	105,147	9,815	719	115,681
Professional development	105,077	530,775	1,840	637,692	91,268	-	728,960
Professional fees	-	-	-	-	668,824	37,319	706,143
Supplies and materials	65,727	3,683	11,550	80,960	83,601	2,152	166,713
Technology	103,359	86,791	-	190,150	772,956	7,725	970,831
Security and safety	-	-	-	-	304,029	-	304,029
Facilities - building lease and real estate taxes	-	-	-	-	103,221	-	103,221
Facilities - equipment and building maintenance	-	-	494	494	122,104	-	122,598
Facilities - janitorial and grounds	-	-	-	-	123,994	-	123,994
Facilities - utilities	-	-	-	-	302,492	-	302,492
Bad debt expense	-	1,234,075	-	1,234,075	-	-	1,234,075
Insurance, finance and debt servicing	-	-	8,942	8,942	745,950	2,897	757,789
Depreciation	366,797	244,531	244,531	855,859	366,797	-	1,222,656
	<u>\$ 5,778,194</u>	<u>\$ 4,051,935</u>	<u>\$ 1,701,730</u>	<u>\$11,531,859</u>	<u>\$ 8,314,591</u>	<u>\$ 241,426</u>	<u>\$20,087,876</u>

The accompanying notes are an integral part of the financial statements.

**BOSTON ARCHITECTURAL COLLEGE**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2021**

	<b>Program Activities</b>						
	<b>Instructional</b>	<b>Student Services</b>	<b>Academic Support</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising Costs</b>	<b>Total</b>
Salaries and wages	\$ 4,638,997	\$ 1,189,334	\$ 767,865	\$ 6,596,196	\$ 2,826,906	\$ 147,276	\$ 9,570,378
Benefits and payroll taxes	571,841	381,227	381,227	1,334,295	574,717	-	1,909,012
Accreditation and memberships	37,522	5,279	10,021	52,822	28,264	1,264	82,350
Events	19,654	25,188	195	45,037	40,345	6,129	91,511
Marketing and advertising	4,805	1,985	-	6,790	656,099	11,878	674,767
Books, journals and publications	136,590	570	592	137,752	12,068	438	150,258
Professional development	7,507	909	1,640	10,056	5,095	80	15,231
Professional fees	61,099	37,996	3,000	102,095	157,206	-	259,301
Supplies and materials	55,636	35,931	511	92,078	15,457	221	107,756
Postage and shipping	6,943	24,571	189	31,703	15,747	17,509	64,959
Technology	180,700	312,511	-	493,211	684,148	29,668	1,207,027
Security and safety	-	-	-	-	252,976	-	252,976
Facilities - building lease and real estate taxes	-	-	-	-	134,218	-	134,218
Facilities - equipment and building maintenance	4,529	21,200	-	25,729	158,699	-	184,428
Facilities - janitorial and grounds	-	2,175	-	2,175	122,792	-	124,967
Facilities - utilities	138	1,477	-	1,615	280,505	-	282,120
Other operating	66,639	-	11,390	78,029	58,119	663	136,811
Bad debt expense	-	175,000	-	175,000	-	-	175,000
Insurance, finance and debt servicing	-	330	-	330	630,755	1,751	632,836
Depreciation	<u>360,950</u>	<u>240,633</u>	<u>240,633</u>	<u>842,216</u>	<u>360,951</u>	<u>-</u>	<u>1,203,167</u>
	<u>\$ 6,153,550</u>	<u>\$ 2,456,316</u>	<u>\$ 1,417,263</u>	<u>\$10,027,129</u>	<u>\$ 7,015,067</u>	<u>\$ 216,877</u>	<u>\$17,259,073</u>

*The accompanying notes are an integral part of the financial statements.*

## BOSTON ARCHITECTURAL COLLEGE

### Statements of Cash Flows

For the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets:	<u>\$ (2,848,677)</u>	<u>\$ 4,515,263</u>
Adjustments to reconcile changes in net assets to net cash (applied to) provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(1,901,500)
Provision for bad debts	1,234,075	175,000
Amortization of bond issuance costs	16,142	16,142
Depreciation	1,222,656	1,203,167
Net realized and unrealized gains on investments	1,959,872	(2,987,622)
Changes in operating assets and liabilities:		
Student accounts receivable	(281,959)	(1,236,560)
Pledges receivable	(504,708)	(155,700)
Grants receivable	(23,317)	85,834
Other receivables	-	8,632
Prepaid expenses	77,210	225,023
Accounts payable	182,850	(112,586)
Deferred revenues	(691,854)	(773,518)
Accrued expenses	<u>164,399</u>	<u>(286,133)</u>
<b>Net Adjustments</b>	<u><b>3,355,366</b></u>	<u><b>(5,739,821)</b></u>
<b>Net Cash Provided by (Applied to) Operating Activities</b>	<u><b>506,689</b></u>	<u><b>(1,224,558)</b></u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	491,263	904,265
Purchases of investments	(217,637)	(116,105)
Acquisition of property and equipment	<u>(963,300)</u>	<u>(22,500)</u>
<b>Net Cash Provided by (Applied to) Investing Activities</b>	<u><b>(689,674)</b></u>	<u><b>765,660</b></u>
<b>Cash Flows from Financing Activities:</b>		
Payments on bonds	<u>(532,655)</u>	<u>(512,126)</u>
<b>Net Cash Applied to Financing Activities</b>	<u><b>(532,655)</b></u>	<u><b>(512,126)</b></u>
<b>Net Decrease in Cash and Equivalents</b>	<b>(715,640)</b>	<b>(971,024)</b>
Cash and Equivalents, Beginning of Year	<u>1,169,675</u>	<u>2,140,699</u>
<b>Cash and Equivalents, End of Year</b>	<u><b>\$ 454,035</b></u>	<u><b>\$ 1,169,675</b></u>

*The accompanying notes are an integral part of the financial statements.*

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements

June 30, 2022 and 2021

### Note 1 - **Organization**

Founded in 1889, the Boston Architectural College (the “College”), is committed to providing excellence in design education grounded in practice and accessible to diverse communities. The College is New England’s largest, independent, not-for-profit, accredited college of spatial design, and offers professional and non-professional degrees at both undergraduate and graduate levels.

The core of the College experience is concurrency, which is a belief that design education is best experienced in the classroom and professional workplace, simultaneously. Classes are taught predominantly by practicing design professionals, strengthening the connection between workplace and classroom learning.

The College is accredited by the New England Commission of Higher Education, the National Architectural Accrediting Board, the Council for Interior Design Accreditation, and the Landscape Architectural Accreditation Board.

### Note 2 - **Summary of Significant Accounting Policies**

#### **Method of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Net Asset Classification**

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

**Without Donor Restrictions Net Assets** - net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of the College. The net assets may be used at the discretion of the College’s management and the Board of Trustees.

**With Donor Restrictions Net Assets** - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 2 - Summary of Significant Accounting Policies - Continued

#### Use of Estimates

The preparation of financial statements in conformity with United States Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements.

Significant estimates and assumptions are required as part of determining the value of accounts receivables, promises to give, and estimating depreciation.

#### Cash and Equivalents

Cash and equivalents include all highly liquid debt instruments with original maturities of three months or less and include bank deposits, money market funds and repurchase agreements, except that such investments purchased with endowment assets, set aside for long-term purposes or deposits with trustees, are classified as investments. The Company has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

#### Student Accounts Receivable

Student accounts receivable consist of tuition and fee charges, and are recorded net of estimated uncollectible amounts. The adequacy of the allowance for doubtful accounts is reviewed on an ongoing basis by the College's management and adjusted as required. In determining the amount required in the allowance, management has taken into account a variety of factors including experience and history with students. No interest is charged on outstanding balances.

#### Pledges Receivable

Allowances for potential losses are determined by considering the financial condition and history of donors, and other economic factors affecting donors and the College.

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 2 - Summary of Significant Accounting Policies - Continued

#### Investments

Investments are initially reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return on the statements of activities and changes in net assets.

Purchase and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

#### Financial Instruments

Financial instruments that potentially subject the College to concentrations of credit risk consist of cash and equivalents, accounts receivable, and investments. The College maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, may exceed the federally insured limits. Investments are maintained at brokerage institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses.

The carrying amounts of certain financial instruments, including cash and equivalents and accounts receivable, approximate fair value because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at fair market value.

#### Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to five years. The College's policy is to capitalize property and equipment acquired and expense normal repairs and maintenance as incurred. The College's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

#### Compensated Absences

Eligible employees accrue vacation for time they work. Upon termination, the employees are entitled to receive payment of their unused balance. Based upon periodic reviews, management believes the amount to be immaterial at any given time. Accordingly, the College's policy is to expense compensated absences when actually paid to employees.



# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 2 - Summary of Significant Accounting Policies - Continued

#### Deferred Revenues

Deferred revenues represent unearned income related to academic courses and programs related to the subsequent fiscal year-end. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized as revenues upon the students' matriculation.

#### Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. The College derives revenues primarily through tuition, fees, and auxiliary services, all of which are under arrangements that are aligned to an academic semester, which is less than one year in length.

Tuition, fees, and auxiliary enterprises revenue are recorded at established rates, net of institutional awards provided directly to students. Net transaction price is fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered, whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic or auxiliary activity.

Students may withdraw from programs of study within certain time limits under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund near the start of classes, declining to no refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to such is limited at year end.

Payments made by third parties such as ED relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the College.

As of June 30, 2020, the beginning balance of student accounts receivable was \$8,523,790, net of allowance for doubtful accounts of \$30,000 and the beginning balance of deferred revenues was \$7,309,118.

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 2 - Summary of Significant Accounting Policies - Continued

Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "net assets released from restriction" between the classes of net assets.

The Statements of Activities report the changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues consist of those items attributable to the College's academic programs and auxiliary enterprises. This includes investment return appropriated for operations under the spending policy adopted by the Board. All other amounts are considered non-operating.

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it was not used properly.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

#### Non-Operating Activities

Non-operating activities include all interest and dividends and realized and unrealized gains or losses on investments. It also includes activities that are not in the normal course of operations for the College.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### Note 2 - Summary of Significant Accounting Policies - Continued

##### Endowment Funds

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA’s requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donors’ intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors’ stipulations must be classified as net assets with donor restrictions until approved for expenditure by the College. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the College.

The College’s Board of Trustees classifies donor-restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor. The goal of the College’s endowment spending and distribution policy is to preserve the purchasing power of the endowment and provide predictable support of operations and scholarships.

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as “underwater”, is reported as losses within net assets with donor restrictions. The Board of Trustees has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2022 and 2021, the College did not have endowment funds below the amount of the donor-required levels.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### Note 2 - Summary of Significant Accounting Policies - Continued

##### Income Taxes

The College has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the College may, however, be subject to tax on unrelated business income.

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a “more likely than not” sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely.

##### Advertising

The College charges the cost of advertising to expense as incurred.

##### Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This pronouncement requires not-for-profit entities to present contributed non-financial assets in the statement of activities as a line that is separate from other contributions and provide additional disclosure information related to these items. The College adopted the provisions of ASU 2020-07 on a retrospective basis as of July 1, 2020. Certain amounts in the prior year statement of activities have been restated to conform to this presentation, but, net assets were not impacted.

##### Recent Accounting Pronouncements Issued Not Yet Adopted

Financial Accounting Standards Board (“FASB”) issued *ASU 2016-02, Leases*, which is effective for periods beginning after December 15, 2021. The purpose of this pronouncement will require lessees to recognize on their statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded.

Management is in the process of evaluating this pronouncement and has not yet determined their impact on the financial statements.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 3 - **Pledges Receivables**

Pledges receivable as of June 30, are expected to be collected in the following time periods:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 301,008	\$ 65,500
Between one and five years	<u>424,500</u>	<u>155,300</u>
	<u>\$ 725,508</u>	<u>\$ 220,800</u>

No discount for long-term pledges has been recognized due to lack of materiality.

All grant receivables are current and will be received in one year or less.

Note 4 - **Investments**

Investments are stated at fair market value and consist of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Money market fund	\$ 1,242,607	\$ 226,403
Multi-asset mutual fund	2,885,471	3,972,626
Treasury inflation protection mutual fund	278,443	293,181
Bond index mutual fund	2,919,133	3,257,994
Stock index mutual fund	<u>5,296,560</u>	<u>7,105,507</u>
	<u>\$ 12,622,214</u>	<u>\$ 14,855,711</u>

As presented on the Statements of Financial Position, certain investments are restricted for endowments, primarily for scholarships. Mutual fund investments are with Fidelity Investments, TIFF Multi-Asset Funds, Vanguard Inflation Protected Funds, and U.S. Bond/TIP and Stock Index Funds.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### Note 5 - Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The highest priority is assigned to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

*Money Market and Mutual Funds:* Net asset value of the shares held at fiscal year end.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Fair Value Measurements - Continued**

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of June 30, 2022, and 2021, all investments are classified as Level 1 within the fair value hierarchy.

Note 6 - **Property and Equipment, net**

Property and equipment, net consists of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 5,522,338	\$ 5,522,338
Buildings and improvements	25,682,622	25,581,702
Furniture, fixtures and equipment	5,864,303	5,001,923
Leasehold improvements	<u>177,734</u>	<u>177,734</u>
	37,246,997	36,283,697
Accumulated depreciation	<u>(19,861,380)</u>	<u>(18,638,723)</u>
Property and equipment, net	<u>\$ 17,385,617</u>	<u>\$ 17,644,974</u>

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

**June 30, 2022 and 2021**

**Note 7 - Bonds Payable, net**

Bonds payable consist of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Series 2012 Massachusetts Finance Agency Revenue Bonds, in the amount of \$ 5,800,000. The Bonds bear an initial interest rate of 3.64% for ten years at which time the interest rate is adjusted to the market rate designated and announced by the Federal Home Loan Bank of Boston plus 2.5%, but not less than 3.64% and each subsequent ten year period thereafter. Commencing April 2013, the bonds require monthly payments of \$27,181, including principal and interest subject to changes in interest rates every ten years. The bonds mature in full in March 2042.	<b>\$ 4,564,080</b>	\$ 4,718,623
Series 2017, Massachusetts Finance Agency Revenue Bond in the amount of \$9,365,668. The bonds bear an initial interest rate of 3.75% for ten years at which time the interest rate is adjusted to the product of the market rate designated and announced by the Federal Home Loan Bank of Boston plus 2.75% and the Tax –Exempt Equivalency Factor then in effect, which was initially 0.67. Commencing on February 1, 2017, the bonds require monthly payments of \$55,789, including principal and interest subject to changes in interest rates every ten years. The bonds mature in full in December 2036.	<u>7,479,388</u>	<u>7,857,500</u>
Total bonds payable	<b>12,043,468</b>	12,576,123
Deferred finance charges, net of accumulated amortization of \$114,176 and \$98,034, respectively.	<u>(278,987)</u>	<u>(295,129)</u>
Bonds payable, net	<b><u>\$ 11,764,481</u></b>	<b><u>\$ 12,280,994</u></b>

Future principal maturities of bonds payable subsequent to June 30, 2022 are as follows:

Fiscal Years <u>Ending June 30,</u>	
2023	\$ 553,461
2024	573,533
2025	596,689
2026	619,575
2027	643,341
Thereafter	<u>9,056,869</u>
	<b><u>\$ 12,043,468</u></b>



# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 7 - Bonds Payable, net - Continued

The bonds are secured by land, building and equipment, and certain revenues. The College must also meet certain covenants to maintain compliance with the loan agreements, including a restriction on new debt. On June 30, 2022, the College was not in compliance with these covenants.

Interest expense on all indebtedness for the years ended June 30, 2022, and 2021 amounted to \$463,566 and \$498,382, respectively. Interest expense includes \$16,145 of deferred bond charges as of June 30, 2022, and 2021.

### Note 8 - Line of Credit

The College carries an unsecured line of credit with a maximum limit of \$1,000,000, which expired on February 28, 2023. The line of credit carries interest at the prime rate of 4.75% and 3.25%, respectively, on June 30, 2022 and 2021. The College had no outstanding balance at June 30, 2022 or 2021.

### Note 9 - Net Assets and Net Assets Released from Restrictions

Net assets with donor restrictions comprise the receipt of funds relating to activities the College engages in that are not restricted in nature, and gains on endowed net assets. Net assets with restrictions consist of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 5,374,564	\$ 5,916,313
Art collections	160,449	176,622
Capital improvement	607,089	668,283
Instruction and institutional support	811,347	893,130
Investment in perpetuity	<u>3,326,356</u>	<u>3,661,659</u>
	<u>\$ 10,279,805</u>	<u>\$ 11,316,007</u>

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 9 - Net Assets and Net Assets Released from Restrictions – Continued

Net assets without donor restrictions include board-designated and undesignated funds and consist of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Student scholarship and other support	\$ 618,027	\$ 649,752
Instruction and institutional support	4,130,426	4,125,648
Unrestricted and undesignated	<u>6,398,446</u>	<u>6,960,674</u>
	<u>\$ 11,146,899</u>	<u>\$ 11,736,074</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows at June 30,:

	<u>2022</u>	<u>2021</u>
Student scholarships and other support	\$ 60,688	\$ 25,350
Instruction and institutional support	<u>662,286</u>	<u>173,632</u>
	<u>\$ 722,974</u>	<u>\$ 198,982</u>

The College has a \$25,000 minimum threshold for all endowment funds.

## BOSTON ARCHITECTURAL COLLEGE

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### Note 10 - Endowment Net Assets

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<b>Without Donor <u>Restrictions</u></b>	<b>With Donor <u>Restrictions</u></b>	<b><u>Total</u></b>
<b>Endowment net assets, at June 30, 2020</b>	<b>\$ 3,790,270</b>	<b>\$ 8,089,285</b>	<b>\$ 11,879,555</b>
Investment return:			
Net investment income	199,367	-	199,367
Net unrealized appreciation on investment	-	2,931,084	2,931,084
Contributions	25,000	32,000	57,000
Unrestricted amounts transferred to other investments	(321,253)	-	(321,253)
Amounts appropriated for expenditure	<u>-</u>	<u>(404,615)</u>	<u>(404,615)</u>
<b>Endowment net assets, at June 30, 2021</b>	<b>3,693,384</b>	<b>10,647,754</b>	<b>14,341,138</b>
Investment return:			
Net investment income	693,454	-	693,454
Net unrealized appreciation on investment	-	(2,450,124)	(2,450,124)
Contributions	10,100	-	10,100
Unrestricted amounts transferred to other investments	(540,325)	-	(540,325)
Amounts appropriated for expenditure	<u>-</u>	<u>(387,348)</u>	<u>(387,348)</u>
<b>Endowment net assets, at June 30, 2022</b>	<b><u>\$ 3,856,613</u></b>	<b><u>\$ 7,810,282</u></b>	<b><u>\$ 11,666,895</u></b>

#### Note 11 - Retirement Benefits

The College is a sponsor of both a 403(b) Plan and a 457(b) Plan. The 403(b) covers all eligible employees, and the 457(b) covers only certain employees. During the years ended June 30, 2022 and 2021, the total amounts paid to the plans were approximately \$390,000 and \$352,000, respectively. Any employer funding of either plan is at the sole discretion of the College.

#### Note 12 - Cash Flow Information

Interest paid by the College during the years ended June 30, 2022 and 2021 amounted to \$447,422 and \$498,382, respectively, as per the terms of bond debt agreements with Eastern Bank.

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 13 - Leases

The College had agreements for a separate office space. The lease agreements require base rent payments plus lease incentives. Rent expense was \$67,167 and \$92,656 for the years ended June 30, 2022 and 2021, respectively. When the lease expires in 2023, it will not be renewed. Subsequent to June 30, 2022, minimum future lease payments under such leases are as follows:

#### Fiscal Years

#### Ending June 30,

2023	<u>28,224</u>
	<u>\$ 28,224</u>

### Note 14 - Contingencies and Uncertainties

#### Legal

Pending or threatened lawsuits arise as part of the ordinary course of operations. In the opinion of management, no litigation is pending or threatened, which would materially affect the College's financial position.

#### Employment Agreement

The College's general policy is not to have employment contracts, with the exception of the President. The College's current President's employment contract has provisions for a payout for possible termination. These terms are consistent with usual practices for President employment agreements. The College has reserve funds available to cover this potential risk.

### Note 15 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 454,035	\$ 1,169,675
Accounts receivable	8,633,234	9,585,350
Pledges receivable, due within one year	<u>300,508</u>	<u>65,500</u>
Total	<u>\$ 9,387,777</u>	<u>\$ 10,820,525</u>

# BOSTON ARCHITECTURAL COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Note 15 - Liquidity and Availability of Resources - Continued

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The College considers all expenditures related to its ongoing activities of providing financial support through scholarships and grants, and institutional support, to be general expenditures.

Board-designated endowment of \$3,856,613 is subject to an annual spending rate of 4% of 12-quarter rolling average. Although management does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, the College structures financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition, the College invests cash in excess of daily requirements in an overnight repurchase account through Eastern Bank. To help manage unanticipated liquidity needs, a committed line of credit of \$1,000,000 could be drawn upon (see Note 9).

### Note 16 – Contributed Non-financial Assets

During the years ended June 30, 2022 and 2021, contributed non-financial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Computers & Software	\$ 331,500	\$ 22,500
Furniture	108,500	-
	<u>\$ 440,000</u>	<u>\$ 22,500</u>

Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions. Non-financial gifts are generally restricted by the donor. Fair value of the non-financial gifts is determined by the donor in conjunction with College personnel.

### Note 17 - Management's Acceptance of Financial Statements

Management has evaluated subsequent events through June 28, 2023, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2022 requiring disclosure in these financial statements.

## **SUPPLEMENTAL INFORMATION**

# BOSTON ARCHITECTURAL COLLEGE

## Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022 (Unaudited)

Primary Reserve Ratio:			
		<b>Expendable Net Assets:</b>	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 9,923,598
2	SFP	Net assets with donor restrictions	10,279,805
3		<b>Secured and Unsecured related party receivable - Total</b>	-
4	Not Applicable	Unsecured related party receivables	-
5	SD Line 7	<b>Property, Plant and Equipment, net (includes Construction in progress) - Total</b>	17,385,617
6	SD Line 3d	Property, plant and equipment pre-implementation	16,422,317
7	Not Applicable	Property, plant and equipment post-implementation with outstanding debt for original purchase	-
8	SD Line 6a	Property, plant and equipment post-implementation without outstanding debt for original purchase	963,300
9	Not Applicable	Construction in progress	-
10	SFP	<b>Lease right-of-use asset, net - Total</b>	-
11	Not Applicable	Lease right-of-use, pre-implementation (grandfather of leases option not chosen)	-
12	SD Line 15. Lease right-of-use of asset liability	Lease right-of-use asset, post-implementation	-
13	Not Applicable	Intangible assets	-
14	Not Applicable	Post-employment and pension liabilities	-
15	SD Lines 8d, 9a-c, 10	<b>Long-term debt- for long term purposes - Total</b>	11,764,484
16	SD Line 8d	Long- term debt- for long term purpose pre-implementation	11,764,484
17	SD Lines 9a-c	Long-term debt- for long term purposes post-implementation	-
18	Not Applicable	Line of Credit for Construction in progress	-
19	SFP	<b>Lease right-of-use asset liability - Total</b>	-
20	Not Applicable	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)	-
21	Not Applicable	Post-implementation right-of-use asset liability	-
22	SD Line 2d	<b>Annuities, term endowment and life income with donor restrictions - Total</b>	-
23	SD Line 2a	Annuities with donor restrictions	-
24	SD Line 2b	Term Endowments with donor restrictions	-
25	SD Line 2c	Life income funds with donor restrictions	-
26	SD Line 1	Net Assets with donor restrictions - restricted in perpetuity	3,326,356
		<b>Total Expenses without Donor Restrictions and Losses without Donor Restrictions:</b>	
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities	20,087,876
28	SOA	Non-operating and Net Investment (loss)	-
29	SOA	Net Investment losses	-
30	SOA	Pension-related changes other than net periodic costs	-
Equity Ratio:			
		<b>Modified Net Assets:</b>	
31	SFP	Net assets without donor restrictions	9,923,598
32	SFP	Net assets with donor restrictions	10,279,805
33	Not Applicable	Intangible Assets	-
34	Not Applicable	Intangible Assets- Goodwill	-
35		<b>Secured and unsecured related party receivables- Total</b>	-
36	Not Applicable	Unsecured related party receivables	-
		<b>Modified Assets:</b>	
37	SFP	Total Assets	40,033,206
38	SD Line 13	Lease right-of-use asset pre-implementation	-
39	SD Line 14	Pre-implementation right-of-use asset liability	-
40	Not Applicable	Intangible Assets	-
41	Not Applicable	Secured and unsecured related party receivables	-
42	Not Applicable	Unsecured related party receivables	-
Net Income Ratio:			
		<b>Change in Net Assets without Donor Restrictions:</b>	
43	SOA	Change in net assets without donor restrictions	(1,812,476)
		<b>Total Revenue without Donor Restrictions and Gains without Donor Restrictions</b>	
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains	19,383,834
45	SOA: Investments, Net	Investments, net (operating and non-operating)	(1,717,907)

# BOSTON ARCHITECTURAL COLLEGE

## Financial Responsibility Supplemental Disclosures

### Year Ended June 30, 2022 (Unaudited)

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding addi disclosures deemed necessary to calculate ratios for determining sufficient financial responsibility under Title IV.

#### Net Assets

1 Net assets with donor restrictions: restricted in perpetuity	\$ 3,326,356
2 Other net assets with donor restrictions (not perpetually restricted):	
a. Annuities with donor restrictions	-
b. Term Endowments	-
c. Life income funds (trusts)	-
d. Total annuities, term endowment and life income funds with donor restrictions	<u>-</u>

#### Property, Plant and Equipment, net

3 Pre-implementation property, plant and equipment, net (PP&E, net)	
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2021 financial statement)	17,644,974
b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards	-
c. Less subsequent depreciation and disposals	<u>(1,222,657)</u>
d. Balance Pre-implementation property, plant and equipment, net	<u>16,422,317</u>
4 Debt Financed Post-Implementation property, plant and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2021:	
a. Equipment	-
b. Land Improvements	-
c. Building	-
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5 Construction in progress- acquired subsequent to June 30, 2021	-
6 Post-implementation property, plant and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2021	<u>963,300</u>
7 Total Property, Plant and Equipment, net- June 30, 2022	<u>17,385,617</u>

#### Debt to be excluded from expendable net assets

8 Pre-implementation debt:	
a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2021)	12,280,994
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.	-
c. Less subsequent debt repayments	<u>(516,510)</u>
d. Balance pre-implementation debt	<u>11,764,484</u>
9 Allowable post-implementation debt used for capitalized long-lived assets:	
a. Equipment- all capitalized	-
b. Land Improvements	-
c. Buildings	-
10 Construction in progress (CIP) financed with short term debt	-
11 Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value	<u>-</u>
	\$ 11,764,484



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

# **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
Boston Architectural College  
Boston, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Boston Architectural College (the "College"), which comprise the statements of financial position as of June 30, 2022 and the related statements of activities and changes in financial position, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 28, 2023.

## **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described below as item 2022-001 that we consider to be a material weakness.

The College's response to the findings identified in our audit is described below. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Current Year Finding Finding 2022-001**

### **Criteria**

Internal controls should be in place to provide reasonable assurance that the College's trial balance provided to the auditors was accurate and provided on a timely basis.

### **Condition**

The initial trial balance provided to the auditors was not accurate and needed significant adjustments for the financial statements to be in compliance with generally accepted accounting principles in the United States of America.

### **Cause**

Financial year-end procedures were not in place to ensure that the trial balance provided to the auditors was accurate and provided on a timely basis.

### **Effect**

Significant adjustments were required on the initial trial balance provided to the auditors which increases the risk that the financial statements could be materially misstated.

### **Recommendation:**

We recommend that the College update year-end procedures to ensure that a trial balance can be provided to the auditors that is accurate and provided on a timely basis.

### **Management Response:**

The College agrees with this finding. At the end of FY21, the year end adjusting entries were not entered in the Great Plains accounting system. While year-over-year transactions were accurate, the FY22 trial balance contained incorrect beginning balances that affected the ending balances and subsequent financial statements. This was identified during the audit and required corrections to ensure an accurate Trial balance for FY22.

Further complicating the process for FY22, the Great Plains system's ability to perform a complete close at year end had been corrupted in prior years due to numerous changes in the system set-ups. As a result, the year-end processes, and production of financial statements need to be performed utilizing excel spreadsheets. Therefore, any corrections needed required multiple iterations of these spreadsheets.

On July 1, 2022, the BAC implemented a new and more robust accounting system, NetSuite. This system conversion and new processes enables the BAC to perform more routine monthly and quarterly soft close processes and has a more robust year end process embedded within the system. The new processes have been implemented and are in effect for FY23. The year end trial balance and financial statements are created within NetSuite instead of outside of the system. There are also embedded Year-end review and approval process in NetSuite. These new automated processes and the preventative and detective systemic controls will mitigate the risk of inaccurate trial balance reports and improve the timeliness of reports and support information.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Wilhem Smith + Brown, PC". The signature is written in a cursive, flowing style.

June 28, 2023