BOSTON ARCHITECTURAL COLLEGE

Financial Statements as of
June 30, 2023
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 28, 2024

To the Board of Trustees of
Boston Architectural College:

Opinion

We have audited the accompanying financial statements of Boston Architectural College (a Massachusetts not-for-profit corporation) (the College), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change 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 referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2023, 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. 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.

Prior Period Adjustment

As described in Note 3 to the financial statements, the College recorded approximately $1,760,000 as revenue during the year ended June 30, 2022 related to performance obligations satisfied during the year ended June 30, 2023. Additionally, the College recorded approximately $1,100,000 of net assets classified as with donor restrictions that should have been classified as without donor restrictions at June 30, 2022.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

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 generally accepted 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 generally accepted 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 Colleges' 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 Colleges' 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Exhibit I is presented for purposes of additional analysis and it is 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.

Bonadio & Co., LLP

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 793,896
Student accounts receivable, net of allowance for doubtful accounts of $628,232	8,922,280
Current portion of pledges receivable	155,091
Grants receivable	204,801
Prepaid expenses	127,868
Short-term investments	98,920
Total current assets	10,302,856
NON-CURRENT ASSETS:	
Pledges receivable, net	428,500
Long-term investments	10,059,187
Property and equipment, net	17,020,343
Total non-current assets	27,508,030
Total assets	$ 37,810,886
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 869,342
Deferred revenues	8,638,858
Accrued expenses	538,757
Current portion of bonds payable	580,547
Total current liabilities	10,627,504
LONG-TERM LIABILITIES:	
Bonds payable, net	10,647,855
Total liabilities	21,275,359
NET ASSETS:	
Without donor restrictions	6,747,454
With donor restrictions	9,788,073
Total net assets	16,535,527
Total liabilities and net assets	$ 37,810,886

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES:			
Tuition and fees, net of institutional assistance and scholarships of $2,018,919	$ 16,103,140	$ -	$ 16,103,140
Private contributions	300,253	151,813	452,066
Government and private grants	517,496	-	517,496
Investment return designated for operations	2,242,360	256,698	2,499,058
Other revenue	51,880	-	51,880
Net assets released from restrictions	332,637	(332,637)	-
Total operating revenues	19,547,766	75,874	19,623,640
OPERATING EXPENSES:			
Program services	11,310,990	-	11,310,990
Management and general	8,668,232	-	8,668,232
Fundraising	263,962	-	263,962
Total operating expenses	20,243,184	-	20,243,184
Changes in net assets from operating activities	(695,418)	75,874	(619,544)
NON-OPERATING ACTIVITIES:			
Investment return, net of amounts designated for operations	(1,828,926)	543,451	(1,285,475)
CHANGE IN NET ASSETS	(2,524,344)	619,325	(1,905,019)
NET ASSETS - beginning of year, as previously stated	9,923,598	10,279,805	20,203,403
PRIOR PERIOD ADJUSTMENT	(651,800)	(1,111,057)	(1,762,857)
NET ASSETS - beginning of year, as restated	9,271,798	9,168,748	18,440,546
NET ASSETS - end of year	$ 6,747,454	$ 9,788,073	$ 16,535,527

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services						
	Instructional	Student Services	Academic Support	Total	Management and General	Fundraising	Total
Salaries and benefits	$ 2,910,460	$ 1,746,574	$ 2,985,204	$ 7,642,238	$ 4,602,525	$ 195,388	$ 12,440,151
Supplies and services	677,251	740,812	434,273	1,852,336	3,240,997	50,628	5,143,961
Occupancy	136,747	108,846	50,930	296,523	471,644	2,376	770,543
Depreciation	656,003	432,186	51,711	1,139,900	264,794	11,677	1,416,371
Interest	218,683	144,072	17,238	379,993	88,272	3,893	472,158
	$ 4,599,144	$ 3,172,490	$ 3,539,356	$ 11,310,990	$ 8,668,232	$ 263,962	$ 20,243,184

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOW FROM OPERATING ACTIVITIES:	
Changes in net assets	$ (1,905,019)
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Provision for bad debts	(771,768)
Amortization of bond issuance costs	16,142
Depreciation	1,416,371
Loss on disposal of property and equipment	83,191
Net realized and unrealized gains on investments	(1,212,804)
Changes in:	
Student accounts receivable	482,722
Pledges receivable	141,917
Grants receivable	(87,017)
Prepaid expenses	(33,054)
Accounts payable	265,103
Deferred revenues	(110,064)
Accrued expenses	63,739
Net cash flow from operating activities	(1,650,541)
CASH FLOW FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	3,701,446
Purchases of investments	(24,535)
Purchases of property and equipment	(1,134,288)
Net cash flow from investing activities	2,542,623
CASH FLOW FROM FINANCING ACTIVITIES:	
Repayment of bonds payable	(552,221)
Net cash flow from financing activities	(552,221)
CHANGE IN CASH AND CASH EQUIVALENTS	339,861
CASH AND CASH EQUIVALENTS - beginning of year	454,035
CASH AND CASH EQUIVALENTS - end of year	$ 793,896
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 443,407

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

Founded in 1889, the Boston Architectural College (the College) is committed to providing excellence in design education grounded in practice and accessibility 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis 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.

Financial Reporting
The College classifies its activities into the following net asset categories:

- Net assets without donor restrictions are those net assets that are available to support the College's operations.

- Net assets with donor restrictions are those net assets whose use by the College has been limited by donors by either a specific time, purpose or perpetual restriction, and also includes investment earnings on perpetually restricted endowment funds not yet appropriated by the Board of Trustees. When appropriation is made by the Board of Trustees or a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on non-endowment investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations

The statement of activities and change in net assets present the change in net assets of the College from operating and non-operating activities. Operating revenues and expenses relate primarily to educational programs provided by the College and auxiliary sales and service revenue. Utilization of endowment investment income under the College's spending policy is considered operating revenue. Nonoperating activity reflects all other activity, including but not limited to, the investment return, net of the amount appropriated under the Board of Trustees' approved spending formula, contributions for endowment and plant purposes, as well as other activities outside the normal course of operations for the College.

Cash and Cash Equivalents

Cash and cash 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, are classified as investments. At times, the College may maintain funds in excess of amounts insured by the Federal Depository Insurance Corporation. The College has not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenue in the period received or pledged. 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 value at the date of gift.

Contributions and grants 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.

Unconditional pledges are recognized at their estimated net present value, net of an allowance for uncollectible receivables. Management periodically reviews the sufficiency of the allowance for uncollectible pledges and grants receivables, taking into consideration current economic conditions, its historical losses and specific amounts outstanding, and makes adjustments to the allowance as considered necessary. As of June 30, 2023, the College determined no allowance for uncollectible amounts was considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuition and Fees Revenues and Student Accounts Receivable

Revenue from contracts with students is recognized in the fiscal year in which the academic programs are delivered. The College recognizes tuition and fees in the period in which the College satisfies its performance obligation by transferring services to students. The College's performance obligation relative to tuition and fees is a bundled obligation, to provide instruction for students over the stated period of the contract (i.e., the academic term), along with any additional services as outlined in academic programs. The College establishes tuition and fees contracts with students upon the earliest of receipt of their enrollment deposit to secure a place in a future academic term, registration for classes, a signed financial responsibility agreement, or similar consent by the student. Students who withdraw completely on or before the scheduled drop/add deadline of the academic term may receive a full refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. At June 30, 2023, due to the timing of each academic semester, there was no variable consideration recorded related to refunds.

Student revenues are charged and collected on a term by term basis. The College expects to collect established payments due under student contracts, less any College funded student financial aid. All scholarships and grants awarded to students are applied to tuition first, up-to the amount of tuition for the student, with the remaining amount to be applied to room and board, if any. Amounts that remain uncollected at the end of the term are included as student accounts receivable. The College records an allowance for doubtful accounts based on prior collection experience, current economic conditions and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. As of July 1, 2022, the beginning balance of student accounts receivable was $8,633,234, net of allowance for doubtful accounts of $1,400,000.

Revenue from net tuition and fees accounted for approximately 82% of the College's operating revenues in 2023.

Deferred Revenue

Deferred revenue represents unearned income related to academic courses and programs related to the subsequent academic year. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized as revenues upon satisfaction of the related performance obligation.

Revenue related to summer sessions that span across fiscal years is recognized within the fiscal year in which the program is predominantly concluded. In addition, the College records student deposits and prepayments for the fall semester. As of June 30, 2023, there was approximately $8,639,000 of remaining performance obligations under open service contracts, which were included in deferred revenue in the accompanying statement of financial position that will be recognized in operating revenues during the subsequent fiscal year.

Prepaid Expenses

Prepaid expenses consist of amounts paid for expenses not yet incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of money market and mutual funds stated at fair value based on quoted market prices in active markets.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

Endowment

The College's endowment consists of investments that are managed to achieve a maximum long-term total return. The College's Board of Trustees has authorized a policy permitting the use of total returns at a rate (spending rate) of up to 5.00% of the four-year average market value of the endowment portfolio on the last day of the preceding calendar year for current operations. The remainder is retained to support operations of future years. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations.

Fair Value

The College uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the College. Unobservable inputs are inputs that reflect the College's estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. These inputs are segregated into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the College has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the College in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 15 to 45 years. The College's policy is to capitalize property and equipment acquired in excess of $25,000. Impairment losses are recognized when the carrying value of an asset exceeds its fair value. The College regularly assesses all of its long-lived assets for impairment. There was no impairment loss recognized for the year ended June 30, 2023.

Allocation of Certain Expenses
The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and as a result it is necessary to allocate these expenses amongst the functional categories. These expenses include benefits which are allocated by the related salaries, as well as overhead and maintenance, depreciation, technology, interest, and insurance, which are allocated by square footage occupied by each function. All remaining expense categories are directly charged.

Tax Status
The College has been recognized by the Internal Revenue Service as an organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The College has also been classified as an organization that is not a private foundation.

Advertising
The College charges the cost of advertising to expense as incurred. Advertising expense for the year ended June 30, 2023 was $806,632.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, the College recorded $1,762,857 as tuition and fees revenue that related to performance obligations satisfied in the year ended June 30, 2023. As a result, the College decreased net assets at July 1, 2022 by $1,762,857.

Additionally, during 2023 the College's management performed an analysis of the College's net assets with donor restrictions to evaluate for appropriate classification. During this review, it was determined that $1,111,057 of net assets previously recorded as with donor restrictions should be reclassified to net assets without donor restrictions. Accordingly, an adjustment has been made to net assets as of July 1, 2022 in the accompany statement of activities and change in net assets to reflect this reclassification.

4. 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 statement of financial position date, are comprised of the following at June 30, 2023:

Cash and cash equivalents	$ 793,896
Accounts receivable	8,922,280
Grants receivable	204,801
Current portion of pledges receivable	155,091
	$ 10,076,068

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowment. 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.

As part of its 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. To help manage unanticipated liquidity needs, a committed line of credit of $1,000,000 could be drawn upon.

5. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2023 are expected to be collected as follows during the years ending June 30:

2024	$ 155,091
2025	412,500
2026	11,000
2027	5,000
	$ 583,591

One pledge comprised approximately 59% of pledges receivable at June 30, 2023.

6. INVESTMENTS

Investments are stated at fair value and consisted of the following at June 30, 2023:

Money market fund	$ 602,038
Treasury inflation protected mutual fund	273,470
Bond index mutual fund	2,892,855
Stock index mutual fund	6,389,744
	$ 10,158,107

7. FAIR VALUE MEASUREMENTS

The following were measured at fair value on a recurring basis using the following input levels at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market fund	$ 602,038	$ -	$ -	$ 602,038
Treasury inflation protected mutual fund	273,470	-	-	273,470
Bond index mutual fund	2,892,855	-	-	2,892,855
Stock index mutual fund	6,389,744	-	-	6,389,744
	$ 10,158,107	$ -	$ -	$ 10,158,107

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30, 2023:

Land and improvements	$ 5,522,337
Buildings and improvements	25,860,355
Furniture, fixtures and equipment	5,956,212
	37,338,904
Less: Accumulated depreciation	(21,274,776)
Plus: Construction in progress	956,215
	$ 17,020,343

9. BONDS PAYABLE, NET

Bonds payable consist of the following at June 30, 2023:

Series 2012 Massachusetts Finance Agency Revenue Bonds, in the amount of $ 5,800,000. The bonds bore an initial interest rate of 3.64% for ten years at which time the interest rate was 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 at each subsequent ten-year period thereafter. Commencing April 2013, the bonds require monthly payments of $27,181, including interest, subject to changes in interest rates every ten years. The bond interest rate increased to 4.27% effective February 1, 2024. The bonds mature in full in March 2042.	$ 4,403,819
Series 2017 Massachusetts Finance Agency Revenue Bonds in the amount of $9,365,668. The bonds bore an initial interest rate of 3.75% for ten years at which time the interest rate was 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 interest, subject to changes in interest rates every ten years. The bonds mature in full in December 2036.	7,087,427
	11,491,246
Deferred finance charges, net of accumulated amortization of $130,319.	(262,844)
	$ 11,228,402

Future principal maturities of bonds payable are as follows for the years ending June 30:

	Principal	Deferred Financing	Total
2024	$ 596,689	$ (16,142)	$ 580,547
2025	619,575	(16,142)	603,433
2026	643,341	(16,142)	627,199
2027	667,120	(16,142)	650,978
2028	693,607	(16,142)	677,465
Thereafter	8,270,914	(182,134)	8,088,780
	$ 11,491,246	$ (262,844)	$ 11,228,402

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, 2023, the College was not in compliance with these covenants and obtained a waiver.

9. BONDS PAYABLE, NET (Continued)

Interest expense on all indebtedness for the year ended June 30, 2023 amounted to $472,158. Interest expense includes $16,142 of the amortization of deferred financing charges for the year ended June 30, 2023.

10. LINE OF CREDIT

The College carried an unsecured line of credit with a maximum borrowing of $1,000,000, which expired on February 28, 2023. Subsequent to year end, the College renewed this line of credit with a maximum limit of $1,000,000. The line of credit carries interest at 2.0% over the secured overnight financing rate.

11. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions consist of funds relating to activities the College engages in that are restricted in nature and gains on endowed net assets. Net assets were restricted for the following purposes at June 30, 2023:

Scholarships	$ 4,575,102
Capital improvements	724,408
Instruction and institutional support	511,124
To be maintained in perpetuity	3,977,439
	$ 9,788,073

Net assets were released from donor restrictions by satisfying the restricted purpose as follows during the year ended June 30, 2023:

Scholarships	$ 246,207
Capital improvements	6,440
Instruction and institutional support	79,990
	$ 332,637

12. ENDOWMENT

Changes in endowment net assets for the year ended June 30, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, at July 1, 2022, as previously reported	$ 3,856,613	$ 7,810,282	$ 11,666,895
Prior period reclassification	(821,019)	540,684	(280,335)
Endowment net assets, beginning of year, as restated	3,035,594	8,350,966	11,386,560
Net appreciation	287,833	800,149	1,087,982
Transfers	(23,200)	23,200	-
Contributions	-	26,280	26,280
Amounts appropriated for expenditure	(2,242,360)	(256,698)	(2,499,058)
Endowment net assets, at June 30, 2023	$ 1,057,867	$ 8,943,897	$ 10,001,764

As part of the prior period reclassification described in Note 3, the College determined that there was $540,684 of quasi-endowment (board designated and without donor restrictions) funds that should have been classified as endowment with donor restrictions. Additionally, there was $280,335 of funds included in the quasi-endowment that should not have been recorded in the endowment.

Interpretation of Relevant Law
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.

Spending Policy and How the Investment Objectives Relate to Spending Policy
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 believes that its total return spending policy meets UPMIFA requirements.

12. ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The College's primary investment objective for the endowment assets is to earn a total return (net of fees), within prudent levels of risk, sufficient to provide income for the College's operating expenses while preserving the value of the portfolio. The College's secondary investment objective is to attain long-term growth of the portfolio, subject to the endowment's risk tolerance.

Strategies Employed for Achieving Objectives

The College's Board of Trustees classifies donor-restricted funds and earnings thereon in accordance with applicable state law. 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.

Funds with Deficiencies

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. At June 30, 2023, the fair value of funds with deficiencies was approximately $310,000. The original value of the funds with deficiencies was approximately $391,000, resulting in underwater funds of approximately $81,000 at June 30, 2023.

13. RETIREMENT BENEFITS

The College is a sponsor of a 403(b) Plan (the Plan). The Plan covers all eligible employees. During the year ended June 30, 2023, total related retirement plan expense was approximately $318,000. Any employer funding is at the sole discretion of the College.

14. CONTINGENCIES, COMMITMENTS 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 that would materially affect the College's financial position.

Employment Agreement

The College has an employment contract with the College's President. The College's contract with the President provides for a payment of nine months salary upon termination if certain conditions are met.

Commitments

The College has two contracts for geothermal and restoration projects in amounts not to exceed $2,613,810. At June 30, 2023, there was $1,657,595 remaining on the commitments.

15. RELATED PARTIES

From time to time, members of the College's Board of Trustees and the senior management team may be directly or indirectly associated with companies conducting business with the College. Among other things, the College's conflict of interest policy does not permit members of the Board of Trustees or its committees to participate in any decision in which a member (or any of their immediate family members) has a material financial interest. The College requires members of the Board of Trustees and the senior management team to complete an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities who conduct business with the College. When such financial interests or relationships are disclosed, procedures are taken to assess and address the actual or perceived conflict in order to protect the best interests of the College and to ensure compliance with relevant conflict of interest laws or policy. Management has determined that the College did not have any material related party transactions in 2023.

16. DEPARTMENT OF EDUCATION REQUIRED DISCLOSURES

The following information is required by the U.S. Department of Education as supplemental support for Exhibit I - Financial Responsibility Supplemental Schedule for the year ended June 30, 2023:

Components of land, buildings, and equipment, net:	
Land, buildings, and equipment, net, pre-implementation	$ 14,506,153
Land, buildings, and equipment, net, post-implementation without outstanding debt for original purchase	1,557,975
Construction in progress	956,215
	$ 17,020,343
Components of total revenues and gains:	
Total operating revenues	$ 19,547,766
Investment return, net of amounts designated for operations	(1,828,926)
	$ 17,718,840

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2024, which is the date the financial statements were available to be issued.

BOSTON ARCHITECTURAL COLLEGE

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
JUNE 30, 2023

PRIMARY RESERVE RATIO

	Expendable Net Assets		Financial Statement Location
=	**Net assets without donor restrictions**	6,747,454	Statement of Financial Position - Net Assets Without Donor Restriction
+	**Net assets with donor restrictions**	9,788,073	Statement of Financial Position - Net Assets With Donor Restriction
-	**Annuities with donor restrictions**	-	N/A
-	**Net assets with donor restrictions in perpetuity**	3,977,439	Notes to Financial Statements - Note 11, Net Assests and Net Assets Released from Restrictions
	Land, buildings, and equipment, net (includes construction in progress):		
	Land, buildings, and equipment pre-implementation	14,506,153	Notes to Financial Statements - Note 16, Department of Education Required Disclosures
	Land, buildings, and equipment post-implementation with outstanding debt for original purchase	-	N/A
	Land, buildings, and equipment post-implementation without outstanding debt for original purchase	1,557,975	Notes to Financial Statements - Note 16, Department of Education Required Disclosures
	Construction-in-progress	956,215	Notes to Financial Statements - Note 16, Department of Education Required Disclosures
-	**Total land, buildings, and equipment, net**	17,020,343	
	Lease right-of-use asset:		
	Lease right-of-use asset, post-implementation	-	N/A
-	**Total lease right-of-use asset**	-	
+	**Post-employment and defined benefit pension liabilities**	-	N/A
	Long-term debt - for long term purposes, not to exceed total land, buildings, and equipment, net:		
	Long-term debt - for long term purposes pre-implementation	11,228,402	Notes to Financial Statements - Note 8, Bonds Payable, Net
	Long-term debt - for long term purposes post-implementation	-	N/A
	Line of credit for construction in progress	-	N/A
+	**Total long-term debt - for long term purposes**	11,228,402	
	Lease right-of-use liability:		
	Lease right-of-use liability, post-implementation	-	N/A
+	**Total lease right-of-use liability**	-	
	Expendable Net Assets:	6,766,147	

	Total Expenses and Losses:		
=	Total expenses without donor restrictions	20,243,184	Statement of Activities and Change in Net Assets - Total Operating Expenses
+	Non-operating and net Investment losses	-	N/A
-	Net investment losses without donor restrictions	-	N/A
-	Pension-related changes other than net periodic costs	-	N/A
	Total Expenses and Losses:	20,243,184	

The accompanying notes are an integral part of this schedule.

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
JUNE 30, 2023
(Continued)

EQUITY RATIO

	Modified Net Assets		Financial Statement Location
=	**Net assets without donor restrictions**	6,747,454	Statement of Financial Position - Net Assets Without Donor Restriction
+	**Net assets with donor restrictions**	9,788,073	Statement of Financial Position - Net Assets With Donor Restriction
	Modified Net Assets:	16,535,527	
	Modified Assets		
=	**Total assets**	37,810,886	Statement of Financial Position - Total Assets
	Modified Assets:	37,810,886	

NET INCOME RATIO

		Financial Statement Location
Change in Net Assets Without Donor Restrictions	(2,524,344)	Statement of Activities and Change in Net Assets - Change in Net Assets Without Donor Restriction
Total Revenues and Gains	17,718,840	Notes to Financial Statements - Note 16, Department of Education Required Disclosures

The accompanying notes are an integral part of this schedule.