URBAN COLLEGE OF BOSTON

FINANCIAL STATEMENTS

AUGUST 31, 2019

URBAN COLLEGE OF BOSTON

Financial Statements

August 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Urban College of Boston
Boston, Massachusetts

Report on the Financial Statements
We have audited the accompanying financial statements of Urban College of Boston (the "College"), which comprise the statements of financial position as of August 31, 2019 and 2018, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor considers 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.

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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 Urban College of Boston as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the financial statements, the College adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Internal Control
In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2020, on our consideration of Urban College of Boston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

February 27, 2020

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31, 2019 and 2018

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31,

Assets

	2019	2018
Assets:		
Cash and equivalents	**$ 471,478**	$ 233,992
Accounts receivable, net	**289,792**	308,679
Contributions receivable, net	**184,639**	271,357
Other assets	**64,703**	64,703
Property and equipment, net	**94,794**	140,313
Total Assets	**$ 1,105,406**	$ 1,019,044

Liabilities and Net Assets

	2019	2018
Liabilities:		
Accounts payable	**$ 27,838**	$ 38,724
Deferred revenue	**53,393**	35,731
Accrued expenses	**82,721**	86,803
Deferred rent	**108,137**	54,068
Related party loan	**-**	50,000
Total Liabilities	**272,089**	265,326
Net Assets:		
Without Donor Restrictions	**452,057**	137,922
With Donor Restrictions	**381,260**	615,796
Total Net Assets	**833,317**	753,718
Total Liabilities and Net Assets	**$ 1,105,406**	$ 1,019,044

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

URBAN COLLEGE OF BOSTON

Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:			
Revenues and Other Support:			
Tuition and fees	$ 3,270,368	$ -	$ 3,270,368
Less: scholarships and grants	(464,857)	-	(464,857)
Net tuition and fees	2,805,511	-	2,805,511
Federal, state and local grants	440,940	-	440,940
Private grants	210,755	75,000	285,755
Contributions	152,382	12,916	165,298
Other income	13,840	-	13,840
Net assets released from restrictions	322,452	(322,452)	-
Total Operating Revenues	3,945,880	(234,536)	3,711,344
Operating Expenses:			
Program:			
Instructional	1,279,551	-	1,279,551
Student services	846,196	-	846,196
Academic support	258,687	-	258,687
Total program	2,384,434	-	2,384,434
Management and general:			
Institutional support	1,247,311	-	1,247,311
Total Operating Expenses	3,631,745	-	3,631,745
Changes in Net Assets from Operating Activities	314,135	(234,536)	79,599
Net Assets, Beginning of Year	137,922	615,796	753,718
Net Assets, End of Year	$ 452,057	$ 381,260	$ 833,317

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

URBAN COLLEGE OF BOSTON

Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:			
Revenues and Other Support:			
Tuition and fees	$ 2,942,140	$ -	$ 2,942,140
Less: scholarships and grants	(427,147)	-	(427,147)
Net tuition and fees	2,514,993	-	2,514,993
Federal, state and local grants	257,965	-	257,965
Private grants	-	685,000	685,000
Contributions	123,784	-	123,784
Net assets released from restrictions	208,598	(208,598)	-
Total Operating Revenues	3,105,340	476,402	3,581,742
Operating Expenses:			
Program:			
Instructional	1,102,267	-	1,102,267
Student services	701,461	-	701,461
Academic support	249,312	-	249,312
Total program	2,053,040	-	2,053,040
Management and general:			
Institutional support	1,467,745	-	1,467,745
Total Operating Expenses	3,520,785	-	3,520,785
Changes in Net Assets	(415,445)	476,402	60,957
Net Assets, Beginning of Year	553,367	139,394	692,761
Net Assets, End of Year	$ 137,922	$ 615,796	$ 753,718

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

URBAN COLLEGE OF BOSTON

Statement of Functional Expenses

For the Year Ended August 31, 2019

	Program Services					
	Instructional	Academic Support	Student Services	Total Program Services	Institutional Support	Total
Bad debts	$ -	$ -	$ -	$ -	$ 295,794	$ 295,794
Benefits and deductions	65,887	24,882	96,627	187,396	168,064	355,460
Buildings and grounds	243,836	20,320	60,959	325,115	82,688	407,803
Conf/meetings/memberships	2,587	517	2,070	5,174	20,696	25,870
Depreciation	11,380	2,276	22,760	36,416	9,103	45,519
Grant and program expense	6,505	9,107	6,505	22,117	3,903	26,020
Information technology	8,452	12,678	50,711	71,841	12,678	84,519
Insurance	21,458	19,669	39,337	80,464	72,118	152,582
Interest	628	126	1,258	2,012	503	2,515
Miscellaneous	28,873	9,065	10,089	48,027	19,805	67,832
Office supplies and printing	9,034	3,011	27,102	39,147	21,079	60,226
Professional fees	-	8,046	5,364	13,410	40,229	53,639
Salaries and wages	857,348	140,154	518,701	1,516,203	478,801	1,995,004
Utilities	23,563	8,836	4,713	37,112	21,850	58,962
	$ 1,279,551	$ 258,687	$ 846,196	$ 2,384,434	$ 1,247,311	$ 3,631,745

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

URBAN COLLEGE OF BOSTON

Statement of Functional Expenses

For the Year Ended August 31, 2018

	Program Services					
	Instructional	Academic Support	Student Services	Total Program Services	Institutional Support	Total
Bad debts	$ -	$ -	$ -	$ -	$ 320,778	$ 320,778
Benefits and deductions	53,303	26,651	110,413	190,367	190,367	380,734
Buildings and grounds	241,211	20,101	60,303	321,615	80,404	402,019
Conf/meetings/memberships	2,146	429	1,716	4,291	17,164	21,455
Depreciation	11,336	2,268	22,672	36,276	9,067	45,343
Grant and program expense	5,957	340	7,659	13,956	3,063	17,019
Information technology	8,650	12,975	51,899	73,524	12,975	86,499
Insurance	21,968	20,399	40,797	83,164	73,749	156,913
Interest	883	177	1,765	2,825	706	3,531
Miscellaneous	24,182	7,886	4,206	36,274	64,262	100,536
Office supplies and printing	5,935	1,978	17,805	25,718	13,849	39,567
Professional fees	-	-	2,221	2,221	42,199	44,420
Salaries and wages	705,995	148,345	375,865	1,230,205	620,015	1,850,220
Utilities	20,701	7,763	4,140	32,604	19,147	51,751
	$ 1,102,267	$ 249,312	$ 701,461	$ 2,053,040	$ 1,467,745	$ 3,520,785

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

URBAN COLLEGE OF BOSTON

Statements of Cash Flows

For the Years Ended August 31,

	2019	2018
Cash Flows from Operating Activities:		
Increase in net assets	**$ 79,599**	$ 60,957
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	**295,794**	320,778
Depreciation	**45,519**	45,343
Related party loan forgiveness	**(50,000)**	-
Change in operating assets and liabilities:		
Accounts receivable	**(256,907)**	(154,589)
Contributions receivable	**66,718**	(156,963)
Prepaid expense	**-**	23,549
Accounts payable	**(10,886)**	(45,907)
Deferred revenue	**17,662**	4,242
Accrued expenses	**(4,082)**	(9,994)
Deferred rent	**54,069**	54,068
Net Adjustments	**157,887**	80,527
Net Cash Provided by Operating Activities	**237,486**	141,484
Cash Flows from Financing Activity:		
Proceeds from related party loan	**-**	50,000
Net Increase in Cash and Equivalents	**237,486**	191,484
Cash and Equivalents, Beginning of Year	**233,992**	42,508
Cash and Equivalents, End of Year	**$ 471,478**	$ 233,992
Supplemental data:		
Cash paid for interest	**$ 2,515**	$ 3,530

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements

August 31, 2019 and 2018

Note 1 - **Organization**

Urban College of Boston (the "College"), located in Boston, Massachusetts, was incorporated on November 30, 1997. The College, a two-year institution, with a mission to identify, encourage and support persons whose access to higher education opportunities have been limited by poverty and other barriers offers Associate of Arts degrees in Early Childhood Education, Human Services Administration, and General Studies.

Note 2 - **Summary of Significant Accounting Policies**

Basis of Presentation
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 which require the College to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Include all resources that are not subject to donor-imposed restrictions and may be expenses for any purpose in performing the objectives of the College. These net assets may be used at the discretion of the College's management and the Board of Directors.

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. Restricted contributions in which the restrictions are met in the same year are reported as without donor restrictions revenue.

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

Note 2 - **Summary of Significant Accounting Policies - Continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining accounts receivable, promises to give, and estimating depreciation, amortization and the recoverability of long-lived assets.

Cash and Equivalents

Cash and equivalents include all highly liquid debt instruments with maturities of three months or less, and bank deposits and money market funds.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. As of August 31, 2019, and 2018, management has concluded an allowance for doubtful accounts is not required.

Accounts Receivable

The adequacy of the allowance for doubtful accounts is reviewed on an ongoing basis by the College’s management and adjusted as required. In determining the amount required in the allowance, management has taken into account a variety of factors including experience with students. During the years ended August 31, 2019 and 2018, the College incurred bad debt expense relating to student accounts receivable of approximately $275,000 and $296,000, respectively.

Note 2 - **Summary of Significant Accounting Policies - Continued**

Financial Instruments
Financial instruments that potentially subject the College to concentrations of credit risk consist of cash and equivalents, accounts, notes and loans receivable, and investments. The College maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, exceed the federally insured limits.

The carrying amounts of certain financial instruments, including cash and equivalents, and accounts, notes and loans receivable, approximate fair value because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at fair market value.

Property and Equipment
Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets of the lease term. Maintenance and repairs are charged to operations as incurred, while betterments and additions are capitalized. Provisions for depreciation are based on the following ranges of expected useful lives using the straight-line method:

Computer equipment	3 - 4 years
Furniture	10 years
Other equipment	5 years

Deferred Revenue
Deferred revenues represent unearned income related to academic courses and programs that transcend the fiscal year-end. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized ratably as revenues upon the students' matriculation.

Deferred Rent
The College leases its facilities under a lease agreement with escalating monthly payments, as described further in Note 8. The College recognizes the related rent expense for this lease agreement on the straight-line basis. The deferred rent amount represents the difference between the rent expense recorded and the monthly rental payments.

Note 2 - **Summary of Significant Accounting Policies - Continued**

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

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding 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.

Functional Allocations of Expenses
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 judgment. A variety of cost allocation techniques are used such as time and effort and square footage.

Advertising
The College expenses the cost of advertising as incurred. For the years ended August 31, 2019 and 2018, the College did not incur any advertising expense.

Income Taxes
The College has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax exempt entity under section 501 (c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the College may, however, be subject to tax on unrelated business income.

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 ("MLTN") 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. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances the statute of limitations may remain open indefinitely.

Note 2 - **Summary of Significant Accounting Policies - Continued**

Reclassifications
Certain reclassifications have been made to 2018 information to conform to the 2019 presentation.

Adoption of New Accounting Pronouncements
Not-for-Profit Entities - Presentation of Financial Statements for Not-for-Profit Entities – The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14. The adoption of this pronouncement had a material effect on the presentation of the financial statements but did not necessitate an adjustment to total net assets of prior periods or operations of the current period. The pronouncement changes the net asset classification and investment return and enhances the disclosures for information about liquidity and availability of resources and expenses.The ASU has been applied retrospectively to all periods presented.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* an amendment to Topic 958 - Not-for-Profit Entities was issued by FASB in June 2018. The purpose of this amendment is to provide guidance in determining whether resource providers and resource recipients are participating in an exchange transaction, or if the transfer of funds is a contribution, by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The College early adopted ASU 2018-08, and this ASU has been applied on a modified prospective basis. There was no material impact to the financial statements as a result of this implementation.

New Accounting Pronouncement
Revenue from Contracts with Customers - FASB issued ASU 2014-09 effective, as amended, for periods beginning after December 15, 2019, for non-public companies. The purpose of the pronouncement is to remove inconsistencies and weaknesses in current revenue recognition requirements; to provide a more robust framework for addressing revenue recognition issues and to improve comparability of recognition across entities, industries, jurisdictions and capital markets. The ASU requires the College to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition, in addition to improved disclosures regarding the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2019 and 2018

Note 2 - **<u>Summary of Significant Accounting Policies - Continued</u>**

<u>New Accounting Pronouncement - Continued</u>
Leases - FASB issued ASU 2016-02 effective for non-public and most not-for-profit entities for fiscal years beginning after December 15, 2020. Implementation of this standard will require lessees to recognize on their statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

Management is in the process of evaluating these standards and has not yet determined their impact on the financial statements.

Note 3 - **<u>Accounts Receivable</u>**

Student accounts receivable are net of an allowance for uncollectible accounts of $287,000 and $164,000 at August 31, 2019 and 2018, respectively.

Note 4 - **<u>Contributions Receivable</u>**

Contributions receivable as of August 31, are expected to be realized in the following time periods:

	2019	2018
Due in less than one year	**$ 184,639**	$ 146,668
Due in one to five years	**-**	128,332
	184,639	275,000
Discount at 2.50%	**-**	(3,643)
Total Contributions receivable, net	**$ 184,639**	$ 271,357

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2019 and 2018

Note 5 - **Property and Equipment**

The College's property, plant and equipment consist of the following at August 31,:

	2019	2018
Computer equipment	**$ 125,742**	$ 125,742
Improvements	**14,000**	14,000
Other equipment	**68,774**	68,774
	208,516	208,516
Accumulated depreciation	**(113,722)**	(68,203)
Property and equipment, net	**$ 94,794**	$ 140,313

Note 6 - **Line of Credit**

The College has a $250,000 line of credit renewable annually. The bank has first security interest in all assets of the College. The line is payable on demand with a variable interest rate based on the bank's base rate plus 1.75%.

Interest expense amounted to $2,515 and $3,530 during the years ended August 31, 2019 and 2018, respectively.

Note 7 - **Net Assets**

Net Assets With Donor Restrictions
Net assets with donor restrictions consist of the following at August 31,:

	2019	2018
Program restrictions:		
Programs	**$ 191,205**	$ 270,000
Scholarships	**5,416**	74,439
Time restrictions:		
Contributions receivable	**184,639**	271,357
Total	**$ 381,260**	$ 615,796

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2019 and 2018

Note 7 - **Net Assets - Continued**

Net Assets Released from Restrictions
Net assets with donor restriction were released from restrictions by incurring expenses satisfying the purposes specified by donors for the years ended August 31, as follows:

	2019	2018
Scholarships and awards	**$ 227,667**	$ 173,598
Institutional support	**94,785**	35,000
Total	**$ 322,452**	$ 208,598

Note 8 - **Lease Agreements**

The College leases its facilities under a ten-year lease agreement expiring on August 31, 2027, requiring escalating monthly payments ranging from approximately $27,700 to $39,000. The lease includes two 5-year extension periods.

For the years ended August 31, 2019 and 2018, total rental expense which is recognized on a straight-line basis over the life of the lease, was $386,381. Subsequent to August 31, 2019, minimum future lease payments under the lease are as follows:

Years Ending August 31,	
2020	$ 332,313
2021	365,625
2022	365,625
2023	386,125
2024	406,625
Thereafter	1,342,875
	$ 3,199,188

Note 9 - **Pension Plan**

The College has a defined-contribution money purchase plan (the "Plan"), which provides benefits for its employees through membership in the Association of Community Service Agencies, Inc. Group Pension Plan. Eligible employees contribute a minimum of 5% of their annual compensation to the College's tax-sheltered annuity plan, and the College contributes 9% of eligible employee compensation to the Plan. For the years ended August 31, 2019 and 2018, the College's contributions under the Plan amounted to approximately $66,000 and $72,000, respectively.

Note 10 - **Regulatory Matters**

The College is subject to regulatory oversight by the New England Commission of Higher Education ("NECHE"), which provides the College with its academic accreditation and the United States Department of Education ("DOE") that provides student financial assistance to the College in accordance with the Higher Education Act ("HEA") of 1965, as amended, in Title IV programs.

Department of Education
The College is required to demonstrate financial responsibility as defined in the United States Department of Education (the "DOE"). One measure of financial responsibility used by the DOE is a scoring system, ranging from -1.0 to 3.0, which is based on a composite of a college's primary reserve ratio, equity ratio and net income ratio. The DOE considers a college to be financially responsible if it achieves a score greater than or equal to 1.5. As of August 31, 2019, and 2018, the College had a composite score of 2.61 and 2.53, respectively.

During the year ended August 31,2017, the College submitted its audit of federal expenditures as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"), late to the DOE, and the DOE determined that this late-filing constituted a failure of financial responsibility. The College continues its participation in federal financial assistance programs, but the DOE has required that the College post, for five years, an irrevocable letter of credit in an amount equal to not less than 10% of the Title IV or approximately $165,000, HEA program funds received by the College during the last complete fiscal year for which award amounts are available. The College will renew the letter of credit each year and will increase of decrease the amount as directed during the five-year period. It is management's belief that the late-filing of the audit was due in large part to the timing in DOE's review and approval of previous related filings.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2019 and 2018

Note 11 - **Commitments, Contingencies, and Uncertainties**

Cash
From time to time, the College's cash balances fluctuate and may exceed the federally insured limits. Management monitors the financial condition of the banking institution along with its cash balances and tries to keep the potential risk to a minimal. As of August 31, 2019, the College had an uninsured cash balance of approximately $234,000.

Government Grants and Financial Aid Programs
All funds expended by the College in connection with government grants and financial aid programs are subject to review or audit by governmental agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

Employment Agreement
The College has an executive employment agreement in place for services extending to October 2020, with termination provisions in place.

Note 12 - **Liquidity and Availability**

As of August 31, 2019 and 2018, the following financial assets could readily be made available within one year of balance sheet date to meet general expenditures:

	2019	2018
Financial assets at year-end:		
Cash and equivalents	**$ 471,478**	$ 233,992
Accounts receivable, net	**289,739**	308,679
Pledges receivable, due within one year	**184,639**	271,357
	945,856	814,028
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	**(381,260)**	(615,796)
Financial assets available to meet general expenditures within one year:	**$ 564,596**	$ 198,232

Note 12 - **Liquidity and Availability - Continued**

The College reviews its cash position on a regular basis to ensure that adequate funds are available to meet expenses. If funds are needed for expenses, the College has various sources of liquidity at its disposal, including cash and equivalents and a $250,000 line of credit. At August 31, 2019 and 2018, management believes that the College has no liquidity issues.

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

Management has evaluated subsequent events through February 27, 2020, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to August 31, 2019 requiring disclosure in these financial statements.

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

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

To the Board of Directors of
Urban College of Boston
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, the financial statements of Urban College of Boston (the "College"), which comprise the statement of financial position as of August 31, 2019, the related statement of activity and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Urban College of Boston's basic financial statements and have issued our report thereon dated February 27, 2020.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

February 27, 2020