

BOSTON BAPTIST COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2020

BOSTON BAPTIST COLLEGE

Financial Statements

June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020, 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, 2020, 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.

Substantial Doubt about the College's Ability to Continue as a Going Concern

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 is described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the College's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 24-25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to, the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2021, 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.

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

**Certified Public Accountants
Winchester, Massachusetts**

March 9, 2021

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30, 2020 and 2019

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30,

Assets

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and equivalents	\$ 70,022	\$ 57,907
Student accounts receivable	27,140	20,090
Contributions receivable	-	39,955
Vendor receivables	74,128	-
Inventories	<u>11,800</u>	<u>12,193</u>
Total Current Assets	<u>183,090</u>	<u>130,145</u>
Non-Current Assets:		
Restricted cash	77,146	77,146
Land, buildings and equipment, net	<u>1,562,607</u>	<u>1,650,748</u>
Total Non-Current Assets	<u>1,639,753</u>	<u>1,727,894</u>
Total Assets	<u>\$ 1,822,843</u>	<u>\$ 1,858,039</u>

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

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Current portion of long-term debt	\$ 93,680	\$ 87,625
Paycheck Protection Program loan	151,900	-
Accounts payable and accrued expenses	47,964	124,553
Refunds payable	94,915	-
Deferred revenue	64,844	-
Due to related parties	126,500	4,041
Student advance payments	<u>29,257</u>	<u>15,400</u>
Total Current Liabilities	<u>609,060</u>	<u>231,619</u>
Long-Term Liability:		
Long-term debt, net of current portion	<u>1,102,559</u>	<u>1,198,297</u>
Total Liabilities	<u>1,711,619</u>	<u>1,429,916</u>
Net Assets:		
Without donor restrictions	34,078	350,977
With donor restrictions	<u>77,146</u>	<u>77,146</u>
Total Net Assets	<u>111,224</u>	<u>428,123</u>
Total Liabilities and Net Assets	<u>\$ 1,822,843</u>	<u>\$ 1,858,039</u>

BOSTON BAPTIST COLLEGE

Statements of Activities

For the Year Ended June 30, 2020

(with summarized comparative data for the year ended June 30, 2019)

	2020			2019
	Without Donor	With Donor	Total	Total
	Restrictions	Restriction		
Revenues and Other Support:				
Tuition and fees	\$ 590,501	\$ -	\$ 590,501	\$ 977,030
Student housing	156,185	-	156,185	250,052
Contributions	418,121	-	418,121	617,141
Other income	<u>10,379</u>	-	<u>10,379</u>	<u>4,668</u>
Total Revenues and Other Support	<u>1,175,186</u>	<u>-</u>	<u>1,175,186</u>	<u>1,848,891</u>
Operating Expenses:				
Program Services:				
College and continuing education	221,665	-	221,665	196,447
Student services and housing	<u>637,973</u>	-	<u>637,973</u>	<u>993,929</u>
Total Educational Services	<u>859,638</u>	<u>-</u>	<u>859,638</u>	<u>1,190,376</u>
Management and General:				
Institutional support	567,225	-	567,225	566,081
Plant and maintenance	<u>65,222</u>	-	<u>65,222</u>	<u>70,967</u>
Total Support Services	<u>632,447</u>	<u>-</u>	<u>632,447</u>	<u>637,048</u>
Total Operating Expenses	<u>1,492,085</u>	<u>-</u>	<u>1,492,085</u>	<u>1,827,424</u>
Increase in Net Assets	<u>\$ (316,899)</u>	<u>\$ -</u>	<u>\$ (316,899)</u>	<u>\$ 21,467</u>

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, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2018	\$ 329,510	\$ 77,146	\$ 406,656
Change in net assets for 2019	<u>21,467</u>	<u>-</u>	<u>21,467</u>
Balance, June 30, 2019	350,977	77,146	428,123
Change in net assets for 2020	<u>(316,899)</u>	<u>-</u>	<u>(316,899)</u>
Balance, June 30, 2020	\$ <u><u>34,078</u></u>	\$ <u><u>77,146</u></u>	\$ <u><u>111,224</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, 2020
(with comparative totals for 2019)

	2020					2019	
	Program Services		Management and General				
	College and Continuing Education	Student Academic Services and Housing	Institutional Support	Plant and Maintenance	Fundraising	Total	Total
Salaries and benefits	\$ 210,096	\$ 144,080	\$ 404,455	\$ 13,066	\$ -	\$ 771,697	\$ 785,102
Rentals and maintenance	-	19,896	-	4,360	-	24,256	14,535
Utilities	-	82,255	-	18,020	-	100,275	110,746
Depreciation	-	77,852	-	18,945	-	96,797	98,830
Travel and events	10,455	-	4,116	-	-	14,571	277,176
Professional services and outside help	-	4,825	51,336	-	-	56,161	55,313
Recruiting, printing and mailing	-	-	12,992	-	-	12,992	15,764
Educational and office supplies	369	7,456	8,865	-	-	16,690	10,386
Insurance	-	16,390	3,793	4,098	-	24,281	33,292
Interest	-	19,466	48,053	4,867	-	72,386	78,587
Bank fees	-	-	3,284	-	-	3,284	11,554
Scholarships and grants	-	219,522	-	-	-	219,522	234,706
Other	-	-	6,359	-	-	6,359	2,416
Bad debts	-	-	3,713	-	-	3,713	13,089
Dues, subscriptions and memberships	-	-	13,321	-	-	13,321	11,401
Computer, telephone and network	745	-	6,938	1,866	-	9,549	10,094
Student life	-	46,231	-	-	-	46,231	64,433
	\$ 221,665	\$ 637,973	\$ 567,225	\$ 65,222	\$ -	\$ 1,492,085	\$ 1,827,424

The accompanying notes are integral part of the financial statements.

BOSTON BAPTIST COLLEGE

Statements of Cash Flows

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (316,899)	\$ 21,467
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	96,797	98,830
Amortization of debt issuance costs reported as interest expense	575	575
Bad debt expense	3,713	13,089
Changes in operating assets and liabilities:		
Student accounts receivable	(10,763)	(4,149)
Contributions receivable	39,955	(39,955)
Vendor receivables	(74,128)	-
Inventories	393	230
Accounts payable and accrued expenses	(76,589)	69,520
Refunds payable	94,915	-
Deferred revenue	64,844	-
Student advance payments	<u>13,857</u>	<u>825</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(163,330)</u>	<u>160,432</u>
Cash Flows from Investing Activity:		
Acquisition of land, buildings and equipment	<u>(8,656)</u>	<u>(33,751)</u>
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program	151,900	-
Repayments of long-term debt	(90,258)	(81,669)
Due to related parties	<u>122,459</u>	<u>4,041</u>
Net Cash Provided by (Applied to) Financing Activities	<u>184,101</u>	<u>(77,628)</u>
Increase in Cash and Equivalents and Restricted Cash	12,115	49,053
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>135,053</u>	<u>86,000</u>
Cash and Equivalents and Restricted Cash, End of Year	<u>\$ 147,168</u>	<u>\$ 135,053</u>
Cash and equivalents and restricted cash consist of the following at June 30,:		
Cash and equivalents	\$ 70,022	\$ 57,907
Restricted cash	<u>77,146</u>	<u>77,146</u>
Total	<u>\$ 147,168</u>	<u>\$ 135,053</u>

Supplemental Disclosure of Cash Flow Information:

Interest paid by the College for the years ended June 30, 2020 and 2019 was \$71,811 and \$78,012, respectively.

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

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements

June 30, 2020 and 2019

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) having been awarded Reaffirmation II as a Category II institution by the TRACS Accreditation Commission in November 2011. This status is in force through June 30, 2022. TRACS is an institutional accreditor recognized by the United States Department of Education, the Council of Higher Education Accreditation, and the International Network of Quality Assurance Agencies in Higher Education. 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.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 17, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The College refunded a total of \$46,675 before June 30, 2020 to students for a pro-rata share of the housing and meals fees charged for the period from when the College transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund ("HEERF"). The College was awarded \$61,817 of which \$30,909 is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other \$30,908 is required by the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Organization - continued

As of June 30, 2020, the College expended \$30,908 for institutional costs from the HEERF funds to reimburse the College for spring semester refunds issued. HEERF funds for emergency grants to students were expended shortly after year-end, with \$0 expended as of June 30, 2020. The College also received an additional \$3,027 under the Strengthening Institutions provision of the CARES Act, which was also applied to institutional costs incurred by the COVID-19 crisis during the year ended June 30, 2020, these amounts are all recorded as deferred revenue at year end. Subsequent to June 30, 2020, the College was awarded an additional \$435,120 under the CARES Act.

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.

Measure of Operations

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

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

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

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

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

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, 2020 and 2019

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, 2019, 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, 2020 and 2019

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.

Refunds Payable

Refunds payable of \$95,000 and \$0 at June 30, 2020 and 2019, respectively, relate to payments received for study trips that were later refunded due to the cancellation of the trips amidst the COVID-19 pandemic.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Adoption of New Accounting Standards

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange (within the scope of Topic 958) or exchange (within the scope of Topic 606) and determining whether contributions are conditional. The College adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2019. Therefore, it is applied to any remaining portion of existing agreements not yet recognized as of July 1, 2019, in addition to all new agreements entered into after that date. The adoption of this pronouncement did not have a material effect on these financial statements. The College will adopt the provisions for contributions made on July 1, 2020 and does not expect a significant impact on its financial statements.

FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The purpose of this pronouncement is to provide guidance on the classification of restricted cash in the statement of cash flows. The College adopted the provisions of ASU 2016-18 on a retrospective basis as of July 1, 2018, and did not necessitate an adjustment to net assets in the prior period.

New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as “the new revenue recognition standard”). It is effective for periods beginning after December 15, 2019 for non-public companies. The purpose of the new revenue recognition standard is to remove inconsistencies and weaknesses in current revenue recognition requirements; to provide a more robust framework for addressing revenue recognition issues and to improve comparability of recognition across entities, industries, jurisdictions, and capital markets. It requires the College to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

New Accounting Pronouncements - continued

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, 2021. 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.

FASB issued ASU 2019-03, *Updating the Definition of Collections*, which is effective for periods beginning after December 15, 2019. Implementation of this standard will expand the definition of collections to allow the sale of collections to be used for the direct care of existing collections. 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 \$27,140 and \$20,090 at June 30, 2020 and 2019, respectively. Management has determined an allowance for doubtful accounts was not necessary at June 30, 2020 or 2019.

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, 2020 and 2019, contributions receivable was \$0 and \$39,955, respectively.

Vendor Receivables

Vendor receivables consist of refunds owed to the College at year end for study trips cancelled due to the COVID-19 pandemic. Refunds were received subsequent to year end. During the years ended June 30, 2020 and 2019, vendor receivables were \$74,128 and \$0, respectively.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - Land, Buildings and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 100,000	\$ 100,000
Buildings and improvements	3,184,969	3,176,761
Furniture, fixtures and equipment	139,800	139,801
Library books	<u>56,057</u>	<u>55,608</u>
	3,480,826	3,472,170
Less: accumulated depreciation/amortization	<u>1,918,219</u>	<u>1,821,422</u>
Land, Buildings and Equipment, net	\$ <u>1,562,607</u>	\$ <u>1,650,748</u>

Depreciation expense totaled \$96,797 and \$98,830 for the years ended June 30, 2020 and 2019, respectively.

Note 4 - Paycheck Protection Program Loan

In April 2020, the College received a Payroll Protection Program (“PPP”) loan under the CARES Act in the amount of \$151,900. The loan will be forgiven based upon the College using the proceeds on eligible expenses over a twenty-four-week period (“covered period”) from the time the loan was obtained. Eligible expenses include payroll and related benefits, utilities, and rent/mortgage interest. Loan forgiveness may be reduced based on the difference between full-time equivalent employees (“FTEs”) and wages-paid levels during the covered period versus the number of FTEs and wages paid during a look-back period. Fewer FTEs and/or wages reduced by more than 25% during the covered period will reduce the amount of the loan that can be forgiven.

Any portion of the loan that is not forgiven will become a two-year term loan with an interest rate of 1% per year. The interest on any unforgiven portion of the loan will be deferred for the first six months of the loan. Management intends to reduce the debt in full, or a portion thereon, and reflect that reduction as non-operating revenue when a portion of the loan is forgiven.

Subsequent to year end, the College has received full forgiveness of its loan.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - Debt Obligations

Long-Term Debt

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

	<u>2020</u>	<u>2019</u>
Mortgage payable to Rockland Trust Company, collateralized by land, buildings, and equipment owned by the College, monthly payments of principal and interest of \$7,324 through May 2021. The interest rate was 3.63% and 5.63% at June 30, 2020 and 2019, 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% (0.63% and 2.63% for June 30, 2020 and 2019, respectively). The mortgage matures in June 2037.	\$ 1,103,063	\$ 1,145,287
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>102,901</u>	<u>150,935</u>
Total	1,205,964	1,296,222
Less: Unamortized debt issuance costs	<u>9,725</u>	<u>10,300</u>
Total	1,196,239	1,285,922
Less: Current portion	<u>93,680</u>	<u>87,625</u>
Total long-term debt	<u>\$ 1,102,559</u>	<u>\$ 1,198,297</u>

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - Debt Obligations - Continued

In accordance with FASB ASU 2015-03, the outstanding balance of the mortgage debt as of June 30, 2020 and 2019 of \$1,205,964 and \$1,296,222 are reported net of issuance costs of \$9,725 and \$10,300, 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, 2020 and 2019 was \$575.

Future principal maturities subsequent to June 30, 2020 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 93,105
2022	94,031
2023	45,867
2024	48,225
2025	50,914
2026-2030	300,376
2031-2035	393,639
2036-2037	<u>170,082</u>
Total	\$ <u>1,196,239</u>

Note 6 - Net Assets With Restrictions

At June 30, 2020 and 2019, the College had \$77,146 of net assets with donor restrictions. This represents amounts held in escrow by the United States Department of Education to satisfy the requirements as described in Note 8.

Note 7 - Related Party Transactions

Contributions Received from Related Parties

For the years ended June 30, 2020 and 2019, approximately \$185,000 and \$338,000, respectively, in contributions were received from churches whose pastors are members of the Board of Trustees.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **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. As part of the reapplication process with the ED for December 31, 2019, the funds are no longer held as a letter of credit, but rather, are held in escrow by the ED. The ED required the College to hold \$72,904 as of June 30, 2020 and 2019, for which restricted cash in the statements of financial position serves as security.

The College has determined its composite score at June 30, 2020 and 2019 to be -.40 and 1.0, respectively. ED's determinations of the composite score and resulting actions are typically not made known until spring of the following year.

Note 9 - **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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 9 - **Concentrations, Risks, and Uncertainties - Continued**

Uncertainties

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

Note 10 - **Going Concern Uncertainty**

The College has incurred losses or small increases from operations over the past several years. Additionally, enrollment has been flat or down in recent years. Further, as discussed in Note 1, the global outbreak of COVID-19 has negatively affected operations. Without an endowment fund to generate income that could offset the losses, net assets have increased only slightly in the last few years and went down significantly in the current year. It is the College's goal to consistently show increases in net assets. This will help to alleviate financial stress and keep the College in compliance with its 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 not show an improvement in net assets for the year ending June 30, 2020. It cannot be determined definitively if this is solely due to the COVID-19 pandemic. The College continues to need to maintain or increase enrollment, as well as maintain its current level of contributions to increase net assets going forward.

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 its courses to be available nationwide.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - Going Concern Uncertainty - Continued

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 its eligibility for Title IV funding from ED, as well as causing liquidity issues, such as meeting current financial needs.

Note 11 - Availability and Liquidity

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and equivalents	\$ 70,022	\$ 57,907
Student accounts receivable	27,140	20,090
Contributions receivable	-	39,955
Vendor receivables	<u>74,128</u>	<u>-</u>
	<u>171,290</u>	<u>117,952</u>
 Financial assets available to meet general expenditures within one year:	 <u>\$ 171,290</u>	 <u>\$ 117,952</u>

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019

Note 12 - **Management's Acceptance of the Financial Statements**

Management has evaluated subsequent events through March 9, 2021, 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, 2020 requiring disclosure in these financial statements, except as noted below.

Subsequent to the year ended June 30, 2020, the College has refinanced its loan with Rockland Trust Company to allow for better cash flow. In addition to paying off the loan with Rockland Trust Company, the College also received approximately \$200,000 in cash, making the new loan balance \$1,325,000. The loan is for a period of 180 months, with an interest rate of the National Prime Rate plus 1%, adjusted semi-annually. Payments began on August 15, 2020.

Notes 1 and 4 also provide information on subsequent events related to COVID-19 aid received and forgiveness of the College's PPP loan.

Supplemental Information

Boston Baptist College

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2020

Primary Reserve Ratio:		
Expendable Net Assets:		
1	Statement of Financial Position (SFP)	34,078
2	SFP	77,146
3		
4	Not applicable	-
5		1,562,607
6	SD Line 3d	1,553,951
7	Not applicable	-
8	SD Line 6a	8,656
9	SD Line 5	-
10		-
11	Not applicable	-
12	Not applicable	-
13	Not applicable	-
14	Not applicable	-
15		1,196,239
16	SD Line 8d	1,196,239
17	Not applicable	-
18	Not applicable	-
19		-
20	Not applicable	-
21	Not applicable	-
22		77,146
23	SD Line 2a	-
24	SD Line 2b	77,146
25	Not applicable	-
26	SD Line 1	-
Total Expenses without Donor Restrictions & Losses without Donor Restrictions:		
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	1,492,085
28	Not applicable	-
29	Not applicable	-
30	Not applicable	-
Equity Ratio:		
Modified Net Assets:		
31	SFP	111,224
32	SFP	-
33	Not applicable	-
34	Not applicable	-
35		-
36	Not applicable	-
Modified Assets:		
37	SFP	1,822,843
38	Not applicable	-
39	Not applicable	-
40	Not applicable	-
41	Not applicable	-
42	Not applicable	-
Net Income Ratio:		
Change in Net Assets Without Donor Restrictions:		
43	SOA	(316,899)
Total Revenue without Donor Restrictions & Gains without Donor Restrictions		
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	1,175,186
45	SOA: Investments, Net	-

Boston Baptist College

Financial Responsibility Supplemental Disclosures - U.S. Department of Education

Year Ended June 30, 2020

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.

Net Assets

1 Net assets with donor restrictions: restricted in perpetuity	\$	-
2 Other net assets with donor restrictions (not perpetually restricted):		
a. Annuities with donor restrictions		-
b. Term Endowments		77,146
c. Life income funds (trusts)		-
d. Total annuities, term endowment and life income funds with donor restrictions	\$	77,146

Property, Plant and Equipment, net

3 Pre-implementation property, plant and equipment, net (PP&E, net)		
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2019 financial statement)	\$	1,650,748
b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards		-
c. Less subsequent depreciation and disposals		(96,797)
d. Balance Pre-implementation property, plant and equipment, net		1,553,951
4 Debt Financed Post-Implementation property, plant and equipment, net		
Long-lived assets acquired with debt subsequent to June 30, 2019:		
a. Equipment		-
b. Land Improvements		-
c. Building		-
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months		-
5 Construction in progress- acquired subsequent to June 30, 2019		-
6 Post-implementation property, plant and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		8,656
7 Total Property, Plant and Equipment, net- June 30, 2020	\$	1,562,607

Debt to be excluded from expendable net assets

8 Pre-implementation debt:		
a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2019)	\$	1,285,922
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		(89,683)
d. Balance pre-implementation debt		1,196,239
9 Allowable post-implementation debt used for capitalized long-lived assets:		
a. Equipment- all capitalized		-
b. Land Improvements		-
c. Buildings		-
10 Construction in progress (CIP) financed with short term debt		-
11 Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		151,900
	\$	1,348,139

**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, 2020, 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 March 9, 2021.

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.

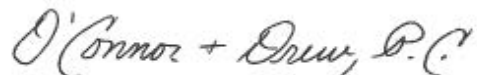
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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**

March 9, 2021