

# **BOSTON BAPTIST COLLEGE**

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## **FINANCIAL STATEMENTS**

**JUNE 30, 2019**

# BOSTON BAPTIST COLLEGE

## Financial Statements

June 30, 2019 and 2018

### C O N T E N T S

<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements:</b>	
Statements of Financial Position	3
Statements of Activities	4
Statement of Changes in Net Assets	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to the Financial Statements	9-21
<b>Reports Required under <i>Government Auditing Standards</i>:</b>	
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	22-23



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boston Baptist College (a not-for-profit organization) (the "College"), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Baptist College as of June 30, 2019, and the changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. The College has had a few years of level or diminished enrollment, as well as a recent history of low, to no, increases in net assets. This raises substantial doubt about its ability to continue as a going concern. Management's plan regarding these matters are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Additionally, as discussed in Note 1 to the financial statements, the College adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Our opinion is not modified with respect to these matters.

**Report on Summarized Comparative Information**

We have previously audited the College's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2020, on our consideration of Boston Baptist College'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants**  
**Winchester, Massachusetts**

February 3, 2020

**BOSTON BAPTIST COLLEGE**

**Statements of Financial Position**

**June 30, 2019 and 2018**

# BOSTON BAPTIST COLLEGE

## Statements of Financial Position

June 30,

### Assets

	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 57,907	\$ 8,854
Student accounts receivable	20,090	29,030
Contributions receivable	39,955	-
Inventories	<u>12,193</u>	<u>12,423</u>
<b>Total Current Assets</b>	<u>130,145</u>	<u>50,307</u>
<b>Non-Current Assets:</b>		
Restricted cash	77,146	77,146
Land, buildings and equipment, net	<u>1,650,748</u>	<u>1,715,827</u>
<b>Total Non-Current Assets</b>	<u>1,727,894</u>	<u>1,792,973</u>
<b>Total Assets</b>	<u>\$ 1,858,039</u>	<u>\$ 1,843,280</u>

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

## Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 87,625	\$ 81,398
Accounts payable and accrued expenses	124,553	55,033
Due to related parties	4,041	-
Student advance payments	<u>15,400</u>	<u>14,575</u>
<b>Total Current Liabilities</b>	<u>231,619</u>	<u>151,006</u>
<b>Long-Term Liability:</b>		
Long-term debt, net of current portion	<u>1,198,297</u>	<u>1,285,618</u>
<b>Total Liabilities</b>	<u>1,429,916</u>	<u>1,436,624</u>
<b>Net Assets:</b>		
Without donor restrictions	350,977	329,510
With donor restrictions	<u>77,146</u>	<u>77,146</u>
<b>Total Net Assets</b>	<u>428,123</u>	<u>406,656</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,858,039</u>	<u>\$ 1,843,280</u>

# BOSTON BAPTIST COLLEGE

## Statement of Activities

For the Year Ended June 30, 2019

(with summarized comparative data for the year ended June 30, 2018)

	2019			2018
	Without Donor	With Donor	Total	Total
	Restrictions	Restriction		
<b>Revenues and Other Support:</b>				
Tuition and fees	\$ 977,030	\$ -	\$ 977,030	\$ 960,568
Student housing	250,052	-	250,052	356,475
Contributions	617,141	-	617,141	635,454
Other income	<u>4,668</u>	-	<u>4,668</u>	<u>10,433</u>
<b>Total Revenues and Other Support</b>	<b><u>1,848,891</u></b>	<b><u>-</u></b>	<b><u>1,848,891</u></b>	<b><u>1,962,930</u></b>
<b>Operating Expenses:</b>				
Program Services:				
College and continuing education	196,447	-	196,447	245,604
Student services and housing	<u>993,929</u>	-	<u>993,929</u>	<u>983,396</u>
Total Educational Services	<u>1,190,376</u>	-	<u>1,190,376</u>	<u>1,229,000</u>
Management and General:				
Institutional support	566,081	-	566,081	612,170
Plant and maintenance	<u>70,967</u>	-	<u>70,967</u>	<u>95,184</u>
Total Support Services	<u>637,048</u>	-	<u>637,048</u>	<u>707,354</u>
<b>Total Operating Expenses</b>	<b><u>1,827,424</u></b>	<b><u>-</u></b>	<b><u>1,827,424</u></b>	<b><u>1,936,354</u></b>
<b>Increase in Net Assets</b>	<b><u>\$ 21,467</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 21,467</u></b>	<b><u>\$ 26,576</u></b>

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

# BOSTON BAPTIST COLLEGE

## Statements of Changes in Net Assets

For the Years Ended June 30, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Balance, June 30, 2017</b>	\$ 302,934	\$ 77,146	\$ 380,080
Change in net assets for 2018	<u>26,576</u>	<u>-</u>	<u>26,576</u>
<b>Balance, June 30, 2018</b>	<b>329,510</b>	<b>77,146</b>	<b>406,656</b>
Change in net assets for 2019	<u>21,467</u>	<u>-</u>	<u>21,467</u>
<b>Balance, June 30, 2019</b>	\$ <u><u>350,977</u></u>	\$ <u><u>77,146</u></u>	\$ <u><u>428,123</u></u>

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

# BOSTON BAPTIST COLLEGE

## Statements of Functional Expenses

For the Year Ended June 30, 2019

	2019					
	Program Services		Management and General			
	College and Continuing Education	Student Academic Services and Housing	Institutional Support	Plant and Maintenance	Fundraising	Total
Salaries and benefits	\$ 189,682	\$ 170,989	\$ 413,946	\$ 10,485	\$ -	\$ 785,102
Rentals and maintenance	-	11,658	-	2,877	-	14,535
Utilities	-	89,107	-	21,639	-	110,746
Depreciation and amortization	-	79,621	-	19,209	-	98,830
Travel and events	5,481	263,370	8,325	-	-	277,176
Professional services and outside help	-	4,775	50,538	-	-	55,313
Recruiting, printing and mailing	-	-	15,764	-	-	15,764
Educational and office supplies	234	5,949	4,203	-	-	10,386
Insurance	-	15,682	13,690	3,920	-	33,292
Interest	-	51,346	14,404	12,837	-	78,587
Bank fees	-	-	11,554	-	-	11,554
Scholarships and grants	-	234,706	-	-	-	234,706
Other	-	100	2,316	-	-	2,416
Bad debts	-	-	13,089	-	-	13,089
Dues, subscriptions and memberships	-	-	11,401	-	-	11,401
Computer, telephone and network	1,050	2,193	6,851	-	-	10,094
Student life	-	64,433	-	-	-	64,433
	<b>\$ 196,447</b>	<b>\$ 993,929</b>	<b>\$ 566,081</b>	<b>\$ 70,967</b>	<b>\$ -</b>	<b>\$ 1,827,424</b>

The accompanying notes are integral part of the financial statements.

# BOSTON BAPTIST COLLEGE

## Statements of Functional Expenses

For the Year Ended June 30, 2018

	2018					
	Program Services		Management and General			
	College and Continuing Education	Student Academic Services and Housing	Institutional Support	Plant and Maintenance	Fundraising	Total
Salaries and benefits	\$ 240,913	\$ 216,615	\$ 462,890	\$ 34,005	\$ -	\$ 954,423
Rentals and maintenance	-	17,235	-	6,266	-	23,501
Utilities	-	83,394	-	20,151	-	103,545
Depreciation and amortization	-	77,985	-	18,766	-	96,751
Travel and events	3,991	120,909	5,745	-	-	130,645
Professional services and outside help	-	6,115	53,721	-	-	59,836
Recruiting, printing and mailing	-	-	13,216	-	-	13,216
Educational and office supplies	-	10,439	3,378	-	-	13,817
Insurance	-	14,348	9,106	5,499	-	28,953
Interest	-	41,987	17,804	10,497	-	70,288
Bank fees	-	-	7,319	-	-	7,319
Scholarships and grants	-	314,205	-	-	-	314,205
Other	-	-	7,217	-	-	7,217
Bad debts	-	-	10,135	-	-	10,135
Dues, subscriptions and memberships	-	-	12,113	-	-	12,113
Computer, telephone and network	700	-	9,526	-	-	10,226
Student life	-	80,164	-	-	-	80,164
	<u>\$ 245,604</u>	<u>\$ 983,396</u>	<u>\$ 612,170</u>	<u>\$ 95,184</u>	<u>\$ -</u>	<u>\$ 1,936,354</u>

The accompanying notes are integral part of the financial statements.

# BOSTON BAPTIST COLLEGE

## Statements of Cash Flows

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 21,467	\$ 26,576
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	98,830	96,751
Amortization of debt issuance costs reported as interest expense	575	575
Bad debt expense	13,089	10,135
Changes in operating assets and liabilities:		
Student accounts receivable	(4,149)	(12,977)
Contributions receivable	(39,955)	-
Inventories	230	659
Accounts payable and accrued expenses	69,520	(20,694)
Due to related parties	4,041	-
Student advance payments	<u>825</u>	<u>(4,074)</u>
Net Cash Provided by Operating Activities	<u>164,473</u>	<u>96,951</u>
<b>Cash Flows from Investing Activity:</b>		
Acquisition of land, buildings and equipment	<u>(33,751)</u>	<u>(16,633)</u>
<b>Cash Flows from Financing Activity:</b>		
Repayments of long-term debt	<u>(81,669)</u>	<u>(84,094)</u>
<b>Increase (Decrease) in Cash and Equivalents</b>	<b>49,053</b>	<b>(3,776)</b>
Cash and Equivalents, Beginning of Year	<u>8,854</u>	<u>12,630</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 57,907</u></b>	<b><u>\$ 8,854</u></b>

### Supplemental Disclosure of Cash Flow Information:

Interest paid by the College for the years ended June 30, 2019 and 2018 was \$78,012 and \$69,713, respectively.

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

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements

June 30, 2019 and 2018

### Note 1 - Summary of Significant Accounting Policies

#### Organization

Boston Baptist College (the "College") provides educational training for students to serve in the missionary endeavors and churches of the Baptist denomination. Boston Baptist College is a member of the Transnational Association of Christian Colleges and Schools ("TRACS") (15935 Forest Rd., Forest, VA 24551; Telephone: (434) 525-9539; e-mail: [info@tracs.org](mailto:info@tracs.org)) having been awarded Reaffirmation II as a Category II institution by the TRACS Accreditation Commission in November 2011. This status is effective for a period of ten years. The accrediting agency is approved by the United States Department of Education and the College awards Associate and Bachelor's degrees in biblical studies. The College, located on a 5-acre campus in Boston, Massachusetts, participates in student financial aid programs sponsored by the United States Department of Education, which facilitates the payment of tuition and other expenses for students.

#### Method of Accounting

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles.

#### Financial Statement Presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the objectives of the College.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the College or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without restrictions in the statements of activities.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the College's ongoing purpose and the return earned on investments. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

#### Cash and Equivalents

For financial statement purposes, the College considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

#### Contributions

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

#### Inventory

Inventory consists of bookstore merchandise and is stated at the lower of cost or net realizable value, which reflects the effects of certain additional predictable costs that will be required for the inventory items to be sold. Cost is determined on the first-in, first-out method.

#### Land, Buildings and Equipment, net

Land, buildings and equipment, net are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives, which range from 3 to 40 years. Land is stated at cost and is not depreciated. Maintenance and repairs are charged against earnings when incurred. Major improvements, betterments and additions are capitalized.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - **Summary of Significant Accounting Policies - Continued**

*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 the College's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

*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 about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of receivables, inventory and accounts receivable, and estimating depreciation and amortization.

*Functional Expenses*

The College allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the College and its programs on a day-to-day basis and are composed of the following:

Management and general - includes all activities related to the College's internal management and accounting for program services.

Fundraising - includes activities related to maintaining contributor information, distribution of materials, and other similar projects related to the procurement of funds for the College's programs.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Functional Expenses - continued

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Other expenses that are common to several functions are allocated in accordance with the College's indirect costs allocation plan.

Expenses are categorized by program services, management and general or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques are used such as time and effort.

#### Income Taxes

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a "more likely than not" sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. As a not-for-profit entity exempt from income taxes in accordance with section 501(c)(3) of the Internal Revenue Code, the College may, however, be subject to tax on unrelated business income.

#### Financial Instruments

The College's significant financial instruments are cash, contributions and student accounts receivable, and accounts payable. For these financial instruments, carrying value approximates fair value.

#### Compensated Absences

Employees of the College are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service and other factors. Based on periodic review by management compensated absences are typically immaterial at any given time and, accordingly, no liability has been recorded in the accompanying financial statements. The College's policy is to recognize the costs of compensated absences when actually paid to employees.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Adoption of New Accounting Standards*

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities - Presentation of Financial Statements for Not-for-Profit Entities. The adoption of this pronouncement had a material effect on the presentation of the financial statements but did not necessitate an adjustment to total net assets of prior periods or operations of the current period. The pronouncement changes the net asset classification and investment return and enhances the disclosures for information about liquidity and availability of resources and expenses. The ASU has been applied retrospectively to all periods presented.

*New Accounting Pronouncements*

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-02 (ASU 2016-02), *Leases*, effective for non-public and most not-for-profit entities for fiscal years beginning after December 15, 2020. Implementation of this standard 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 from this standard. Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, was issued by the FASB and requires that the statement of cash flows presents the change during the period in total of all cash and equivalents including amounts described as restricted cash or restricted cash equivalents. Implementation of the ASU should be applied using a retrospective transition method. It is effective for non-public entities for fiscal years beginning after December 15, 2018, with early adoption permitted. Management does not expect implementation to have a material impact on the financial statements.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - **Summary of Significant Accounting Policies - Continued**

*New Accounting Pronouncements - continued*

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an amendment to Topic 958 - Not-for-Profit Entities was issued by FASB in June 2018. The purpose of this amendment is to provide guidance in determining whether resource providers and resource recipients are participating in an exchange transaction, or if the transfer of funds is a contribution, by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this update should be applied on a modified prospective basis, however, retrospective application is permitted. For resource recipients involved in public markets, including over-the-counter exchanges, the amendments are effective for periods beginning after June 15, 2018. For all other resource recipient entities, it is effective for annual periods beginning after December 15, 2018. The effective date for resource providers involved in public markets is periods beginning after December 15, 2018. All other resource providers should apply the amendment to periods beginning after December 15, 2019. Early adoption is permitted. Although management has not concluded its review of this standards update, based on the nature of the College's activities, it does not believe implementation will have a material effect on the financial statements.

Note 2 - **Accounts and Other Receivables, Net**

*Student Receivables*

Student accounts receivable represent amounts due for tuition and fees. Amounts are considered past due when not paid by the end of the following month. Student receivables were \$20,090 and \$29,030 at June 30, 2019 and 2018, respectively. Management has determined an allowance for doubtful accounts was not necessary at June 30, 2019 or 2018.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 2 - **Accounts and Other Receivables, Net - Continued**

*Contributions Receivable*

Contributions receivable consist of unconditional promises to give. The College recognizes contributions receivable at their estimated fair value. Contributions receivable are expected to be collected within one year. During the years ended June 30, 2019 and 2018, contributions receivable were \$39,955 and \$0, respectively.

Note 3 - **Land, Buildings and Equipment**

A summary of the major components of land, buildings and equipment at June 30, is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 100,000	\$ 100,000
Buildings and improvements	3,176,761	3,143,010
Furniture, fixtures and equipment	139,801	139,801
Library books	<u>55,608</u>	<u>55,608</u>
	<u>3,472,170</u>	<u>3,438,419</u>
Less: accumulated depreciation/amortization	<u>1,821,422</u>	<u>1,722,592</u>
Land, Buildings and Equipment, net	\$ <u>1,650,748</u>	\$ <u>1,715,827</u>

Depreciation expense totaled \$98,830 and \$96,751 for the years ended June 30, 2019 and 2018, respectively.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Debt Obligations**

*Long-Term Debt*

Long-term debt consists of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Mortgage payable to Rockland Trust Company, collateralized by land, buildings, and equipment owned by the College, monthly payments of principal and interest of \$8,489 through May 2020. The interest rate was 5.63% and 5.38% at June 30, 2019 and 2018, respectively. The interest rate is subject to yearly adjustments based on the One-Year Advance Rate of the Federal Home Loan Bank of Boston plus 3% (2.63% and 2.38% for June 30, 2019 and 2018, respectively). The mortgage matures in June 2037.	\$ 1,145,287	\$ 1,182,525
Note payable to Bank of America, collateralized by equipment, inventory, and receivables of the College, monthly payments of principal and interest of \$4,854 through May 2022 at an interest rate of 7.77%.	<u>150,935</u>	<u>195,366</u>
Total	1,296,222	1,377,891
Less: Unamortized debt issuance costs	<u>10,300</u>	<u>10,875</u>
Total	1,285,922	1,367,016
Less: Current portion	<u>87,625</u>	<u>81,398</u>
Total long-term debt	<u>\$ 1,198,297</u>	<u>\$ 1,285,618</u>

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

### Note 4 - Debt Obligations - Continued

In accordance with FASB ASU 2015-03, the outstanding balance of the mortgage debt as of June 30, 2019 and 2018 of \$1,296,222 and \$1,377,891 are reported net of issuance costs of \$10,300 and \$10,875 respectively. Issuance costs will be amortized as interest expense over the remaining life of the debt using the straight-line method. Amortization for the years ended June 30, 2019 and 2018 was \$575.

Future principal maturities subsequent to June 30, 2019 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 87,625
2022	93,105
2022	93,818
2023	45,677
2024	48,225
Thereafter	<u>917,472</u>
Total	\$ <u>1,285,922</u>

### Note 5 - Line of Credit

During 2019, the College utilized a line of credit at times. The line of credit did not have a balance at June 30, 2019 and was closed on November 15, 2019.

### Note 6 - Lease Commitments

The College leased office equipment under an operating lease agreement with monthly payments of \$318 through November 2017. Total amounts expensed under this lease totaled \$1,590 for the year ended June 30, 2018.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Net Assets With Restrictions**

At June 30, 2019 and 2018, the College had \$77,146 of net assets with donor restrictions. This represents amounts held by the bank in a letter of credit to satisfy the requirements from the United States Department of Education as described in Note 9.

Note 8 - **Related Party Transactions**

*Contributions Received from Related Parties*

For the years ended June 30, 2019 and 2018, approximately \$338,000 and \$277,000 in contributions were received from churches whose pastors are members of the Board of Trustees.

Note 9 - **Participation in Student Financial Aid Programs**

The College is required to demonstrate financial responsibility as defined in the United States Department of Education ("ED") Regulations as a condition of eligibility to participate in the various federal financial assistance programs. Financial responsibility, as defined in ED regulations, is maintaining a "composite score standard" of at least 1.5. The regulations also established a composite score zone between 1.0 and 1.4, demonstrating an institution as financially weak, but viable. Regulations allow institutions falling within this zone up to three consecutive years to improve their financial condition without requiring surety. If an institution falls below 1.0, the ED will require the college to provide surety in its name in order to participate in the financial assistance programs on a provisional basis.

In order for the College to continue participation in student financial aid programs, it was required to provide ED with an irrevocable letter of credit based on the amount of Title IV, HEA program funds it received. The College is provisionally certified through March 31, 2019, with a reapplication due December 31, 2019. The College was required to issue a letter of credit of \$72,904 and \$77,146 as of June 30, 2019 and 2018, respectively, for which restricted cash in the statements of financial position serves as security.

The College has determined its composite score at June 30, 2019 and 2018 to be 1.0. ED's determinations of the composite score and resulting actions are typically not made known until spring of the following year.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 10 - **Concentrations, Risks, and Uncertainties**

*Cash*

From time to time, the College's cash balances fluctuate and can exceed federally insured limits. Management monitors the financial condition of the banking institution, along with its cash balances, to keep this potential risk to a minimum.

*Claims*

From time to time, the College may be involved in various claims and lawsuits, both for and against the College, 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 College's financial position.

Note 11 - **Going Concern Uncertainty**

The College has incurred losses and small increases from operations over the past several years. Additionally, enrollment has been flat or down in recent years. Without an endowment fund to generate income that could offset the losses, net assets have increased only slightly in the last few years. It is the College's goal to consistently show increases in net assets. This will help to alleviate financial stress, and also keep the College in compliance with their accreditation agency.

Additionally, it is noted that the College's revenues are traditionally made up of tuition and fees related to student services. Historically, revenues from tuition and student services have not been sufficient to cover operating expenses. Consequently, the College is dependent upon revenues from contributions, grants, and other sources. Management has concluded that the combination of these uncertainties' casts substantial doubt upon the College's ability to continue as a going concern within one year from the issuance of these financial statements.

As apparent in the accompanying financial statements, the College did show an improvement in net assets for the year ending June 30, 2019. However, as mentioned above, it was highly dependent on contributions. The College will need to maintain or increase enrollment, as well as maintain their current level of contributions to continue to increase net assets.

# BOSTON BAPTIST COLLEGE

## Notes to the Financial Statements - Continued

June 30, 2019 and 2018

### Note 11 - Going Concern Uncertainty - Continued

Management of the College has undertaken many steps to achieve this goal including increased efforts in recruiting and student retention, increased fundraising efforts and reductions in expenses. Management has also implemented new programs such as online courses and partnerships with area institutions, including a consortium agreement with University of Massachusetts Boston. In addition to the online programs, the College is in the process of applying for expansion of their courses to be available nationwide.

Management acknowledges that uncertainty remains over the ability of the College to meet its financial requirements. As described above, management has a plan in place to try to alleviate the financial stress of the College and continue operations for the foreseeable future. Management believes they will succeed in their efforts, however, failure in these efforts would cause the College to risk losing accreditation and, consequently, losing their eligibility for Title IV funding from ED, as well as causing liquidity issues, such as meeting current financial needs.

### Note 12 - Availability and Liquidity

The following represents the College's financial assets available to meet general expenditures within one year at June 30,:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash	\$ 57,907	\$ 8,854
Student accounts receivable	20,090	29,030
Contributions receivable	<u>39,955</u>	<u>-</u>
	<u>117,952</u>	37,884
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 117,952</u>	<u>\$ 37,884</u>

For the years ended June 30, 2019 and 2018, management of the Organization has planned and prioritized certain non-essential expenses based upon cash needs. Liquidity issues are monitored and managed by the College.

# **BOSTON BAPTIST COLLEGE**

## **Notes to the Financial Statements - Continued**

**June 30, 2019 and 2018**

Note 13 - **Management's Acceptance of the Financial Statements**

Management has evaluated subsequent events through February 3, 2020, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2019 requiring disclosure in these financial statements.

**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  
Boston Baptist College  
Boston, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Boston Baptist College (the "College"), which comprise the statements of financial position as of June 30, 2019, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2020.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



**Certified Public Accountants  
Winchester, Massachusetts**

February 3, 2020