

BOSTON BAPTIST COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2021

BOSTON BAPTIST COLLEGE

Financial Statements

June 30, 2021 and 2020

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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 Massachusetts not-for-profit organization) (the "College"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets, functional expenses, and cash flows for the year 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2021. 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 23-24 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to, the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 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.



**Certified Public Accountants
Winchester, Massachusetts**

November 15, 2021

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30, 2021 and 2020

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30,

Assets

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and equivalents	\$ 203,003	\$ 70,022
Student accounts receivable	22,372	27,140
Federal grant receivable	41,419	-
Vendor receivables	-	74,128
Inventories	<u>11,800</u>	<u>11,800</u>
Total Current Assets	<u>278,594</u>	<u>183,090</u>
Non-Current Assets:		
Restricted cash	97,146	77,146
Land, buildings and equipment, net	<u>1,505,935</u>	<u>1,562,607</u>
Total Non-Current Assets	<u>1,603,081</u>	<u>1,639,753</u>
Total Assets	<u>\$ 1,881,675</u>	<u>\$ 1,822,843</u>

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

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Current portion of long-term debt	\$ 116,058	\$ 93,680
Accounts payable and accrued expenses	24,511	47,964
Refunds payable	-	94,915
Deferred revenue	18,765	64,844
Due to related parties	-	126,500
Student advance payments	<u>10,083</u>	<u>29,257</u>
Total Current Liabilities	<u>169,417</u>	<u>457,160</u>
Long-Term Liabilities:		
Paycheck Protection Program loan	151,900	151,900
Long-term debt, net of current portion	<u>1,183,303</u>	<u>1,102,559</u>
Total Liabilities	<u>1,504,620</u>	<u>1,711,619</u>
Net Assets:		
Without donor restrictions	279,909	34,078
With donor restrictions	<u>97,146</u>	<u>77,146</u>
Total Net Assets	<u>377,055</u>	<u>111,224</u>
Total Liabilities and Net Assets	<u>\$ 1,881,675</u>	<u>\$ 1,822,843</u>

BOSTON BAPTIST COLLEGE

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

(with summarized comparative data for the year ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restriction	Total	Total
	Revenues and Other Support:			
Tuition and fees	\$ 550,405	\$ -	\$ 550,405	\$ 590,501
Student housing	234,005	-	234,005	156,185
Contributions	460,229	20,000	480,229	418,121
Federal grants revenue	736,074	-	736,074	-
Other income	<u>27,335</u>	<u>-</u>	<u>27,335</u>	<u>10,379</u>
Total Revenues and Other Support	<u>2,008,048</u>	<u>20,000</u>	<u>2,028,048</u>	<u>1,175,186</u>
Operating Expenses:				
Program Services:				
College and continuing education	202,880	-	202,880	221,665
Student services and housing	<u>973,589</u>	<u>-</u>	<u>973,589</u>	<u>637,973</u>
Total Educational Services	<u>1,176,469</u>	<u>-</u>	<u>1,176,469</u>	<u>859,638</u>
Management and General:				
Institutional support	683,824	-	683,824	567,225
Plant and maintenance	<u>53,824</u>	<u>-</u>	<u>53,824</u>	<u>65,222</u>
Total Support Services	<u>737,648</u>	<u>-</u>	<u>737,648</u>	<u>632,447</u>
Total Operating Expenses	<u>1,914,117</u>	<u>-</u>	<u>1,914,117</u>	<u>1,492,085</u>
Changes in Net Assets from Operating Activities	<u>93,931</u>	<u>20,000</u>	<u>113,931</u>	<u>(316,899)</u>
Non-Operating Revenues:				
Forgiveness of Paycheck Protection Program Loan	<u>151,900</u>	<u>-</u>	<u>151,900</u>	<u>-</u>
Total Increase (decrease) in Net Assets	245,831	20,000	265,831	(316,899)
Net Assets, Beginning of Year	<u>34,078</u>	<u>77,146</u>	<u>111,224</u>	<u>428,123</u>
Net Assets, End of Year	<u>\$ 279,909</u>	<u>\$ 97,146</u>	<u>\$ 377,055</u>	<u>\$ 111,224</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, 2021

(with comparative totals for 2020)

	2021						2020
	Program Services		Management and General				Total
	College and Continuing Education	Student Academic Services and Housing	Institutional Support	Plant and Maintenance	Fundraising	Total	
Salaries and benefits	\$ 191,166	\$ 236,221	\$ 477,720	\$ 4,277	\$ -	\$ 909,384	\$ 771,697
Rentals and maintenance	-	15,837	-	3,869	-	19,706	24,256
Utilities	-	103,690	-	23,045	-	126,735	100,275
Depreciation	-	70,172	-	17,209	-	87,381	96,797
Travel and events	10,864	-	2,980	-	-	13,844	14,571
Professional services and outside help	-	8,543	57,335	-	-	65,878	56,161
Recruiting, printing and mailing	-	-	22,623	-	-	22,623	12,992
Educational and office supplies	105	7,655	7,941	-	-	15,701	16,690
Insurance	-	18,084	9,906	4,521	-	32,511	24,281
Interest	-	3,456	82,876	864	-	87,196	72,386
Bank fees	-	-	312	39	-	351	3,284
Scholarships and grants	-	364,575	-	-	-	364,575	219,522
Other	-	-	3,101	-	-	3,101	6,359
Bad debts	-	-	-	-	-	-	3,713
Dues, subscriptions and memberships	-	-	13,330	-	-	13,330	13,321
Computer, telephone and network	745	3,862	5,700	-	-	10,307	9,549
Student life	-	141,494	-	-	-	141,494	46,231
	\$ 202,880	\$ 973,589	\$ 683,824	\$ 53,824	\$ -	\$ 1,914,117	\$ 1,492,085

The accompanying notes are integral part of the financial statements.

BOSTON BAPTIST COLLEGE

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 265,831	\$ (316,899)
Adjustment to reconcile changes in net assets to net cash provided by (applied to) operating activities:		
Forgiveness of Paycheck Protection Program Loan	(151,900)	-
Depreciation	87,381	96,797
Amortization of debt issuance costs reported as interest expense	11,188	575
Bad debt expense	-	3,713
Changes in operating assets and liabilities:		
Student accounts receivable	4,768	(10,763)
Contributions receivable	-	39,955
Federal grant receivable	(41,419)	-
Vendor receivables	74,128	(74,128)
Accounts payable and accrued expenses	(23,453)	(76,589)
Refunds payable	(94,915)	94,915
Deferred revenue	(46,079)	64,844
Student advance payments	<u>(19,174)</u>	<u>13,857</u>
Net Cash Provided by (Applied to) Operating Activities	<u>66,356</u>	<u>(163,330)</u>
Cash Flows from Investing Activity:		
Acquisition of land, buildings and equipment	<u>(30,709)</u>	<u>(8,656)</u>
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program	151,900	151,900
Proceeds from debt refinancing	195,090	-
Repayments of long-term debt	(103,156)	(90,258)
Due to related parties	<u>(126,500)</u>	<u>122,459</u>
Net Cash Provided by Financing Activities	<u>117,334</u>	<u>184,101</u>
Increase in Cash and Equivalents and Restricted Cash	152,981	12,115
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>147,168</u>	<u>135,053</u>
Cash and Equivalents and Restricted Cash, End of Year	<u>\$ 300,149</u>	<u>\$ 147,168</u>
Cash and equivalents and restricted cash consist of the following at June 30,:		
Cash and equivalents	\$ 203,003	\$ 70,022
Restricted cash	<u>97,146</u>	<u>77,146</u>
Total	<u>\$ 300,149</u>	<u>\$ 147,168</u>

Supplemental Disclosure of Cash Flow Information:

Interest paid by the College for the years ended June 30, 2021 and 2020 was \$71,688 and \$71,811, respectively.

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

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements

June 30, 2021 and 2020

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. The College is a member of the Transnational Association of Christian Colleges and Schools (“TRACS”), 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.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College’s operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds (“HEERF”), Funds for the Improvement of Postsecondary Education (“FIPSE”) and funds for the Strengthening Institution Program (“SIP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), and American Rescue Plan Act (“ARPA”). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award, FIPSE and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 17, 2022, FIPSE award must be spent by August 18, 2021, while the SIP funding must be spent by March 3, 2022

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

COVID-19 - continued

The College has been awarded the following HEERF, FIPSE and SIP funds as of June 30, 2021:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Funds for Improvement of Postsecondary Education	Total
CARES	\$ 30,909	\$ 30,908	\$ 3,063	\$ 435,120	\$ 500,000
CRRSA	30,909	70,352	4,275	-	105,536
ARPA	89,119	89,118	-	-	178,237
Total	\$ 150,937	\$ 190,378	\$ 7,338	\$ 435,120	\$ 783,773

The College has recognized the following as non-operating Federal grants for the year ended June 30, 2021:

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Funds for Improvement of Postsecondary Education	Total
CARES	\$ 30,909	\$ 30,908	\$ 3,063	\$ 435,120	\$ 500,000
CRRSA	30,909	70,352	4,275	-	105,536
ARPA	89,119	41,419	-	-	130,538
Total	\$ 150,937	\$ 142,679	\$ 7,338	\$ 435,120	\$ 736,074

The College did not recognize any HEERF revenue for the year ended June 30, 2020.

The College brought students back for in-person learning for the Fall 2020 and Spring 2021 semesters. The College used funds from the HEERF Funding to comply with the CDC health and safety requirements.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

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 resources that generate returns from investments and other 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.

Restricted Cash

The College's restricted cash consists of funds set aside for donor restrictions.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Revenue with Customers

Tuition, fees, and auxiliary enterprises revenue are recorded at established rates, net of institutional awards provided directly to students. Net transaction price is fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic or auxiliary activity.

The College's revenues and cash flows are correlated to the general conditions of the economy. Contract liabilities represent payments the College receives in advance of the event. Contract liabilities are presented in the Statements of Financial Position as unearned revenue, if applicable, and are recognized as income in the period in which the event takes place.

Grants and 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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Grants and Contributions - continued

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.

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, 2020, 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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Use of Estimates - continued

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.

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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

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

There were no refunds payable at June 30, 2021. Refunds payable of \$95,000 at June 30, 2020 relate to payments received for study trips that were later refunded due to the cancellation of the trips amidst the COVID-19 pandemic.

Adoption of New Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as Accounting Standards Codification 606, *Revenue from Contracts with Customers*, or the "new revenue recognition standard"). Under the new revenue recognition standard, revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The principles in the standard should be applied using a five-step model that includes: 1) identifying the contract(s) with a customer, 2) identifying the performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to the performance obligations in the contract, and 5) recognizing revenue when (or as) the performance obligations are satisfied.

On July 1, 2020, the College adopted the new revenue recognition standard using the modified retrospective approach applied to contracts not completed as of the date of adoption. The adoption of this pronouncement did not have a material effect on these financial statements. The comparative financial statements have not been restated.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Adoption of New Accounting Standards - continued

The prior year is under the former revenue recognition standard, which is similar to the new revenue recognition policy.

New Accounting Pronouncements

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.

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 \$22,372 and \$27,140 at June 30, 2021 and 2020, respectively. Management has determined an allowance for doubtful accounts was not necessary at June 30, 2021 or 2020.

Federal Grant Receivable

Federal grant receivable consist of ARPA funds the College has earned but has not yet received. The funds were received subsequent to year end. Federal grant receivable were \$41,419 at June 30, 2021. There were no federal grant receivable at June 30, 2020.

Vendor Receivables

Vendor receivables consist of refunds owed to the College at year end for study trips cancelled due to the COVID-19 pandemic. There were no vendor receivables at June 30, 2021. During the year ended June 30, 2020, vendor receivables were \$74,128.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 3 - Land, Buildings and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 100,000	\$ 100,000
Buildings and improvements	3,213,801	3,184,969
Furniture, fixtures and equipment	141,299	139,800
Library books	<u>56,435</u>	<u>56,057</u>
	<u>3,511,535</u>	<u>3,480,826</u>
Less: accumulated depreciation/amortization	<u>2,005,600</u>	<u>1,918,219</u>
Land, Buildings and Equipment, net	\$ <u>1,505,935</u>	\$ <u>1,562,607</u>

Depreciation expense totaled \$87,381 and \$96,797 for the years ended June 30, 2021 and 2020, respectively.

Note 4 - Paycheck Protection Program Loans

In April 2020, the College received a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“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. The College used the entire funds from the loan in accordance with the provisions of the CARES Act. In October 2020, the Small Business Administration, acting on behalf of the federal government, forgave the entire loan.

In March 2021, the College received another PPP loan under the Consolidated Appropriations Act, 2021 (“Consolidated 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 mortgage interest. The College used the entire funds from the loan in accordance with the provisions of the Consolidated Act.

In September 2021, the Small Business Administration, acting on behalf of the federal government, forgave the entire loan.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - Debt Obligations

Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Mortgage Payable to First Bank of Owasso, collateralized by real property, inventory, chattel paper, accounts, equipment, general intangibles and fixtures owned by the College, monthly payments of principal and interest of \$10,600 through July 15, 2035. The interest rate was 5% at June 30, 2021.	\$ 1,268,890	\$ -
Note payable to Bank of America, collateralized by equipment, inventory, and receivables of the College. During FY17, the line of credit was closed and converted to a loan payable over 5 years (5/16/18- 5/10/22) with an interest rate of 7.7%.	50,917	102,901
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% at June 30, 2020. The debt was paid off in July 15, 2020.	<u>-</u>	<u>1,103,063</u>
Total	1,319,807	1,205,964
Less: Unamortized debt issuance costs	<u>20,446</u>	<u>9,725</u>
Total	1,299,361	1,196,239
Less: Current portion	<u>116,058</u>	<u>93,680</u>
Total long-term debt	<u>\$ 1,183,303</u>	<u>\$ 1,102,559</u>

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - Debt Obligations - Continued

Long-Term Debt - continued

In accordance with FASB ASU 2015-03, the outstanding balance of the mortgage debt as of June 30, 2021 and 2020 of \$1,319,807 and \$1,205,964 are reported net of issuance costs of \$20,446 and \$9,725, 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, 2021 and 2020 was \$11,188 and \$575, respectively.

Future principal maturities subsequent to June 30, 2021 are as follows:

Years Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 116,058
2023	68,481
2024	71,840
2025	75,675
2026	79,555
2027-2031	463,173
2032-2036	<u>445,025</u>
Total	<u>\$1,319,807</u>

Note 6 - Net Assets With Restrictions

At June 30, 2021 and 2020, the College had \$97,146 and \$77,146, respectively, 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 and \$20,000 restricted by a donor for chapel renovations.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Related Party Transactions**

Contributions Received from Related Parties

For the years ended June 30, 2021 and 2020, approximately \$157,000 and \$185,000, respectively, in contributions were received from churches whose pastors are members of the Board of Trustees.

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, 2021 and 2020, for which restricted cash in the statements of financial position serves as security.

The College has determined its composite score at June 30, 2021 and 2020 to be 1.6 and -.40, 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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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.

Uncertainties

The COVID-19 crisis as discussed in Note 1 is ongoing. There has been a significant effect on the operations at the College and there is continued uncertainty about the economy and the donors' ability to give going into the future. The College has re-opened the dorms to students and resumed operations following CDC guidelines. The pandemic has created volatility in the financial markets and a significant decrease in the overall economy. Management cannot reasonably estimate the duration or impact on finances and operations.

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. In addition, the global outbreak of COVID-19 has negatively affected operations. For the years ending June 31, 2021 and 2020, the College received federal grants to assist with the effect of the pandemic on operations. However, these grants will not be available next year, and without endowment fund to generate income that could offset the losses, the current year increase in net assets may not be sustainable. 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 showed an improvement in net assets for the year ending June 30, 2021. 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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 10 - 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 its 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 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and equivalents	\$ 203,003	\$ 70,022
Student accounts receivable	22,372	27,140
Other receivables	41,419	-
Vendor receivables	-	74,128
	<u>266,794</u>	<u>171,290</u>
Financial assets available to meet general expenditures within one year	<u>\$ 266,794</u>	<u>\$ 171,290</u>

For the years ended June 30, 2021 and 2020, management of the College 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, 2021 and 2020

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

Management has evaluated subsequent events through November 15, 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, 2021 requiring disclosure in these financial statements.

Supplemental Information

BOSTON BAPTIST COLLEGE

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

Primary Reserve Ratio:		
		Expendable Net Assets:
1	Statement of Financial Position (SFP)	Net assets without donor restrictions \$ 279,909
2	SFP	Net assets with donor restrictions 97,146
3		Secured and Unsecured related party receivable - Total
4	Not applicable	Unsecured related party receivables -
5		Property, Plant and Equipment, net (includes Construction in progress) - Total 1,505,935
6	SD Line 3d	Property, plant and equipment pre-implementation 1,475,226
7	Not applicable	Property, plant and equipment post- implementation with outstanding debt for original purchase -
8	SD Line 6a	Property, plant and equipment post-implementation without outstanding debt for original purchase 30,709
9	SD Line 5	Construction in progress -
10		Lease right-of-use asset, net - Total -
11	Not applicable	Lease right-of-use, pre-implementation (grandfather of leases option not chosen) -
12	Not applicable	Lease right-of-use asset, post-implementation -
13	Not applicable	Intangible assets -
14	Not applicable	Post-employment and pension liabilities -
15		Long-term debt- for long term purposes - Total 1,299,361
16	SD Line 8d	Long- term debt- for long term purpose pre-implementation 1,299,361
17	Not applicable	Long-term debt- for long term purposes post-implementation -
18	Not applicable	Line of Credit for Construction in progress -
19		Lease right-of-use asset liability - Total -
20	Not applicable	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen) -
21	Not applicable	Post-implementation right-of-use asset liability -
22		Annuities, term endowment and life income with donor restrictions - Total 97,146
23	SD Line 2a	Annuities with donor restrictions -
24	SD Line 2b	Term Endowments with donor restrictions 97,146
25	Not applicable	Life income funds with donor restrictions -
26	SD Line 1	Net Assets with donor restrictions - restricted in perpetuity -
		Total Expenses without Donor Restrictions & Losses without Donor Restrictions:
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities 1,914,117
28	Not applicable	Non-operating and Net Investment (loss) -
29	Not applicable	Net Investment losses -
30	Not applicable	Pension-related changes other than net periodic costs -
Equity Ratio:		
		Modified Net Assets:
31	SFP	Net assets without donor restrictions 279,909
32	SFP	Net assets with donor restrictions 97,146
33	Not applicable	Intangible Assets -
34	Not applicable	Intangible Assets- Goodwill -
35		Secured and unsecured related party receivables- Total -
36	Not applicable	Unsecured related party receivables -
		Modified Assets:
37	SFP	Total Assets 1,881,675
38	Not applicable	Lease right-of-use asset pre-implementation -
39	Not applicable	Pre-implementation right-of-use asset liability -
40	Not applicable	Intangible Assets -
41	Not applicable	Secured and unsecured related part receivables -
42	Not applicable	Unsecured related party receivables -
Net Income Ratio:		
		Change in Net Assets Without Donor Restrictions:
43	SOA	Change in net assets without donor restrictions 245,831
		Total Revenue without Donor Restrictions & Gains without Donor Restrictions
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains 2,159,948
45	SOA: Investments, Net	Investments, net (operating and non-operating) -

BOSTON BAPTIST COLLEGE

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

Year Ended June 30, 2021

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		97,146
c.	Life income funds (trusts)		-
d.	Total annuities, term endowment and life income funds with donor restrictions	\$	<u>97,146</u>

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, 2020 financial statement)	\$	1,562,607
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		<u>(87,381)</u>
d.	Balance Pre-implementation property, plant and equipment, net		<u>1,475,226</u>
4	Debt Financed Post-Implementation property, plant and equipment, net		
	Long-lived assets acquired with debt subsequent to June 30, 2020:		
a.	Equipment		-
b.	Land Improvements		-
c.	Building		-
d.	Total Property, plant and equipment, net acquired with debt exceeding 12 months		<u>-</u>
5	Construction in progress- acquired subsequent to June 30, 2020		-
6	Post-implementation property, plant and equipment, net, acquired without debt:		
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2020		<u>30,709</u>
7	Total Property, Plant and Equipment, net- June 30, 2021	\$	<u>1,505,935</u>

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, 2020)	\$	1,348,139
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.		-
c.	Less subsequent debt repayments		<u>(48,778)</u>
d.	Balance pre-implementation debt		<u>1,299,361</u>
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		<u>151,900</u>
		\$	<u>1,451,261</u>

12 Term of current year debt additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	07/15/2020	07/15/2035	Mortgage	\$ 1,325,000.00

**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, 2021, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 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") as a basis for designing 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.

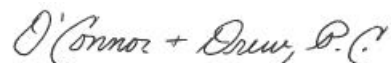
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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**

November 15, 2021