



**Benjamin Franklin
Cummings Institute
of Technology**

**BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY
Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report**

Benjamin Franklin Cummings Institute of Technology
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June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Benjamin Franklin Cummings Institute of Technology:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Benjamin Franklin Cummings Institute of Technology ("Franklin Cummings Tech"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Benjamin Franklin Cummings Institute of Technology 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.

Other Matter

The financial statements and related notes of Benjamin Franklin Cummings Institute of Technology as of and for the year ended June 30, 2022 were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated November 16, 2022.

As more fully described in Note 2 to the financial statements, Benjamin Franklin Cummings Institute of Technology has presented summarized comparative information for the year ended June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

We were not engaged to audit, review, or apply any procedures to Benjamin Franklin Cummings Institute of Technology's 2022 financial statements other than with respect to summarizing the information and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 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.

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 for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Supplementary 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 25-26 and schedule of additional information as required under the United States Department of Education financial responsibility standards on pages 27-28 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 October 26, 2023 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 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.

Emphasis of a Matter

As described in Note 2, Benjamin Franklin Cummings Institute of Technology adopted Accounting Standards Codification ("ASC") Topic 842, Leases as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Benjamin Franklin Cummings Institute of Technology's historic accounting under ASC Topic 840. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

October 26, 2023

Benjamin Franklin Cummings Institute of Technology
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 2,358,390	\$ 726,911
Tuition and fees receivable, net of allowance for doubtful accounts of approximately \$813,000 and \$585,000 at June 30, 2023 and 2022, respectively	827,592	1,091,126
Pledges receivable	2,528,473	1,512,227
Other receivable	788,148	-
Investments	1,270,200	950,010
Other operating assets	212,861	152,646
Property and equipment, net	14,691,197	12,762,957
Right-of-use assets - operating, net	<u>19,495</u>	<u>-</u>
 Total assets	 <u>\$ 22,696,356</u>	 <u>\$ 17,195,877</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,502,932	\$ 1,525,575
Deferred revenue	914,324	1,246,435
Operating lease liabilities	19,774	-
Note payable	<u>11,435,155</u>	<u>8,102,136</u>
 Total liabilities	 <u>13,872,185</u>	 <u>10,874,146</u>
Net assets		
Without donor restrictions	1,191,271	926,489
With donor restrictions	<u>7,632,900</u>	<u>5,395,242</u>
Total net assets	<u>8,824,171</u>	<u>6,321,731</u>
 Total liabilities and net assets	 <u>\$ 22,696,356</u>	 <u>\$ 17,195,877</u>

The Notes to Financial Statements are an integral part of these statements.

Benjamin Franklin Cummings Institute of Technology
Statement of Activities
Year Ended June 30, 2023 (with comparative totals for 2022)

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues				
Tuition and fees (net of scholarships of of \$1,630,186 and \$1,744,139 in 2023 and 2022, respectively)	\$ 6,707,737	\$ -	\$ 6,707,737	\$ 6,802,351
Investment return (loss)	2,525	-	2,525	(5,972)
Auxiliary enterprises	775,602	-	775,602	1,192,297
Student provisions	491,011	-	491,011	433,621
Contributions and grants	3,757,997	5,843,437	9,601,434	6,547,400
Contributions of nonfinancial assets	169,285	-	169,285	131,538
Net assets released from restrictions	<u>3,605,779</u>	<u>(3,605,779)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>15,509,936</u>	<u>2,237,658</u>	<u>17,747,594</u>	<u>15,101,235</u>
Expenses				
Instructional costs	4,133,271	-	4,133,271	3,643,358
Academic support	3,619,437	-	3,619,437	3,521,744
Student services	2,868,452	-	2,868,452	3,738,768
Management and general	3,395,038	-	3,395,038	3,251,049
Development fundraising	831,881	-	831,881	607,006
Depreciation	<u>397,075</u>	<u>-</u>	<u>397,075</u>	<u>313,198</u>
Total expenses	<u>15,245,154</u>	<u>-</u>	<u>15,245,154</u>	<u>15,075,123</u>
Change in net assets	264,782	2,237,658	2,502,440	26,112
Net assets				
Beginning of year	<u>926,489</u>	<u>5,395,242</u>	<u>6,321,731</u>	<u>6,295,619</u>
End of year	<u>\$ 1,191,271</u>	<u>\$ 7,632,900</u>	<u>\$ 8,824,171</u>	<u>\$ 6,321,731</u>

The Notes to Financial Statements are an integral part of this statement.

Benjamin Franklin Cummings Institute of Technology
Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Tuition and fees (net of scholarships of of \$1,744,139)	\$ 6,802,351	\$ -	\$ 6,802,351
Investment loss	(5,972)	-	(5,972)
Auxiliary enterprises	1,192,297	-	1,192,297
Student provisions	433,621	-	433,621
Contributions and grants	3,875,569	2,671,831	6,547,400
Contributions of nonfinancial assets	131,538	-	131,538
Net assets released from restrictions	<u>2,473,171</u>	<u>(2,473,171)</u>	<u>-</u>
Total revenue	<u>14,902,575</u>	<u>198,660</u>	<u>15,101,235</u>
Expenses			
Instructional costs	3,643,358	-	3,643,358
Academic support	3,521,744	-	3,521,744
Student services	3,738,768	-	3,738,768
Management and general	3,251,049	-	3,251,049
Development fundraising	607,006	-	607,006
Depreciation	<u>313,198</u>	<u>-</u>	<u>313,198</u>
Total expenses	<u>15,075,123</u>	<u>-</u>	<u>15,075,123</u>
Change in net assets	(172,548)	198,660	26,112
Net assets			
Beginning of year	<u>1,099,037</u>	<u>5,196,582</u>	<u>6,295,619</u>
End of year	<u>\$ 926,489</u>	<u>\$ 5,395,242</u>	<u>\$ 6,321,731</u>

The Notes to Financial Statements are an integral part of this statement.

Benjamin Franklin Cummings Institute of Technology
Statement of Functional Expenses
Year Ended June 30, 2023 (with comparative totals for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 5,521,023	\$ 883,469	\$ 368,666	\$ 6,773,158	\$ 6,192,796
Employee benefits	492,306	330,441	24,512	847,259	1,006,754
Payroll taxes	413,738	52,463	24,870	491,071	446,251
Fees for services	1,718,443	862,857	218,425	2,799,725	2,588,705
Advertising and promotion	187,988	67,707	599	256,294	536,568
Information technology	371,836	1,999	8,761	382,596	347,378
Travel	12,645	7,007	3,275	22,927	13,018
Conferences, conventions and meetings	36,957	15,736	2,868	55,561	29,744
Depreciation and amortization	-	397,075	-	397,075	313,198
Insurance	-	92,056	-	92,056	85,807
Student provisions	444,740	-	-	444,740	490,990
Student services	742,733	-	-	742,733	1,389,593
Other expenses	144,315	347,371	179,675	671,361	911,548
Utilities	32,981	179,767	45	212,793	279,886
Equipment lease and maintenance	501,455	127,300	185	628,940	428,653
Bad debt	-	426,865	-	426,865	14,234
	<u>-</u>	<u>426,865</u>	<u>-</u>	<u>426,865</u>	<u>14,234</u>
Total functional expenses	<u>\$ 10,621,160</u>	<u>\$ 3,792,113</u>	<u>\$ 831,881</u>	<u>\$ 15,245,154</u>	<u>\$ 15,075,123</u>

The Notes to Financial Statements are an integral part of this statement.

Benjamin Franklin Cummings Institute of Technology
Statement of Functional Expenses
Year Ended June 30, 2022

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 4,990,661	\$ 879,505	\$ 322,630	\$ 6,192,796
Employee benefits	550,381	427,290	29,083	1,006,754
Payroll taxes	366,123	57,513	22,615	446,251
Fees for services	1,765,436	681,408	141,861	2,588,705
Advertising and promotion	533,120	3,319	129	536,568
Information technology	331,615	6,334	9,429	347,378
Travel	5,073	7,919	26	13,018
Conferences, conventions and meetings	7,632	20,682	1,430	29,744
Depreciation and amortization	-	313,198	-	313,198
Insurance	-	85,807	-	85,807
Student provisions	490,990	-	-	490,990
Student services	1,381,369	5,705	2,519	1,389,593
Other expenses	136,298	698,127	77,123	911,548
Utilities	36,630	243,256	-	279,886
Equipment lease and maintenance	304,024	124,469	160	428,653
Bad debt	4,519	9,715	-	14,234
	<u>4,519</u>	<u>9,715</u>	<u>-</u>	<u>14,234</u>
 Total functional expenses	 <u>\$ 10,903,870</u>	 <u>\$ 3,564,247</u>	 <u>\$ 607,006</u>	 <u>\$ 15,075,123</u>

The Notes to Financial Statements are an integral part of this statement.

Benjamin Franklin Cummings Institute of Technology
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ 2,502,440	\$ 26,112
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	397,075	313,198
Amortization of deferred financing costs	-	39,741
Amortization of right-of-use assets - operating	21,148	-
Bad debt expense	426,865	14,234
Net realized and unrealized losses (gains) on investments	(2,525)	5,972
Change in operating assets and liabilities		
Tuition and fees receivable	(163,331)	(394,452)
Pledges receivable	(1,016,246)	(203,288)
Other receivable	(788,148)	-
Other operating assets	(60,215)	(42,108)
Accounts payable and accrued expenses	(22,643)	439,755
Lease liabilities - operating	(20,869)	-
Deferred revenue	(332,111)	377,257
Net cash provided by operating activities	<u>941,440</u>	<u>576,421</u>
Investing activities		
Purchases of investments	(317,665)	(516,059)
Purchase of property and equipment	<u>(2,325,315)</u>	<u>(2,269,809)</u>
Net cash used in investing activities	<u>(2,642,980)</u>	<u>(2,785,868)</u>
Financing activities		
Proceeds of long-term debt	<u>3,333,019</u>	<u>1,242,804</u>
Net cash provided by financing activities	<u>3,333,019</u>	<u>1,242,804</u>
Net change in cash	1,631,479	(966,643)
Cash		
Beginning of year	<u>726,911</u>	<u>1,693,554</u>
End of year	<u>\$ 2,358,390</u>	<u>\$ 726,911</u>

The Notes to Financial Statements are an integral part of these statements.

Benjamin Franklin Cummings Institute of Technology

Notes to Financial Statements

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION

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

Franklin Cummings Tech 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 Franklin Cummings Tech. Franklin Cummings Tech also receives important annual contributed support. Franklin Cummings Tech 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.

Franklin Cummings Tech is accredited by the New England Commission of Higher Education, Inc. (“NECHE”). Franklin Cummings Tech’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, Franklin Cummings Tech is subject to various participation requirements as well as oversight by the DOE. Further information on DOE matters is described in Note 12.

In March 2022, NECHE voted to renew Franklin Cummings Tech’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 Franklin Cummings Tech is in danger of not meeting NECHE’s standards on Institutional Resources.

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.

Cash

Franklin Cummings Tech 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.

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.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

Fair Value Measurements

Franklin Cummings Tech 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 Franklin Cummings Tech'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. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, establishes a framework for measuring 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.

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 Franklin Cummings Tech. 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. The opening balance of tuition and fees receivable at July 1, 2021 was \$710,908.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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 use Level 3 fair value methods as described elsewhere in these policies. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Franklin Cummings Tech reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Management has determined that no triggering event has occurred during the years ended June 30, 2023 and 2022, and therefore, there has been no impairment of long-lived assets.

Leases

Franklin Cummings Tech categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet. Franklin Cummings Tech had no finance leases during 2023.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. The services are accounted for separately and Franklin Cummings Tech allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right of use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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. At June 30, 2023 and 2022, deferred revenue related to tuition and fees were \$329,044 and \$646,435, respectively. The opening balance of deferred revenue related to tuition and fees at July 1, 2021 was \$369,178. Deferred revenue also includes unexpended amounts 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

Franklin Cummings Tech 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 a principles-based process that requires the entities to: 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 Franklin Cummings Tech'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 Franklin Cummings Tech's programs, the exposure to withdrawal rights is limited at year end.

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 Franklin Cummings Tech. 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.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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. Franklin Cummings Tech 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

Franklin Cummings Tech 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.

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 \$256,294 and \$536,568 for the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The cost of providing the various programs and the administration of Franklin Cummings Tech has been summarized on a functional basis in the statement of activities. Expenses are directly charged to the program or management activities based on management’s assessment of their nature other than those that benefit multiple functions. These include student provisions, student services, depreciation expense and bad debt expense. Salaries and payroll taxes and fringe benefits are allocated based on estimates of time and effort. Occupancy, equipment maintenance, information technology, travel, conferences, conventions, meetings expense, and miscellaneous expense are allocated based on the percentages derived from the estimated allocation of salaries. Certain costs are allocated based on cost, usage, and related benefits of the specific expense.

Benjamin Franklin Cummings Institute of Technology

Notes to Financial Statements

June 30, 2023 and 2022

Income Taxes

Franklin Cummings Tech 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

Franklin Cummings Tech 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. Franklin Cummings Tech 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, Franklin Cummings Tech has determined that such tax positions do not result in an uncertainty requiring recognition. Franklin Cummings Tech is not currently under examination by any taxing jurisdictions. Franklin Cummings Tech’s federal and state tax returns are generally open for examination for three years following the date filed.

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.

Adopted Accounting Pronouncement - Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the accounting for leases. Franklin Cummings Tech adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as Franklin Cummings Tech utilized the practical expedient available under the guidance. Further, Franklin Cummings Tech elected to implement the package of practical expedients, whereby Franklin Cummings Tech did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to statements of income or cash flows and our debt-covenants calculations under our current agreements.

Upon adoption, Franklin Cummings Tech recognized \$40,643 in right-of-use (“ROU”) assets related to its leased equipment. Corresponding lease liabilities of \$40,643 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to retained earnings upon adoption.

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Franklin Cummings Tech’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year’s presentation. Such reclassifications pertained to the presentation of revenue. Such reclassifications had no effect on prior reported change in net assets.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

3. LIQUIDITY AND AVAILABILITY

Operating Results and Liquidity

Franklin Cummings Tech achieved an operating surplus in 2023 which was a significant improvement from the prior two fiscal years. Franklin Cummings Tech 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 2024. In accordance with the purchase and sales agreement, if the purchaser does not close by November 15, 2023, it will be subject to monthly penalty payments. 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. Franklin Cummings Tech 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 over \$10,000,000 has been drawn under the arrangement as of June 30, 2023. 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.

Franklin Cummings Tech regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Franklin Cummings Tech 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.

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

	<u>2023</u>	<u>2022</u>
Financial assets available to meet general expenditures over the next 12 months		
Cash	\$ 2,358,390	\$ 726,911
Tuition and fees receivable	827,592	1,091,126
Other receivable	788,148	-
Pledges receivable in one year or less	1,467,575	954,950
Investments available	<u>481,157</u>	<u>470,967</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,922,862</u>	<u>\$ 3,243,954</u>

Other receivable consists of federal and state grants that were requested for reimbursement but have not yet been received as of June 30, 2023.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

4. PLEDGES RECEIVABLE

Pledges receivable discount was calculated using 1 year treasury rate of 5.43% and 2.69% at June 30, 2023 and 2022, respectively.

Pledges receivable are summarized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Unconditional promises expected to be collected in		
Less than one year	\$ 1,467,575	\$ 954,950
One year to three years	<u>1,118,499</u>	<u>573,517</u>
	2,586,074	1,528,467
Less: Discounts to net present value	<u>(57,601)</u>	<u>(16,240)</u>
Pledges receivable, net	<u>\$ 2,528,473</u>	<u>\$ 1,512,227</u>

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, 2023 and 2022. Investments were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Money market	\$ 1,230,201	\$ 905,029
Bond funds	<u>39,999</u>	<u>44,981</u>
Total	<u>\$ 1,270,200</u>	<u>\$ 950,010</u>

Investment return was \$2,525 and \$(5,972) for the years ended June 30, 2023 and 2022, respectively.

On October 6, 2017, Franklin Cummings Tech 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 Franklin Cummings Tech 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 \$2,480,000 and \$2,790,000 at June 30, 2023 and 2022, respectively, was drawn down under this arrangement which had the effect of reducing investments. At June 30, 2023 and 2022, additional in-kind interest accruing at 5% per annum of approximately \$752,000 and \$616,000, respectively is owed back to the endowment that is not accrued for on the accompanying statements of financial position.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
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6. PROPERTY AND EQUIPMENT

Property and equipment were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Land, buildings and improvements	\$ 4,810,166	\$ 4,810,166
Computers and other equipment	4,722,747	4,269,990
Construction in process	<u>11,998,588</u>	<u>10,126,030</u>
	21,531,501	19,206,186
Less: Accumulated depreciation and amortization	<u>6,840,304</u>	<u>6,443,229</u>
Property and equipment, net	<u>\$ 14,691,197</u>	<u>\$ 12,762,957</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$397,075 and \$313,198, respectively.

The sale of Franklin Cummings Tech'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 2024. 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 \$1,485,600 and \$763,000 at June 30, 2023 and 2022, respectively.

7. NOTE PAYABLE

Franklin Cummings Tech 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 September 30, 2023. The Agreement is secured by a mortgage, security agreement and assignment in certain property owned by Franklin Cummings Tech and bears interest at the greater of the published Prime rate plus 1% or 4.40% (this resulted in an actual rate of 9.25% and 5.75% at June 30, 2023 and 2022, respectively). The loan issuance cost was fully amortized for the year ended June 30, 2022. Amortization expense related to the loan issuance costs totaled \$39,741 for the year ended June 30, 2022. On September 28, 2023, the revolving credit loan agreement was amended to have a limit of \$12,000,000 and its maturity date was extended to December 31, 2023.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
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In 2022, Franklin Cummings Tech entered into a 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 Franklin Cummings Tech. According to the agreement, Franklin Cummings Tech shall use good faith efforts to complete the scope of work on or before December 31, 2022 and submitted all of its requests for Mass Development Funds by 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. Franklin Cummings Tech 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. \$575,823 and \$242,804 have been expended under the project as of June 30, 2023 and 2022, respectively.

Franklin Cummings Tech capitalized \$722,557 and \$306,593 of interest for the years ended June 30, 2023 and 2022, respectively, which is included in property and equipment, net of the statement of financial position of Franklin Cummings Tech.

In addition, as more fully described in Note 5, Franklin Cummings Tech 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 Franklin Cummings Tech. 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 Franklin Cummings Tech. Future principal payments are as follows for the years ended June 30:

	<u>Note Payable</u>	<u>Endowment Loan</u>	<u>Total</u>
2024	\$ 10,859,332	\$ 310,000	\$ 11,169,332
2025	575,823	310,000	885,823
2026	-	310,000	310,000
2027	-	310,000	310,000
2028	-	310,000	310,000
Thereafter	-	930,000	930,000
	<u>\$ 11,435,155</u>	<u>\$ 2,480,000</u>	<u>\$ 13,915,155</u>

8. NET ASSETS AND ENDOWMENTS

Franklin Cummings Tech 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.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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, Franklin Cummings Tech 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 Franklin Cummings Tech via the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Franklin Cummings Tech 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 Franklin Cummings Tech 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 Franklin Cummings Tech; and
- 7) The investment policies of Franklin Cummings Tech.

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.

Franklin Cummings Tech 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, Franklin Cummings Tech 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 remains pending replenishment.

Endowment net assets were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Without donor restrictions	\$ 481,157	\$ 470,967
With donor restrictions	<u>3,269,043</u>	<u>3,269,043</u>
	<u>\$ 3,750,200</u>	<u>\$ 3,740,010</u>

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
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Endowment activity was as follows for the years ended June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ 470,967	\$ 3,269,043	\$ 3,740,010
Additions	7,665	-	7,665
Investment return	2,525	-	2,525
Ending balance in net assets	481,157	3,269,043	3,750,200
Less: Cumulative amounts borrowed	-	(3,100,000)	(3,100,000)
Plus: Principal repayment	-	620,000	620,000
Invested balance remaining	<u>\$ 481,157</u>	<u>\$ 789,043</u>	<u>\$ 1,270,200</u>

	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	(5,972)	-	(5,972)
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	-	310,000	310,000
Invested balance remaining	<u>\$ 470,967</u>	<u>\$ 479,043</u>	<u>\$ 950,010</u>

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

	2023	2022
Net investment in plant, net of related debt	\$ 3,255,763	\$ 4,903,625
Net deficit	<u>(2,064,492)</u>	<u>(3,977,136)</u>
	<u>\$ 1,191,271</u>	<u>\$ 926,489</u>

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

	2023	2022
Endowment corpus		
Franklin Trust	\$ 1,247,419	\$ 1,247,419
Other scholarship funds	<u>2,021,624</u>	<u>2,021,624</u>
Total endowment	3,269,043	3,269,043
Pledges receivable	2,528,473	1,512,227
Scholarships and other restricted	<u>1,835,384</u>	<u>613,972</u>
Total	<u>\$ 7,632,900</u>	<u>\$ 5,395,242</u>

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Time restriction met	\$ 1,659,123	\$ 828,472
Operations and scholarships	<u>1,946,656</u>	<u>1,644,699</u>
Net assets released from restrictions	<u>\$ 3,605,779</u>	<u>\$ 2,473,171</u>

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Franklin Cummings Tech received \$169,285 and \$131,538 of contributions of nonfinancial assets in 2023 and 2022, respectively, consisting of equipment and materials restricted by donors for student use, of which approximately \$23,500 and \$98,982 was capitalized as property and equipment, net in 2023 and 2022, 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, 2023 and 2022 was used accordingly to its donor restriction during the respective years.

10. RETIREMENT PLAN

Franklin Cummings Tech has a qualified defined contribution plan under Section 403(b) of the Internal Revenue Code. Franklin Cummings Tech'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 \$169,669 and \$187,200 for the years ended June 30, 2023 and 2022, respectively. Employees may make additional voluntary contributions to the plan through payroll deductions subject to legal limits.

Franklin Cummings Tech 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 \$13,814 and \$21,257 for the years ended June 30, 2023 and 2022, respectively, pursuant to a vote of the Board of Trustees.

11. AFFILIATED ORGANIZATION

Franklin Cummings Tech 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 Franklin Cummings Tech. The board of this entity is made up of select members of Franklin Cummings Tech's board. During the years ended June 30, 2023 and 2022, The Franklin Foundation did not expend any funds on behalf of Franklin Cummings Tech. An immaterial amount of funds are held by this entity.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

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. For the years ended June 30, 2023 and 2022, Franklin Cummings Tech has calculated its financial strength indicator and identified a pass rating for 2023 and fail rating for 2022. The failing score in 2022 was the result of Franklin Cummings Tech 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 successive years will not be allowed to continue to participate in DOE student financial aid programs. Franklin Cummings Tech has a letter of credit posted in favor of the DOE in the amount of \$358,652 and \$308,116 at June 30, 2023 and 2022, respectively. The amount is calculated at 10% of total Title IV funding for the year.

Franklin Cummings Tech 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.

13. LEASE OBLIGATIONS

Franklin Cummings Tech leases many of its operating for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through August 2024.

The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Because the rates implicit in the leases are generally not available, Franklin Cummings Tech utilizes the risk-free rate as the discount rate.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

2024	\$ 18,795
2025	<u>1,240</u>
	20,035
Less: Imputed interest	<u>(261)</u>
Lease liability	<u>\$ 19,774</u>

Lease expenses are classified under equipment lease and maintenance in the statement of functional expenses. For the year ended June 30, 2022, lease expense was \$28,355. For the year ended June 30, 2023, lease expense was as follows:

Operating lease expense	\$ 21,968
Short-term lease expense	<u>12,135</u>
	<u>\$ 34,103</u>

The operating cash flow from operating leases is \$20,869 for the year ended June 30, 2023. The weighted average remaining lease term and discount rate associated with operating leases as of June 30, 2023 is 1 year and 2.84%, respectively.

Benjamin Franklin Cummings Institute of Technology
Notes to Financial Statements
June 30, 2023 and 2022

14. CONCENTRATIONS, RISKS AND UNCERTAINTIES

Cash

Franklin Cummings Tech has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Franklin Cummings Tech's financial condition, results of operations, and cash flows. Uninsured cash totaled \$2,161,197 and \$628,814 as of June 30, 2023 and 2022, respectively.

Student Financial Aid

Through the U.S. Department of Education, Franklin Cummings Tech participates in the Title IV Higher Education Act programs. These programs include Pell Grants, Federal Work Study, Federal Direct Loan Program, and Federal Supplemental Educational Opportunity Grants.

Receipts from these federal programs represent approximately 54% and 48% of tuition and fee revenue, net of scholarships and awards, for the years ended June 30, 2023 and 2022, respectively.

Uncertainties

In addition to revenues from tuition and fees, Franklin Cummings Tech is dependent upon revenues from grants and contributions. Although management believes that it will have sufficient funds to meet its operating expenses between funds already available and promised grants, there is no guarantee that these grants and other sources of funds will continue into future years. As a result, management continues to actively seek new grants and other sources of revenue.

Claims

From time to time, Franklin Cummings Tech may be involved in various claims and lawsuits, both for and against Franklin Cummings Tech, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the Franklin Cummings Tech's financial position.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2023, the date the financial statements were available to be issued. There are no recognized or non-recognized subsequent events, or events that provide additional evidence about conditions that existed at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading except for the information provided in Note 3 and Note 7.

SUPPLEMENTARY INFORMATION

Benjamin Franklin Cummings Institute of Technology
Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023

Primary Reserve Ratio:		
		Expendable Net Assets:
1	Statement of Financial Position (SFP)	Net assets without donor restrictions \$ - \$ 1,191,271
2	SFP	Net assets with donor restrictions 7,632,900
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 14,691,197
6	SD Line 1d	Property, plant and equipment pre-implementation 12,365,882
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 452,757
9	SD Line 3	Construction in progress 1,872,558
10	SFP	Lease right-of-use asset, net - Total 19,495
11	SD Line 11	Lease right-of-use, pre-implementation (grandfather of leases option not chosen) -
12	SD Line 12. Lease right-of-use of asset liability	Lease right-of-use asset, post-implementation 19,495
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 11,435,155
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 3,333,019
19	SFP	Lease right-of-use asset liability - Total 19,774
20	SD Line 14	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen) -
21	SD Line 15	Post-implementation right-of-use asset liability 19,774
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 8	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 15,245,154
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 1,191,271
32	SFP	Net assets with donor restrictions 7,632,900
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 22,696,356
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 264,782
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 15,507,411
45	SOA	Investments, net (operating and non-operating) 2,525

See Independent Auditor's Report.

Benjamin Franklin Cummings Institute of Technology

Financial Responsibility Supplemental Disclosures

Year Ended June 30, 2023

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, 2022 financial statement)		\$ 12,762,957
	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		397,075
	d. Balance Pre-implementation property, plant and equipment, net		<u>12,365,882</u>
2	Debt Financed Post-Implementation property, plant and equipment, net		
	Long-lived assets acquired with debt subsequent to June 30, 2022:		
	a. Equipment		-
	b. Land Improvements		-
	c. Building		-
	d. Total Property, plant and equipment, net acquired with debt exceeding 12 months		<u>-</u>
3	Construction in progress- acquired subsequent to June 30, 2022		1,872,558
4	Post-implementation property, plant and equipment, net, acquired without debt:		
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2022		452,757
5	Total Property, Plant and Equipment, net- June 30, 2023		<u>\$ 14,691,197</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, 2022)		\$ 8,102,136
	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		-
	d. Balance pre-implementation debt		<u>8,102,136</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		3,333,019
9	Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		-
			<u>\$ 11,435,155</u>

Lease right-of-use assets and liabilities

10	Lease right-of-use assets		
	Right-of-use assets as of balance sheet date June 30, 2023		\$ 19,495
11	Lease right-of-use assets- Pre-implementation		
	Right-of-use assets as of balance sheet date June 30, 2023 excluding leases entered into before Dec 15, 2018 (grandfather option of leases not chosen)		-
12	Lease right-of-use assets- Post-Implementation		
	Right-of-use assets as of balance sheet date June 30, 2023 excluding leases entered into on or after Dec 15, 2018		\$ 19,495
13	Lease right-of-use liability		
	Lease liabilities as of balance sheet dated June 30, 2023		\$ 19,774
14	Lease right-of-use liability- Pre-implementation		
	Lease liabilities as of balance sheet dated June 30, 2023 excluding leases entered into before Dec 15, 2018 (grandfathering leases not chosen)		-
15	Lease right-of-use liability- Post-implementation		
	Lease liability as of balance sheet dated June 30, 2023 excluding leases entered into on or after Dec 15, 2018		\$ 19,774

See Independent Auditor's Report.

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, 2023

<u>Location of amount in Financial Statements or Disclosure</u>	<u>Element</u>	<u>Amount</u>
Modified Net Assets - Elements		
SFP Page 4: Net assets without donor restrictions	Net assets without donor restrictions	\$ 1,191,271
SFP Page 4: Net assets with donor restrictions	Net assets with donor restrictions	<u>7,632,900</u>
Total net assets	Total modified net assets	<u>\$ 8,824,171</u>
Modified Assets - Elements		
SFP Page 4: Total assets	Total modified assets	\$ 22,696,356
	Equity ratio	<u>39%</u>

See Independent Auditor's Report.

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, 2023

<u>Location of amount in Financial Statements or Disclosure</u>	<u>Element</u>	<u>Amount</u>
SOA page 5: Change in net assets without donor restrictions	Changes in net assets without donor restrictions	\$ 264,782
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)	15,507,411
SOA page 5	Non operating gain on pension/other	-
SOA page 5	Non operating gain on investment	2,525
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	<u>\$ 15,509,936</u>
	Net income ratio	<u>2%</u>

See Independent Auditor's Report.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Benjamin Franklin Cummings Institute of Technology:

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 ("Franklin Cummings Tech"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, 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 October 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin Cummings Tech'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 Franklin Cummings Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Cummings Tech'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 Franklin Cummings Tech'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 over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Withum Smith + Brown, PC

October 26, 2023