

Benjamin Franklin Cummings Institute of Technology

Financial Statements

June 30, 2022

(With Comparative Numbers for June 30, 2021)

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Financial Statements and Supplemental Information

Table of Contents

Financial Statements:

| | |
|-----------------------------------|-------|
| Independent Auditors' Report | 1-3 |
| Statements of Financial Position | 4 |
| Statements of Activities | 5-6 |
| Statements of Functional Expenses | 7-8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10-26 |

Supplemental Information:

| | |
|---|-------|
| Financial Responsibility Supplemental Schedule | 27 |
| Financial Responsibility Supplemental Disclosures | 28 |
| Schedule of Additional Information as Required under the United States Department of Education Financial Responsibility Standards | 29-30 |

Reporting Under Government Auditing Standards:

| | |
|---|-------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 31-32 |
|---|-------|



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Benjamin Franklin Cummings Institute of Technology
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Benjamin Franklin Cummings Institute of Technology (“BFCIT”), which comprise the statements 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 referred to above present fairly, in all material respects, the financial position of Benjamin Franklin Cummings Institute of Technology as of June 30, 2022, and the changes in its net assets, functional expenses, 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 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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Benjamin Franklin Cummings Institute of Technology 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 Financial Statements

The financial statements of BFCIT as of June 30, 2021 were audited by other auditors whose report dated January 27, 2022, expressed an unmodified opinion on those statements.

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 Benjamin Franklin Cummings Institute of Technology's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 in the United States of America 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 generally accepted auditing standards in the United States of America 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 Benjamin Franklin Cummings Institute of Technology'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 Benjamin Franklin Cummings Institute of Technology'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 27-28 and schedule of additional information as required under the United States Department of Education financial responsibility standards on pages 29-30 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 November 16, 2022, on our consideration of the Benjamin Franklin Cummings Institute of Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Benjamin Franklin Cummings Institute of Technology'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 Benjamin Franklin Cummings Institute of Technology's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants
Braintree, Massachusetts**

November 16, 2022

**Financial Statements
and Supplemental Information**

**Benjamin Franklin Cummings Institute
of Technology**

June 30, 2022 and 2021

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statements of Financial Position

June 30,

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Assets | | |
| Cash | \$ 726,911 | \$ 1,693,554 |
| Tuition and fees receivable, net of allowance for doubtful accounts of approximately \$585,000 and \$577,000 at June 31, 2022 and 2021, respectively | 1,091,126 | 710,908 |
| Other operating assets | 152,646 | 110,538 |
| Pledges receivable | 1,512,227 | 1,308,939 |
| Investments | 950,010 | 439,923 |
| Property and equipment, net | 12,762,957 | 10,806,346 |
| Total assets | \$ 17,195,877 | \$ 15,070,208 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,525,575 | \$ 1,085,820 |
| Deferred revenue | 1,246,435 | 869,178 |
| Note payable | 8,102,136 | 6,819,591 |
| Total liabilities | 10,874,146 | 8,774,589 |
| Net assets: | | |
| Without donor restrictions | 926,489 | 1,099,037 |
| With donor restrictions | 5,395,242 | 5,196,582 |
| Total net assets | 6,321,731 | 6,295,619 |
| Total liabilities and net assets | \$ 17,195,877 | \$ 15,070,208 |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statement of Activities

*Year Ended June 30, 2022
(with comparative totals for 2021)*

| | 2022 | | | 2021 |
|---|----------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenues: | | | | |
| Tuition and fees (net of scholarships of of \$1,744,139 and \$1,915,378 in 2022 and 2021, respectively) | \$ 6,472,859 | \$ - | \$ 6,472,859 | \$ 5,412,252 |
| Investment return (loss) | (5,972) | - | (5,972) | 8,267 |
| Auxiliary enterprises | 1,521,789 | - | 1,521,789 | 1,334,226 |
| Student provisions | 433,621 | - | 433,621 | 520,673 |
| Contributions and grants | 3,875,569 | 2,671,831 | 6,547,400 | 6,255,194 |
| Contributions of nonfinancial assets | 131,538 | - | 131,538 | 46,250 |
| Net assets released from restrictions | 2,473,171 | (2,473,171) | - | - |
| Total revenue | 14,902,575 | 198,660 | 15,101,235 | 13,576,862 |
| Expenses: | | | | |
| Instructional costs | 3,643,358 | - | 3,643,358 | 4,153,024 |
| Academic support | 3,521,744 | - | 3,521,744 | 2,072,462 |
| Student services | 3,738,768 | - | 3,738,768 | 4,093,366 |
| Management and general | 3,251,049 | - | 3,251,049 | 3,371,223 |
| Development fundraising | 607,006 | - | 607,006 | 844,009 |
| Depreciation | 313,198 | - | 313,198 | 292,324 |
| Total expenses | 15,075,123 | - | 15,075,123 | 14,826,408 |
| Change in net assets from operations | (172,548) | 198,660 | 26,112 | (1,249,546) |
| Other income: | | | | |
| Federal Paycheck Protection Program grant income | - | - | - | 1,600,640 |
| Total change in net assets | (172,548) | 198,660 | 26,112 | 351,094 |
| Net assets, beginning of year | 1,099,037 | 5,196,582 | 6,295,619 | 5,944,525 |
| Net assets, end of year | \$ 926,489 | \$ 5,395,242 | \$ 6,321,731 | \$ 6,295,619 |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statement of Activities

Year Ended June 30, 2021

| | <u>2021</u> | | |
|---|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Revenues: | | | |
| Tuition and fees (net of scholarships of of \$1,915,378 and \$2,679,167 in 2021 and 2020, respectively) | \$ 5,412,252 | \$ - | \$ 5,412,252 |
| Investment return | 8,267 | - | 8,267 |
| Auxiliary enterprises | 1,334,226 | - | 1,334,226 |
| Student provisions | 520,673 | - | 520,673 |
| Contributions and grants | 3,921,633 | 2,333,561 | 6,255,194 |
| Contributions of nonfinancial assets | 46,250 | - | 46,250 |
| Net assets released from restrictions | 2,786,389 | (2,786,389) | - |
| Total revenue | <u>14,029,690</u> | <u>(452,828)</u> | <u>13,576,862</u> |
| Expenses: | | | |
| Instructional costs | 4,153,024 | - | 4,153,024 |
| Academic support | 2,072,462 | - | 2,072,462 |
| Student services | 4,093,366 | - | 4,093,366 |
| Management and general | 3,371,223 | - | 3,371,223 |
| Development fundraising | 844,009 | - | 844,009 |
| Depreciation | 292,324 | - | 292,324 |
| Total expenses | <u>14,826,408</u> | <u>-</u> | <u>14,826,408</u> |
| Change in net assets from operations | (796,718) | (452,828) | (1,249,546) |
| Other income: | | | |
| Federal Paycheck Protection Program grant income | 1,600,640 | - | 1,600,640 |
| Total other income | 1,600,640 | - | 1,600,640 |
| Total change in net assets | 803,922 | (452,828) | 351,094 |
| Net assets, beginning of year | <u>295,115</u> | <u>5,649,410</u> | <u>5,944,525</u> |
| Net assets, end of year | <u>\$ 1,099,037</u> | <u>\$ 5,196,582</u> | <u>\$ 6,295,619</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statement of Functional Expenses

*Year Ended June 30, 2022
(with comparative totals for 2021)*

| | 2022 | | | | 2021 |
|---------------------------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|-----------------------------|
| | <i>Program Services</i> | <i>Management and General</i> | <i>Fundraising</i> | <i>Total</i> | <i>Total</i> |
| Salaries and wages | \$ 4,990,661 | \$ 879,505 | \$ 322,630 | \$ 6,192,796 | \$ 6,340,153 |
| Employee benefits | 550,381 | 427,290 | 29,083 | 1,006,755 | 857,433 |
| Payroll taxes | 366,123 | 57,513 | 22,615 | 446,251 | 475,447 |
| Fees for services | 1,765,436 | 681,408 | 141,861 | 2,588,705 | 1,424,486 |
| Advertising and promotion | 533,120 | 3,319 | 129 | 536,568 | 604,205 |
| Information technology | 331,615 | 6,334 | 9,429 | 347,378 | 384,001 |
| Travel | 5,073 | 7,919 | 26 | 13,019 | 19 |
| Conferences, conventions and meetings | 7,632 | 20,682 | 1,430 | 29,744 | 4,864 |
| Depreciation and amortization | - | 313,198 | - | 313,198 | 292,324 |
| Insurance | - | 85,807 | - | 85,807 | 116,819 |
| Student provisions | 490,990 | - | - | 490,990 | 375,392 |
| Student services | 1,381,369 | 5,705 | 2,519 | 1,389,593 | 1,374,472 |
| Other expenses | 136,298 | 698,127 | 77,123 | 911,548 | 1,131,835 |
| Utilities | 36,630 | 243,256 | - | 279,886 | 234,689 |
| Equipment rental and maintenance | 304,024 | 124,469 | 160 | 428,653 | 274,106 |
| Bad debt | 4,519 | 9,715 | - | 14,234 | 936,163 |
| Total functional expenses | \$ <u>10,903,870</u> | \$ <u>3,564,247</u> | \$ <u>607,006</u> | \$ <u>15,075,123</u> | \$ <u>14,826,408</u> |

See accompanying notes to the financial statements.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statement of Functional Expenses

Year Ended June 30, 2021

| | <i>2021</i> | | | |
|---------------------------------------|-----------------------------|-----------------------------------|--------------------------|-----------------------------|
| | <i>Program Services</i> | <i>Management and General</i> | <i>Fundraising</i> | <i>Total</i> |
| Salaries and wages | \$ 5,064,903 | \$ 1,133,840 | \$ 141,410 | \$ 6,340,153 |
| Employee benefits | 542,129 | 296,505 | 18,799 | 857,433 |
| Payroll taxes | 370,863 | 94,059 | 10,525 | 475,447 |
| Fees for services | 723,606 | 700,880 | - | 1,424,486 |
| Advertising and promotion | 598,982 | 5,223 | - | 604,205 |
| Information technology | 358,128 | 22,019 | 3,854 | 384,001 |
| Travel | - | 19 | - | 19 |
| Conferences, conventions and meetings | 3,334 | 1,486 | 44 | 4,864 |
| Depreciation and amortization | - | 292,324 | - | 292,324 |
| Insurance | - | 116,819 | - | 116,819 |
| Student provisions | 375,392 | - | - | 375,392 |
| Student services | 1,374,472 | - | - | 1,374,472 |
| Other Expenses | 543,731 | 570,507 | 17,597 | 1,131,835 |
| Utilities | 40,471 | 194,218 | - | 234,689 |
| Equipment rental and maintenance | 228,579 | 45,247 | 280 | 274,106 |
| Bad debt | 94,262 | 190,401 | 651,500 | 936,163 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total functional expenses | \$ <u>10,318,852</u> | \$ <u>3,663,547</u> | \$ <u>844,009</u> | \$ <u>14,826,408</u> |

See accompanying notes to the financial statements.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Statements of Cash Flows

Years Ended June 30,

| | 2022 | 2021 |
|--|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 26,112 | \$ 351,094 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation and amortization | 313,198 | 292,324 |
| Amortization of deferred financing costs | 39,741 | 39,741 |
| Bad debts | 14,234 | 936,136 |
| Net realized and unrealized losses (gains) on investments | 5,972 | (8,267) |
| Change in: | | |
| Paycheck Protection Program funding that offsets qualified expenses | - | (455,380) |
| Student accounts receivable | (394,452) | (1,169,943) |
| Pledges receivable | (203,288) | 139,413 |
| Other operating assets | (42,108) | 207,088 |
| Accounts payable and accrued expenses | 439,755 | (360,610) |
| Deferred revenue | 377,257 | (674,567) |
| Total adjustments | 550,309 | (1,054,065) |
| Net cash provided by (used in) operating activities | 576,421 | (702,971) |
| Cash flows from investing activities: | | |
| Purchases of investments | (516,059) | (157,153) |
| Purchase of property and equipment | (2,269,809) | (1,204,305) |
| Net cash used in investing activities | (2,785,868) | (1,361,458) |
| Cash flows from financing activity: | | |
| Proceeds of long-term debt | 1,242,804 | 2,000,000 |
| Net cash used in financing activities | 1,242,804 | 2,000,000 |
| Net decrease in cash | (966,643) | (64,429) |
| Cash, beginning of year | 1,693,554 | 1,757,983 |
| Cash, end of year | \$ 726,911 | \$ 1,693,554 |

See accompanying notes to the financial statements.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 1 - Nature of Organization

Benjamin Franklin Cummings Institute of Technology (“BFCIT”) is a non-profit college founded in 1908 from the proceeds of a bequest to city of Boston from Benjamin Franklin serving students primarily from the Greater Boston area.

BFCIT is committed to student success and career preparation leading to the Associate in Science degree, the Bachelor of Science, a certificate and non-credit programs in engineering technology, industrial technology, and related fields. Most students receive grants or loans via various student financial aid programs sponsored by the United States Department of Education (“DOE”) which facilitates the payment of a substantial portion of the costs students incur at BFCIT. BFCIT also receives important annual contributed support. BFCIT strives to empower and inspire every student to reach his or her full potential, through industry-informed curricula, hands-on learning, and personalized support, producing graduates fully prepared for work, life-long learning and citizenship.

BFCIT is accredited by the New England Commission of Higher Education, Inc. (“NECHE”). BFCIT’s accreditation status is subject to certain operating and reporting requirements and such accreditation is required to participate in DOE financial aid programs. In addition, BFCIT is subject to various participation requirements as well as oversight by the DOE. See Note 12 for further information on DOE matters.

In March 2022, NECHE voted to renew BFCIT’s accreditation for a ten-year period with its next accreditation visit scheduled for the fall of 2031. Due to prior year operating losses, NECHE noted that BFCIT is in danger of not meeting NECHE’s standards on Institutional Resources.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include investment in property and equipment, net of accumulated depreciation and amortization and related debt obligations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, the events specified by the donor or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash

BFCIT considers as cash any highly liquid debt instruments with maturities at date of purchase of three months or less. Cash is reported at cost plus accrued interest. Cash held by investment managers are considered part of investment given the expectation of near term reinvestment. BFCIT maintains cash balances at financial institutions which, at times, may exceed federally insured limits. BFCIT monitors its exposure associated with cash and has not experienced any losses in such accounts.

Investments

Investments are reported at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the statements of activities and consists of interest, dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Fair Value Measurements

BFCIT reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measures include BFCIT's investments. The standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require BFCIT to classify recurring fair values of financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique as follows:

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

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

Tuition and Fees Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of BFCIT. Student accounts are not collateralized. Student accounts and notes receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is established based on historical experience which is reviewed and assessed periodically.

Pledges Receivable

Pledges receivable are reported at fair value on the date the promise is verifiably committed. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risks involved and the time duration at the time the pledge is received. This is considered a Level 2 fair value method as described elsewhere in these policies.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair market value at the date of the donation when the item has a useful life in excess of one year. Donated property and equipment uses Level 3 fair value methods as described elsewhere in these policies. Management applies a capitalization threshold of \$5,000 with depreciation expensed on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term when applicable.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Student deposits represent reservation deposits and other advance payments by students on account. Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition and fees. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided. Deferred revenue also includes unexpended amounts associated with the funds received and not expended under the Higher Education Emergency Relief Funds awarded under the CARES Act, as well as certain amounts deferred associated with the payment in connection with the campus sale pending.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Earned Revenues

BFCIT derives revenues primarily through tuition and fees which are under arrangements that are aligned to an academic semester which is less than one year in length.

Under accounting standards, revenue measurement is driven via principles-based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Tuition and fees revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students. Such net amounts are recorded as revenue when performance obligations are satisfied, which is generally over time as services are rendered. Auxiliary revenues are likewise recognized. 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. Student provisions revenue is recorded at point of sale. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. 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 activity.

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

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Earned Revenues (Continued)

Payments made by third parties, such as the DOE, 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 BFCIT. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

Contributions and Grant Support

Contributions and grant support, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long lived assets are reported as net assets with donor restrictions. BFCIT reports expirations of donor restrictions when the donated or acquired long lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Contributions of Nonfinancial Assets

BFCIT reflects certain donated goods consisting of equipment and materials for students to use as revenue in the financial statements. Such amounts are recognized using Level 3 fair value methods as per the fair value polices contained earlier in this section.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Federal Paycheck Protection Program Grant Income

BFCIT has recorded Paycheck Protection Program funds as non-operating income under the grant accounting model which allows for recording of revenue as eligible costs are incurred under the program. Such amounts are included in the accompanying statements of activities as federal paycheck protection grant income (see Note 14).

Expenses

Expenses are reported as decreases in net assets without donor restrictions. Investment returns 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 “releases from restrictions” between the classes of net assets.

Advertising and Promotion

Costs for advertising and promotion are expensed as incurred. Such expense totaled \$536,568 and \$604,205 for the years ended June 30, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and the administration of BFCIT have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Costs that are identified with a specific functional area are coded directly to expenses by function. Other costs that cannot be identified directly are allocated between functional areas based on full-time equivalents. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

BFCIT is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and is generally exempt from both Federal and state income taxes.

Uncertain Tax Positions

BFCIT accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. BFCIT has identified its tax status as a tax exempt entity and its determinations of which income items are related or unrelated as its only significant tax positions; however, BFCIT has determined that such tax positions do not result in an uncertainty requiring recognition. BFCIT is not currently under examination by any taxing jurisdictions. BFCIT’s Federal and state tax returns are generally open for examination for three years following the date filed.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

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. BFCIT 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 reclassified to conform to this presentation, but net assets were not impacted.

New Accounting Pronouncement

FASB issued ASU 2016-02, *Leases*, which is effective for periods beginning after December 15, 2021. The 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 the impact on the financial statements.

Reclassifications

Certain amounts have been reclassified in the 2021 financial statements to conform to the 2022 presentation, including the presentation of the Statement of Functional Expenses.

Subsequent Events

BFCIT has evaluated subsequent events from the date of the financial statements through November 16, 2022, the date at which the financial statements were authorized to be issued. See Notes 3 and 7 regarding the extension of BFCIT’s revolving credit loan agreement.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 3 - Liquidity and Availability

Operating Results and Liquidity

BFCIT achieved an operating surplus in 2022 which was a significant improvement from the prior two fiscal years. BFCIT continues to navigate the complex and multi-step process associated with the ultimate sale of its current campus as further discussed in Note 6 which management expects will provide the required liquidity for forward operations. The closing date is subject to change depending on outside factors, zoning and other matters; however, management expects the closing to occur sometime in 2023. In the event the sale is delayed, management plans to use the existing credit facility which was extended after year end to mature on June 30, 2023 to fund operations. Management believes that its credit facilities are sufficient for its needs; however, if required, management also believes that it would be able to obtain additional credit given the compelling loan to value ratio in the property. BFCIT has a purchase and sales agreement which calls for gross proceeds of approximately \$66,000,000 less \$10,000,000 that has already been advanced. The lender currently has a mortgage on such premises in the amount of \$15,000,000 of which approximately half of that amount has been drawn under the arrangement as of June 30, 2022. Management believes that between the sale and/or use of the existing credit facility that it will have sufficient liquidity to meet its obligations to allow for it to continue as a going concern for 12 months from the issuance date of these financial statements. The financial statements do not contain any adjustments as a result of these matters.

BFCIT regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. BFCIT has various sources of liquidity at its disposal, including cash and its existing bank arrangement which include a revolving credit loan agreement.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 3 - Liquidity and Availability (Continued)

Operating Results and Liquidity (Continued)

The following table shows financial assets available within one year of the balance sheet date to meet general expenditures:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Financial assets available to meet general expenditures over the next 12 months: | | |
| Cash | \$ 726,911 | \$ 1,693,554 |
| Tuition and fees receivable | 1,091,126 | 710,908 |
| Other receivable | 114,276 | 58,114 |
| Pledges receivable in one year or less | 954,950 | 702,100 |
| Investments available | <u>470,967</u> | <u>320,880</u> |
| Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months | <u>\$ 3,358,230</u> | <u>\$ 3,485,556</u> |

Note 4 - Pledges Receivable

Pledges receivable discount was calculated using 1 year treasury rate of 2.69% and 0.074% at June 30, 2022 and 2021, respectively.

Pledges receivable are summarized as follows as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 954,950 | \$ 702,100 |
| One year to five years | <u>573,517</u> | <u>614,600</u> |
| | 1,528,467 | 1,316,700 |
| Less: Unarmortized discounts for uncollectibles | <u>(16,240)</u> | <u>(7,761)</u> |
| Pledges receivable, net | <u>\$ 1,512,227</u> | <u>\$ 1,308,939</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 5 - Investments

The portfolio of investments was valued using Level 1 methods and was comprised of money market and bond funds as of June 30, 2022 and 2021. Investments were as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|--------------|-------------------|-------------------|
| Money market | \$ 905,029 | \$ 385,582 |
| Bond funds | <u>44,981</u> | <u>54,341</u> |
| Total | <u>\$ 950,010</u> | <u>\$ 439,923</u> |

Investment return was (\$5,972) and \$8,267 for the years ended June 30, 2022 and 2021, respectively.

On October 6, 2017, BFCIT gained approval from the Supreme Judicial Court of the Commonwealth of Massachusetts in order to borrow from its endowment (“Endowment Loan”). The terms of this approval allowed BFCIT to borrow up to \$3,100,000 from the endowment while providing a security interest in all structures which comprise its current premises, along with any related furniture, equipment and other goods to secure repayment. Interest is to accrue at 10% per annum. Interest only payments commenced in September 2018 and semi-annual payments of principal and interest commenced on September 30, 2021 (see Note 7). A total of \$2,790,000 and \$3,100,000 at June 30, 2022 and 2021, respectively, was drawn down under this arrangement which had the effect of reducing investments. At June 30, 2022 and 2021, additional in kind interest accruing at 5% per annum of approximately \$616,000 and \$456,000, respectively is owed back to the endowment that is not accrued for on the accompanying statements of financial position.

Note 6 – Property and Equipment

Property and equipment were as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Land, buildings and improvements | \$ 4,810,166 | \$ 5,785,246 |
| Computers and other equipment | 4,269,990 | 4,933,445 |
| Construction in process | <u>10,126,030</u> | <u>8,169,258</u> |
| | 19,206,186 | 18,887,949 |
| Less: Accumulated depreciation and amortization | <u>6,443,229</u> | <u>8,081,603</u> |
| Property and equipment, net | <u>\$ 12,762,957</u> | <u>\$ 10,806,346</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 6 – Property and Equipment (Continued)

The sale of BFCIT's campus is pending under a purchase and sale agreement for an approximate amount of \$66,000,000 subject to certain adjustments. Under the terms of the arrangement, a \$10,000,000 advance payment was made that management considered realized given the remote conditions under which such funds would need to be returned and, accordingly, a gain on sale was recognized in 2020 reduced by the basis attributable to that shared of the net investment plant. Net proceeds from the sale are expected sometime in 2023. Given the sale will be subject to a leaseback as the new facility is constructed, such assets continue to be included as land, buildings and improvements rather than assets held for sale given that it continues to be used in operations.

Construction in process costs relates to engineering and design costs related to the planned construction of the new campus along with the cost of the property acquired for this purpose.

Included in the amount of construction in process is cumulative capitalized interest of approximately \$763,000 and \$455,000 at June 30, 2022 and 2021, respectively.

Note 7 - Note Payable

BFCIT maintains a revolving credit loan agreement ("Agreement") with a financial institution with a limit of \$15,000,000 with a maturity date that was extended after year end to June 30, 2023. The Agreement is secured by a mortgage, security agreement and assignment in certain property owned by BFCIT and bears interest at the greater of the published Prime rate plus 1% or 4.40% (this resulted in an actual rate of 5.75% and 4.40% at June 30, 2022 and 2021, respectively). The loan issuance cost was fully amortized the year ended June 30, 2022. Amortization expense related to the loan issuance costs totaled \$39,741 for the years ended June 30, 2022 and 2021.

During the year ended June 30, 2022, BFCIT entered into forgivable loan agreement with the Massachusetts Development Finance Agency for site assessment, demolition and remediation activities on the land located at 1003-1013 Harrison Avenue in Roxbury, MA in order to develop and use the site as the Nubian Square Campus of BFCIT. According to the agreement, BFCIT shall use good faith efforts to complete the scope of work on or before December 31, 2022 and shall submit all of its requests for Mass Development Funds no later than March 31, 2023. Mass Development has agreed to provide an amount not to exceed \$650,000 to be used for reimbursement/payment of estimated costs of the scope of work. BFCIT will be relieved of its repayment obligations once it achieves the "forgiveness event" which is defined as completing the scope of work and is issued a certificate of occupancy for the planned new building. Management believes the event to occur during fiscal 2025. As of June 30, 2022, \$242,804 has been expended under the project.

BFCIT capitalized \$306,593 and \$271,719 of interest for the years ended June 30, 2022 and 2021, respectively.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 7 - Note Payable (Continued)

In addition, as more fully described in Note 5, BFCIT maintains an internal loan from its endowment which has been used to fund past operations. It is expected that upon sale of the building that this obligation will be paid off by redepositing this amount plus accrued interest into the investment accounts of BFCIT. The obligation to the endowment fund is eliminated in consolidation so the assets of the investments and obligations to the endowment type funds is not presented within the statement of financial position of BFCIT. Future principal payments are as follows for the years ended June 30:

| | <i>Note Payable</i> | <i>Endowment Loan</i> | <i>Total</i> |
|------------|---------------------|-----------------------|----------------------|
| 2023 | \$ 7,859,332 | \$ 310,000 | \$ 8,169,332 |
| 2024 | - | 310,000 | 310,000 |
| 2025 | 242,804 | 310,000 | 552,804 |
| 2026 | - | 310,000 | 310,000 |
| 2027 | - | 310,000 | 310,000 |
| Thereafter | - | 1,240,000 | 1,240,000 |
| | <u>\$ 8,102,136</u> | <u>\$ 2,790,000</u> | <u>\$ 10,892,136</u> |

Note 8 - Net Assets and Endowments

BFCIT has a number of donor-restricted endowment funds established to further its educational mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as enacted in Massachusetts as requiring the tracking of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, BFCIT tracks the original value of gifts donated to the permanent endowment, subsequent gifts to the permanent endowment and any required additions to these funds per the donor agreement. Any amounts in excess of these levels which is generally accumulated unspent gains on such funds are subject to appropriation for expenditure by BFCIT via the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 8 - Net Assets and Endowments (Continued)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, BFCIT also considers the following factors in making a determination to appropriate endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of BFCIT and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of BFCIT; and
- 7) The investment policies of BFCIT.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

BFCIT tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Investment Policy

As more fully described in Note 5, BFCIT has borrowed a total of \$3,100,000 in funds from its endowment, in addition to spending down all available investment returns to fund cash flows. Accordingly, only a modest amount of invested funds remain pending replenishment.

Endowment net assets were as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|----------------------------|---------------------|---------------------|
| Without donor restrictions | \$ 470,967 | \$ 320,880 |
| With donor restriction | <u>3,269,043</u> | <u>3,219,043</u> |
| | <u>\$ 3,740,010</u> | <u>\$ 3,539,923</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 8 - Net Assets and Endowments (Continued)

Endowment Investment Policy (Continued)

Endowment activity was as follows for the years ended June 30:

| | 2022 | | |
|-----------------------------------|----------------------------------|----------------------------|--------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Beginning balance | \$ 320,880 | \$ 3,219,043 | \$ 3,539,923 |
| Additions | 156,059 | 50,000 | 206,059 |
| Investment loss | <u>(5,972)</u> | <u>-</u> | <u>(5,972)</u> |
| Ending balance in net assets | 470,967 | 3,269,043 | 3,740,010 |
| Less: Cumulative amounts borrowed | - | (3,100,000) | (3,100,000) |
| Plus: Principal repayment | <u>-</u> | <u>310,000</u> | <u>310,000</u> |
| Invested balance remaining | <u>\$ 470,967</u> | <u>\$ 479,043</u> | <u>\$ 950,010</u> |
| | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Beginning balance | \$ 155,460 | \$ 3,219,043 | \$ 3,374,503 |
| Additions | 157,153 | - | 157,153 |
| Investment return | <u>8,267</u> | <u>-</u> | <u>8,267</u> |
| Ending balance in net assets | 320,880 | 3,219,043 | 3,539,923 |
| Less: Cumulative amounts borrowed | <u>-</u> | <u>(3,100,000)</u> | <u>(3,100,000)</u> |
| Invested balance remaining | <u>\$ 320,880</u> | <u>\$ 119,043</u> | <u>\$ 439,923</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 8 - Net Assets and Endowments (Continued)

Endowment Investment Policy (Continued)

Net assets without donor restrictions were as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|---------------------|
| Net investment in plant, net of related debt | \$ 4,903,625 | \$ 3,986,755 |
| Net deficit | <u>(3,977,136)</u> | <u>(2,887,718)</u> |
| | <u>\$ 926,489</u> | <u>\$ 1,099,037</u> |

Net assets with donor restrictions were as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|-------------------------|-------------------------|
| Endowment corpus: | | |
| Franklin Trust | \$ 1,247,419 | \$ 1,197,419 |
| Other scholarship funds | <u>2,021,624</u> | <u>2,021,624</u> |
| Total endowment | 3,269,043 | 3,219,043 |
| Pledges receivable | 1,512,227 | 1,308,939 |
| Scholarships and other restricted | <u>613,972</u> | <u>668,600</u> |
| Total | <u>\$ 5,395,242</u> | <u>\$ 5,196,582</u> |

Net assets released from donor restrictions by the occurrence of events specified by the donors or by the passage of time were as follows for the years ended June 30:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| Time restriction met | \$ 828,472 | \$ 1,637,433 |
| Operations and scholarships | <u>1,644,699</u> | <u>1,148,956</u> |
| Net assets released from restrictions | <u>\$ 2,473,171</u> | <u>\$ 2,786,389</u> |

Note 9 – Contributions of nonfinancial assets

BFCIT received \$131,538 and \$46,250 of contributions of nonfinancial assets in 2022 and 2021, respectively, consisting of equipment and materials restricted by donors for student use, of which approximately \$98,982 and \$46,250 was capitalized as property and equipment, net in 2022 and 2021, respectively. The contributions are valued at their estimated fair value on the date of receipt. The entire amount of restricted contributions of nonfinancial assets for the years ended June 30, 2022 and 2021 was used accordingly to its donor restriction during the respective years.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 10 - Retirement Plan

BFCIT has a qualified defined contribution plan under Section 403(b) of the Internal Revenue Code. BFCIT's annual contribution to the Plan equals 5% of compensation as defined subject to eligibility requirements such as two years of service and attaining the age of 21 subject to legal limits. Expenses relating to this plan amounted to \$187,200 and \$199,227 for the years ended June 30, 2022 and 2021, respectively. Employees may make additional voluntary contributions to the Plan through payroll deductions subject to legal limits.

BFCIT intends, but does not promise, to pay those who were employed prior to participation in the above mentioned plan a monthly pension in recognition of prior service. The monthly pension is equal to 1% of regular monthly compensation multiplied by prior service years, as defined. No liability has been recorded in the statements of financial position, as there is no contractual or legal obligation to these employees. Payments to this group of retired employees amounted to \$21,257 and \$23,657 for the years ended June 30, 2022 and 2021, respectively, pursuant to a vote of the Board of Trustees.

Note 11 - Affiliated Organization

BFCIT has an affiliated organization called The Franklin Foundation, which was established under Internal Revenue Code Section 501(c)(3) as a nonprofit organization to raise funds to support the ongoing educational programs of BFCIT. The board of this entity is made up of select members of BFCIT's board. During the years ended June 30, 2022 and 2021, The Franklin Foundation did not expend any funds on behalf of BFCIT. An immaterial amount of funds are held by this entity.

Note 12 - DOE Matters

The DOE requires the computation of a financial strength indicator each year based on the information in the annual financial statements that results in a pass, in the zone or a fail based on the computed values. BFCIT was considered failing in 2022 and in the zone in 2021. This failing score was the result of BFCIT funding a large portion of the development costs of its new campus with unrestricted operating funds, which will be repaid upon the closing of the sale of its current campus. Institutions with a failing score for more than three years will not be allowed to continue to participate in DOE student financial aid programs. BFCIT has a letter of credit posted in favor of the DOE in the amount of \$308,116 and \$480,760 at June 30, 2022 and 2021, respectively. The decrease reflects BFCIT's improving financial strength.

BFCIT is also subject to local accreditation oversight and such accreditation is required to continue to participate in DOE programs. Management believes it will be able to continue to meet these requirements.

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Notes to Financial Statements

Note 13 - Commitments

BFCIT has entered into various operating lease agreements for equipment as well as leases certain facilities from time to time. Rent expense was approximately \$28,000 and \$38,600 for the years ended June 30, 2022 and 2021, respectively.

Future minimum payments under the equipment leases are approximately:

| | | |
|-------------------------------------|----|---------------|
| 2023 | \$ | 22,259 |
| 2024 | | 20,190 |
| 2025 | | <u>2,450</u> |
| Total Minimum Future Lease Payments | \$ | <u>44,899</u> |

Note 14 - Federal Support Associated with Covid

Given the effects of Covid, BFCIT was eligible for certain funding in 2022 and 2021. Some of these funding will be expended and thus recognized as revenue later. These programs provided substantial support as follows:

Paycheck Protection Program Loans

In 2021 and 2020, BFCIT applied for and received forgivable Paycheck Protection Program Loans of \$1,145,260 (“PPP 2”) and \$1,755,380 (“PPP 1”) funded on February 12, 2021 and April 28, 2020, respectively. BFCIT recorded grant revenue of \$1,600,640 and \$1,300,000 for the years ended June 30, 2021 and 2020, respectively, given eligible costs being incurred associated with this funding following the so called grant accounting method. Under the grant accounting method, revenue is recorded as related costs are incurred. Formal forgiveness for PPP 1 and PPP 2 was granted on June 14, 2021 and February 1, 2022, respectively.

Higher Education Emergency Relief Funds

BFCIT was granted three awards to assist students and BFCIT with the impact of Covid which totaled \$4,278,128. BFCIT recorded grant revenue of \$1,135,799 and \$2,828,787 for the years ended June 30, 2022 and 2021, respectively. Unexpended amounts pending at June 30, 2022 were \$243,896, which are expected to be reported as revenue in fiscal 2023 as costs are incurred.

Forward Impact

BFCIT expects continued impact from Covid associated with revenues and costs; however, the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements, along with other factors. The remaining funding as noted above will be available to mitigate such impact; however, the impacts may be greater than the funding available.

Supplemental Information

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

| Primary Reserve Ratio: | | |
|---|---|--|
| Expendable Net Assets: | | |
| 1 | Statement of Financial Position (SFP) | Net assets without donor restrictions \$ 926,489 |
| 2 | SFP | Net assets with donor restrictions 5,395,242 |
| 3 | Not applicable | Secured and Unsecured related party receivable - Total - |
| 4 | Not applicable | Unsecured related party receivables - |
| 5 | SD Line 5 | Property, Plant and Equipment, net (includes Construction in progress) - Total 12,762,957 |
| 6 | SD Line 1d | Property, plant and equipment pre-implementation 10,493,148 |
| 7 | SD Line 2d | Property, plant and equipment post-implementation with outstanding debt for original purchase - |
| 8 | SD Line 4a | Property, plant and equipment post-implementation without outstanding debt for original purchase 313,037 |
| 9 | SD Line 3 | Construction in progress 1,956,772 |
| 10 | Not applicable | Lease right-of-use asset, net - Total - |
| 11 | Not applicable | Lease right-of-use, pre-implementation (grandfather of leases option not chosen) - |
| 12 | Not applicable | Lease right-of-use asset, post-implementation - |
| 13 | SD Line 11 | Intangible assets - |
| 14 | Not applicable | Post-employment and pension liabilities - |
| 15 | SD Lines 6d, 7a-c, 8 | Long-term debt- for long-term purposes - Total 8,102,136 |
| 16 | SD Line 6d | Long-term debt- for long-term purpose pre-implementation 8,102,136 |
| 17 | SD Lines 7a-c | Long-term debt- for long-term purposes post-implementation - |
| 18 | SD Line 8 | Line of Credit for Construction in progress - |
| 19 | Not applicable | Lease right-of-use asset liability - Total - |
| 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 | Not applicable | Annuities, term endowment and life income with donor restrictions - Total - |
| 23 | Not applicable | Annuities with donor restrictions - |
| 24 | Not applicable | Term Endowments with donor restrictions - |
| 25 | Not applicable | Life income funds with donor restrictions - |
| 26 | Note 9 | Net Assets with donor restrictions - restricted in perpetuity 3,269,043 |
| Total Expenses without Donor Restrictions and Losses without Donor Restrictions: | | |
| 27 | Statement of Activities (SOA) | Total expenses without donor restrictions- taken directly from Statement of Activities 15,075,123 |
| 28 | Not applicable | Non-operating and Net Investment (loss) - |
| 29 | Not applicable | Net Investment losses - |
| 30 | Not applicable | Pension-related changes other than net periodic costs - |
| Equity Ratio: | | |
| Modified Net Assets: | | |
| 31 | SFP | Net assets without donor restrictions 926,489 |
| 32 | SFP | Net assets with donor restrictions 5,395,242 |
| 33 | SD Line 11 | Intangible Assets - |
| 34 | Not applicable | Intangible Assets- Goodwill - |
| 35 | Not applicable | Secured and unsecured related party receivables- Total - |
| 36 | Not applicable | Unsecured related party receivables - |
| Modified Assets: | | |
| 37 | SFP | Total Assets 17,195,877 |
| 38 | Not applicable | Lease right-of-use asset pre-implementation - |
| 39 | Not applicable | Pre-implementation right-of-use asset liability - |
| 40 | SD Line 11 | Intangible Assets - |
| 41 | Not applicable | Secured and unsecured related party receivables - |
| 42 | Not applicable | Unsecured related party receivables - |
| Net Income Ratio: | | |
| Change in Net Assets Without Donor Restrictions: | | |
| 43 | SOA | Change in net assets without donor restrictions (172,548) |
| Total Revenue without Donor Restrictions and Gains without Donor Restrictions | | |
| 44 | SOA: Total Revenue, Gains and Other Support (Not including Investments) | Total Revenues and Gains 14,902,575 |
| 45 | SOA | Investments, net (operating and non-operating) \$ (5,972) |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

Financial Responsibility Supplemental Disclosures

Year Ended June 30, 2022

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

Property, Plant and Equipment, net

| | |
|--|----------------------|
| 1 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) | \$ 10,806,346 |
| b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 lease standards | - |
| c. Less subsequent depreciation and disposals | <u>313,198</u> |
| d. Balance Pre-implementation property, plant and equipment, net | <u>10,493,148</u> |
| 2 Debt Financed Post-Implementation property, plant and equipment, net | |
| Long-lived assets acquired with debt subsequent to June 30, 2019: | |
| a. Equipment | - |
| b. Land Improvements | - |
| c. Building | <u>-</u> |
| d. Total Property, plant and equipment, net acquired with debt exceeding 12 months | - |
| 3 Construction in progress- acquired subsequent to June 30, 2021 | 1,956,772 |
| 4 Post-implementation property, plant and equipment, net, acquired without debt: | |
| a. Long-lived assets acquired without use of debt subsequent to June 30, 2019 | <u>313,037</u> |
| 5 Total Property, Plant and Equipment, net- June 30, 2022 | <u>\$ 12,762,957</u> |

Debt to be excluded from expendable net assets

| | |
|--|---------------------|
| 6 Pre-implementation debt: | |
| a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2021) | \$ 6,819,591 |
| 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>-</u> |
| d. Balance pre-implementation debt | <u>6,819,591</u> |
| 7 Allowable post-implementation debt used for capitalized long-lived assets: | |
| a. Equipment- all capitalized | - |
| b. Land Improvements | - |
| c. Buildings | - |
| 8 Construction in progress (CIP) financed with short term debt | 1,282,545 |
| 9 Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value | <u>-</u> |
| | <u>\$ 8,102,136</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

**Schedule of Additional Information as Required under the
United States Department of Education Financial Responsibility Standards
Year Ended June 30, 2022**

Equity Ratio

| <i>Location of amount in Financial Statements or Disclosure</i> | <i>Element</i> | <i>Amount</i> |
|---|---------------------------------------|---------------|
| Modified Net Assets - Elements | | |
| SFP Page 4: Net assets without donor restrictions | Net assets without donor restrictions | \$ 926,489 |
| SFP Page 4: Net assets with donor restrictions | Net assets with donor restrictions | \$ 5,395,242 |
| Total net assets | Total modified Net Assets | 6,321,731 |
| Modified Assets - Elements | | |
| SFP Page 4: Total assets | Total modified Assets | \$ 17,195,877 |
| | Equity Ratio | <u>37%</u> |

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

**Schedule of Additional Information as Required under the
United States Department of Education Financial Responsibility Standards
Year Ended June 30, 2022**

Net Income Ratio

| <i>Location of amount in Financial Statements or Disclosure</i> | <i>Element</i> | <i>Amount</i> |
|---|---|----------------------|
| SOA page 5: Change in net assets without donor restrictions | Changes in net assets without donor restrictions | \$ (172,548) |
| Total Revenue without Donor Restrictions and Gains without Donor Restrictions - Elements | | |
| SOA page 5 | Total revenues without donor restrictions (including net assets released from restrictions) | 14,902,575 |
| SOA page 5 | non operating gain on pension/other | - |
| SOA page 5 | non operating gain on investment | - |
| SOA page 5 | non operating gain on annuity/split interest agreement | - |
| SOA page 5 | non operating gain on interest rate swap | - |
| SOA page 5 | non operating gain on sale of PP&E | - |
| SOA page 5 | non operating grant income | - |
| | Total Revenues and Gains without Donor Restrictions | \$ 14,902,575 |
| | Net Income Ratio | <u>-1%</u> |

**INDEPENDENT AUDITORS' 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 AUDITORS' 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
Benjamin Franklin Cummings Institute of Technology
Boston, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Benjamin Franklin Cummings Institute of Technology ("BFCIT"), which comprise the statement of financial position as of June 30, 2022, 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, and we have issued our report thereon dated November 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BFCIT'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 BFCIT's internal control. Accordingly, we do not express an opinion on the effectiveness of BFCIT'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BFCIT'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 BFCIT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BFCIT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants
Braintree, Massachusetts**

November 16, 2022