

BOSTON BAPTIST COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2023

BOSTON BAPTIST COLLEGE

Financial Statements

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Boston Baptist College:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boston Baptist College (a Massachusetts not-for-profit College) (the "College"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boston Baptist College as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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. As discussed in Note 10, the College has had a few years of level or diminished enrollment, current liabilities exceed current assets as well as a recent history of a decrease in net assets. This raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions regarding these matters is described in Note 11. 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.

Other Matter

The financial statements and related notes of the College as of and for the year ended June 30, 2022, were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023, and expressed an unmodified opinion on those statements dated December 27, 2022.

As more fully described in Note 1 to the financial statements, the College has presented summarized comparative information for the year ended June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 22-23 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.

Withum Smith + Brown, PC

March 27, 2024

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30, 2023 and 2022

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30,

Assets

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and equivalents	\$ -	\$ 2,009
Student accounts receivable	12,669	24,197
Inventories	<u>11,800</u>	<u>11,800</u>
Total Current Assets	<u>24,469</u>	<u>38,006</u>
Non-Current Assets:		
Restricted cash	97,146	97,146
Land, buildings and equipment, net	<u>1,390,336</u>	<u>1,439,839</u>
Total Non-Current Assets	<u>1,487,482</u>	<u>1,536,985</u>
Total Assets	<u>\$ 1,511,951</u>	<u>\$ 1,574,991</u>

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

BOSTON BAPTIST COLLEGE

Statements of Financial Position

June 30,

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Current portion of long-term debt	\$ 54,505	\$ 68,481
Line of credit	149,030	60,015
Accounts payable and accrued expenses	95,386	49,580
Deferred trip revenue	46,803	11,153
Notes payable - related party	<u>19,295</u>	<u>-</u>
Total Current Liabilities	<u>365,019</u>	<u>189,229</u>
Long-Term Liabilities:		
Long-term debt, net of current portion	<u>1,082,598</u>	<u>1,117,083</u>
Total Liabilities	<u>1,447,617</u>	<u>1,306,312</u>
Net Assets:		
Without donor restrictions	(32,812)	171,533
With donor restrictions	<u>97,146</u>	<u>97,146</u>
Total Net Assets	<u>64,334</u>	<u>268,679</u>
Total Liabilities and Net Assets	<u>\$ 1,511,951</u>	<u>\$ 1,574,991</u>

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

BOSTON BAPTIST COLLEGE

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

(with summarized comparative data for the year ended June 30, 2022)

	2023			2022
	Without			
	Donor Restrictions	With Donor Restriction	Total	Total
Revenues and Other Support:				
Tuition and fees	\$ 519,295	\$ -	\$ 519,295	\$ 547,310
Student housing	204,787	-	204,787	201,550
Contributions of financial assets	370,558	-	370,558	443,969
Federal grants revenue	-	-	-	47,699
Other income	<u>9,557</u>	<u>-</u>	<u>9,557</u>	<u>23,460</u>
Total Revenues and Other Support	<u>1,104,197</u>	<u>-</u>	<u>1,104,197</u>	<u>1,263,988</u>
Operating Expenses:				
Program Services:				
College and continuing education	97,714	-	97,714	143,028
Student services and housing	<u>694,119</u>	<u>-</u>	<u>694,119</u>	<u>814,520</u>
Total Educational Services	<u>791,833</u>	<u>-</u>	<u>791,833</u>	<u>957,548</u>
Management and General:				
Institutional support	463,319	-	463,319	513,256
Plant and maintenance	<u>53,390</u>	<u>-</u>	<u>53,390</u>	<u>53,460</u>
Total Support Services	<u>516,709</u>	<u>-</u>	<u>516,709</u>	<u>566,716</u>
Total Operating Expenses	<u>1,308,542</u>	<u>-</u>	<u>1,308,542</u>	<u>1,524,264</u>
Changes in Net Assets from Operating Activities	<u>(204,345)</u>	<u>-</u>	<u>(204,345)</u>	<u>(260,276)</u>
Non-Operating Revenues:				
Forgiveness of Paycheck Protection Program Loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,900</u>
Total Decrease in Net Assets	(204,345)	-	(204,345)	(108,376)
Net Assets, Beginning of Year	<u>171,533</u>	<u>97,146</u>	<u>268,679</u>	<u>377,055</u>
Net Assets, End of Year	<u>\$ (32,812)</u>	<u>\$ 97,146</u>	<u>\$ 64,334</u>	<u>\$ 268,679</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, 2023
(with comparative totals for 2022)

	2023					2022	
	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	\$ 92,220	\$ 161,902	\$ 336,724	\$ 7,921	\$ -	\$ 598,767	\$ 719,749
Maintenance	-	4,870	-	1,100	-	5,970	13,208
Utilities	-	91,478	-	20,645	-	112,123	128,109
Depreciation	-	67,310	-	16,420	-	83,730	81,613
Travel and events	4,692	62,292	6,828	-	-	73,812	132,059
Professional services and outside help	-	5,000	49,038	-	-	54,038	66,158
Recruiting, printing and mailing	-	-	8,445	-	-	8,445	13,172
Educational and office supplies	-	5,036	4,625	-	-	9,661	5,590
Insurance	-	-	8,003	-	-	8,003	5,982
Interest	-	4,190	10,747	1,047	-	15,984	5,733
Bank fees	-	-	495	6,257	-	6,752	2,169
Scholarships and grants	-	162,959	-	-	-	162,959	174,818
Other	-	-	-	-	-	-	23,536
Dues, subscriptions and memberships	-	-	13,738	-	-	13,738	15,019
Computer, telephone and network	802	3,225	5,921	-	-	9,948	9,614
Mortgage interest	-	75,020	18,755	-	-	93,775	62,856
Student life	-	50,837	-	-	-	50,837	64,879
	\$ 97,714	\$ 694,119	\$ 463,319	\$ 53,390	\$ -	\$ 1,308,542	\$ 1,524,264

The accompanying notes are integral part of the financial statements.

BOSTON BAPTIST COLLEGE

Statements of Cash Flows

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (204,345)	\$ (108,376)
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	83,730	81,613
Amortization of debt issuance costs reported as interest expense	1,464	1,464
Changes in operating assets and liabilities:		
Student accounts receivable	11,528	(1,825)
Federal grants receivable	-	41,419
Accounts payable and accrued expenses	45,806	23,605
Deferred revenue	<u>35,650</u>	<u>(17,695)</u>
Net Cash Applied to Operating Activities	<u>(26,167)</u>	<u>(131,695)</u>
Cash Flows provided by Investing Activity:		
Acquisition of land, buildings and equipment	<u>(34,227)</u>	<u>(15,517)</u>
Cash Flows from Financing Activities:		
Repayment of long-term debt	(49,925)	(113,797)
Proceeds from related party debt	19,295	-
Net advances on line of credit	<u>89,015</u>	<u>60,015</u>
Net Cash Provided by (Applied to) Financing Activities	<u>58,385</u>	<u>(53,782)</u>
Decrease in Cash and Equivalents and Restricted Cash	(2,009)	(200,994)
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>99,155</u>	<u>300,149</u>
Cash and Equivalents and Restricted Cash, End of Year	<u>\$ 97,146</u>	<u>\$ 99,155</u>
Cash and equivalents and restricted cash consist of the following at June 30,:		
Cash and equivalents	\$ -	\$ 2,009
Restricted cash	<u>97,146</u>	<u>97,146</u>
Total	<u>\$ 97,146</u>	<u>\$ 99,155</u>

Supplemental Disclosure of Cash Flow Information:

Interest paid by the College for the years ended June 30, 2023 and 2022 was \$101,778 and \$65,339, respectively.

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

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements

June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

College

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 III as a Category II institution by the TRACS Accreditation Commission in May 2022. This status is in force through June 30, 2032. 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

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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023:

	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
CRRSAA	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

For the year ended June 30, 2023, the College expend \$19,349 of HEERF funding. For the year ended June 30, 2022, the College expended \$28,350 for emergency grants to the institutional costs from the HEERF. The College used funds from the HEERF funding to comply with the CDC health and safety requirements. As of June 30, 2023 the entirety of the HEERF funding has been expended.

Method of Accounting

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

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies - Continued

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, 2023 and 2022

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 deferred revenue, if applicable, and are recognized as income in the period in which the event takes place, which is usually less than twelve months.

The balance of accounts receivable at July 1, 2021 was \$22,372. Contract Liabilities consist of deferred revenue. The balance of deferred revenue at July 1, 2021 was \$28,848.

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, 2023 and 2022

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, 2022, 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, 2023 and 2022

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, 2023 and 2022

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.

Leases

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

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

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

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

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, we account for these other services as a component of the lease. For all other leases, the services are accounted for separately and we allocate payments to the lease and other services components based on estimated stand-alone prices.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies - Continued

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.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for leases. The College adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the College utilized the practical expedient available under the guidance. Further, the College elected to implement the package of practical expedients, whereby the College did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact 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 \$12,669 and \$24,197 at June 30, 2023 and 2022, respectively. Student accounts and other receivables are periodically evaluated for collectability based on past experience and history with students and an allowance for doubtful accounts is established as necessary. Management has determined an allowance for doubtful accounts was not necessary at June 30, 2023 or 2022.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

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

	<u>2023</u>	<u>2022</u>
Land	\$ 100,000	\$ 100,000
Buildings and improvements	3,244,243	3,227,668
Furniture, fixtures and equipment	158,824	141,299
Library books	<u>56,748</u>	<u>56,621</u>
	3,559,815	3,525,588
Less: accumulated depreciation/amortization	<u>2,169,479</u>	<u>2,085,749</u>
Land, Buildings and Equipment, net	\$ <u>1,390,336</u>	\$ <u>1,439,839</u>

Depreciation expense totaled \$83,730 and \$81,613 for the years ended June 30, 2023 and 2022, respectively.

Note 4 - **Debt Obligations**

Long-Term Debt

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

	<u>2023</u>	<u>2022</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 \$13,253 through July 15, 2035. The interest rate was 9.25% at June 30, 2023.	\$ 1,154,621	\$ 1,204,544
Total		
Less: Unamortized debt issuance costs	<u>17,518</u>	<u>18,980</u>
Total	1,137,103	1,185,564
Less: Current portion	<u>54,505</u>	<u>68,481</u>
Total long-term debt	\$ <u>1,082,598</u>	\$ <u>1,117,083</u>

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 4 - Debt Obligations - Continued

In accordance with FASB ASU 2015-03, the outstanding balances of the mortgage debt as of June 30, 2023 and 2022 of \$1,154,621 and \$1,204,544 are reported net of issuance costs of \$17,518 and \$18,980, 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, 2023 and 2022 was \$1,464 for both years.

Future principal maturities subsequent to June 30, 2023 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2024	54,505
2025	59,766
2026	65,534
2027	71,860
2028	78,796
2029 - 2033	<u>824,160</u>
Total	<u>\$ 1,154,621</u>

Line of Credit

The College has a line of credit with First Bank of Owasso, collateralized by real property owned by the College, in the amount of \$150,000, with interest rate of 9.25%. At June 30, 2023 and 2022, the amount outstanding was \$149,030 and \$60,015, respectively.

Related Party Note Payable

During the year ended June 30, 2023 the College obtained an unsecured non- interest bearing note payable from a related in the amount of \$19,295. The amount is due on demand with no specific repayment terms.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 5 - **Net Assets With Restrictions**

At June 30, 2023 and 2022, the College had \$97,146 of net assets with donor restrictions. This represents \$77,146 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.

Note 6 - **Deferred Trip Revenues**

Deferred trip revenues includes deposits received in advance for the College's annual study trips.

Note 7 - **Related Party Transactions**

Contributions Received from Related Parties

For the years ended June 30, 2023 and 2022, approximately \$95,000 and \$119,000, 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.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 8 - Participation in Student Financial Aid Programs

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, 2023 and 2022, for which restricted cash in the Statements of Financial Position serves as security.

The College has determined its composite score at June 30, 2023 and 2022 to be -.4 and .3, 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

Cash balances at financial institutions could exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

Claims

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

Note 10 - Going Concern Uncertainty

The College has incurred losses from operations over the past several years. Additionally, enrollment has decreased in recent years and current liabilities are greater than current assets. Without endowment funds to generate income that could offset the losses, there has been a decrease in net assets.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 10 - Going Concern Uncertainty - Continued

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.

The College continues to need to increase enrollment, as well as increase 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 online courses and partnerships with area institutions, including a consortium agreement with University of Massachusetts Boston. In addition to the online courses, 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. There can be no assurance that management's plan will be successful.

BOSTON BAPTIST COLLEGE

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and equivalents	\$ -	\$ 2,009
Student accounts receivable	<u>12,669</u>	<u>24,197</u>
	<u>12,669</u>	<u>26,206</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 12,669</u>	 <u>\$ 26,206</u>

For the years ended June 30, 2023 and 2022, 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.

Note 12 - Subsequent Events

Management has evaluated subsequent events through March 27, 2024, the date for which the financial statements were available for issuance. Management did not identify any events subsequent to June 30, 2023 requiring disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

BOSTON BAPTIST COLLEGE
Financial Responsibility Supplemental Schedule
Year Ended June 30, 2023

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ (32,812)
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	1,390,336
6	SD Line 3d	Property, plant and equipment pre-implementation	1,356,109
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	34,227
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	1,286,133
16	SD Line 8d	Long-term debt- for long-term purpose pre-implementation	1,137,103
17	Not applicable	Long-term debt- for long-term purposes post-implementation	149,030
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 and Losses without Donor Restrictions:	
	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities	1,308,542
27			
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	(32,812)
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	1,511,951
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 party receivables	-
42	Not applicable	Unsecured related party receivables	-
Net Income Ratio:		Change in Net Assets Without Donor Restrictions:	
43	SOA	Change in net assets without donor restrictions	(204,345)
		Total Revenue without Donor Restrictions and Gains without Donor Restrictions	
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains	1,104,197
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, 2023

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

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	\$	97,146

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, 2022 financial statement)	\$	1,439,839
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		(83,730)
d.	Balance Pre-implementation property, plant and equipment, net		1,356,109
4	Debt Financed Post-Implementation property, plant and equipment, net		
	Long-lived assets acquired with debt subsequent to June 30, 2022:		
a.	Equipment		-
b.	Land Improvements		-
c.	Building		-
d.	Total Property, plant and equipment, net acquired with debt exceeding 12 months		-
5	Construction in progress- acquired subsequent to June 30, 2022		-
6	Post-implementation property, plant and equipment, net, acquired without debt:		
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2022		34,227
7	Total Property, Plant and Equipment, net- June 30, 2023	\$	1,390,336

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, 2022)	\$	1,245,579
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		(108,476)
d.	Balance pre-implementation debt		1,137,103
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		149,030
		\$	1,286,133

**INDEPENDENT AUDITOR'S 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***

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Boston Baptist College:

We have audited, in accordance with the 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, the financial statements of Boston Baptist College, Inc. (the "College"), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 27, 2024.

Report on 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 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.

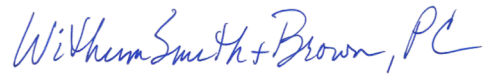
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

March 27, 2024