

URBAN COLLEGE OF BOSTON

FINANCIAL STATEMENTS

AUGUST 31, 2022

URBAN COLLEGE OF BOSTON

Financial Statements

August 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Urban College of Boston and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Urban College of Boston's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally

accepted auditing standards in the United States of America 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 generally accepted auditing standards in the United States of America 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 Urban College of Boston'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 Urban College of Boston'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.

Supplemental Information

Our audits were 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the 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* in considering the College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

January 25, 2023

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31, 2022 and 2021

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31,

Assets

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and equivalents	\$ 1,167,311	\$ 1,510,192
Student accounts receivable, net	115,119	-
Federal grants receivable	1,373,336	758,560
Other grants receivable	423,398	231,311
Contributions receivable	-	10,000
Prepaid expenses and other assets	96,162	100,245
Property and equipment, net	<u>43,833</u>	<u>37,874</u>
Total Assets	<u>\$ 3,219,159</u>	<u>\$ 2,648,182</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 151,689	\$ 68,928
Deferred revenue	5,380	14,945
Accrued expenses	180,550	157,353
Deferred rent	<u>203,718</u>	<u>182,962</u>
Total Liabilities	<u>541,337</u>	<u>424,188</u>
Net Assets:		
Without Donor Restrictions	2,552,928	2,120,887
With Donor Restrictions	<u>124,894</u>	<u>103,107</u>
Total Net Assets	<u>2,677,822</u>	<u>2,223,994</u>
Total Liabilities and Net Assets	<u>\$ 3,219,159</u>	<u>\$ 2,648,182</u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Tuition and fees	\$ 1,464,692	\$ -	\$ 1,464,692
Less: scholarships and grants	<u>(78,258)</u>	<u>-</u>	<u>(78,258)</u>
Net tuition and fees	1,386,434	-	1,386,434
Federal, state and local grants	4,273,541	-	4,273,541
Private grants	156,492	52,978	209,470
Contributions of financial assets	56,250	59,550	115,800
Net assets released from restrictions	<u>90,741</u>	<u>(90,741)</u>	<u>-</u>
Total Revenues and Other Support	<u>5,963,458</u>	<u>21,787</u>	<u>5,985,245</u>
Operating Expenses:			
Program:			
Instructional	1,639,317	-	1,639,317
Student services	1,885,208	-	1,885,208
Academic support	<u>462,746</u>	<u>-</u>	<u>462,746</u>
Total program	3,987,271	-	3,987,271
Management and general:			
Institutional support	<u>1,544,146</u>	<u>-</u>	<u>1,544,146</u>
Total Operating Expenses	<u>5,531,417</u>	<u>-</u>	<u>5,531,417</u>
Change in Net Assets	432,041	21,787	453,828
Net Assets, Beginning of Year	<u>2,120,887</u>	<u>103,107</u>	<u>2,223,994</u>
Net Assets, End of Year	<u>\$ 2,552,928</u>	<u>\$ 124,894</u>	<u>\$ 2,677,822</u>

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Revenues and Other Support:			
Tuition and fees	\$ 2,182,610	\$ -	\$ 2,182,610
Less: scholarships and grants	<u>(160,156)</u>	<u>-</u>	<u>(160,156)</u>
Net tuition and fees	2,022,454	-	2,022,454
Federal, state and local grants	4,509,361	-	4,509,361
Private grants	161,889	12,645	174,534
Contributions of financial assets	247,108	72,401	319,509
Net assets released from restrictions	<u>124,337</u>	<u>(124,337)</u>	<u>-</u>
Total Revenues and Other Support	<u>7,065,149</u>	<u>(39,291)</u>	<u>7,025,858</u>
Operating Expenses:			
Program:			
Instructional	1,480,752	-	1,480,752
Student services	2,977,861	-	2,977,861
Academic support	<u>351,030</u>	<u>-</u>	<u>351,030</u>
Total program	4,809,643	-	4,809,643
Management and general:			
Institutional support	<u>1,297,394</u>	<u>-</u>	<u>1,297,394</u>
Total Operating Expenses	<u>6,107,037</u>	<u>-</u>	<u>6,107,037</u>
Change in Net Assets from Operating Activities	<u>958,112</u>	<u>(39,291)</u>	<u>918,821</u>
Non-Operating Revenues:			
Forgiveness of Paycheck Protection Program Loan	<u>440,000</u>	<u>-</u>	<u>440,000</u>
Changes in Net Assets	1,398,112	(39,291)	1,358,821
Net Assets, Beginning of Year	<u>722,775</u>	<u>142,398</u>	<u>865,173</u>
Net Assets, End of Year	<u>\$ 2,120,887</u>	<u>\$ 103,107</u>	<u>\$ 2,223,994</u>

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, 2022

	Program Services				Institutional Support	Total
	Instructional	Academic Support	Student Services	Total Program Services		
Bad debt recoveries	\$ -	\$ -	\$ -	\$ -	\$ (50,083)	\$ (50,083)
Benefits and deductions	57,572	21,211	81,814	160,597	142,416	303,013
Buildings and grounds	246,874	20,572	61,718	329,164	82,291	411,455
Conferences/meeting/memberships	8,319	1,665	6,657	16,641	66,551	83,192
Depreciation	4,697	939	9,393	15,029	3,757	18,786
Grant and program expense	67,677	94,749	735,065	897,491	40,608	938,099
Information technology	25,357	38,035	152,144	215,536	60,573	276,109
Insurance	27,448	25,488	50,974	103,910	92,147	196,057
Miscellaneous	23,339	7,609	4,058	35,006	15,728	50,734
Office supplies and printing	6,911	1,125	4,178	12,214	3,857	16,071
Professional fee	-	55,441	83,164	138,605	415,820	554,425
Salaries and wages	1,144,604	185,968	690,740	2,021,312	645,951	2,667,263
Utilities	26,519	9,944	5,303	41,766	24,530	66,296
	\$ 1,639,317	\$ 462,746	\$ 1,885,208	\$ 3,987,271	\$ 1,544,146	\$ 5,531,417

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, 2021

	Program Services				Institutional Support	Total
	Instructional	Academic Support	Student Services	Total Program Services		
Bad debts	\$ -	\$ -	\$ -	\$ -	\$ 50,090	\$ 50,090
Benefits and deductions	48,866	18,003	69,441	136,310	120,879	257,189
Buildings and grounds	247,618	20,634	61,904	330,156	82,539	412,695
Conferences/meetings/memberships	6,075	1,216	4,861	12,152	48,597	60,749
Depreciation	2,819	564	5,638	9,021	2,255	11,276
Grant and program expense	761	1,064	1,897,772	1,899,597	456	1,900,053
Information technology	30,367	45,551	182,207	258,125	72,542	330,667
Insurance	29,471	27,367	54,733	111,571	98,941	210,512
Interest	816	164	1,635	2,615	656	3,271
Miscellaneous	23,543	7,677	4,094	35,314	15,867	51,181
Office supplies and printing	6,752	1,099	4,083	11,934	3,769	15,703
Professional fees	-	23,882	35,824	59,706	179,121	238,827
Program expense	18,185	25,460	20,771	64,416	10,912	75,328
Salaries and wages	1,042,389	169,691	630,281	1,842,361	589,412	2,431,773
Utilities	<u>23,090</u>	<u>8,658</u>	<u>4,617</u>	<u>36,365</u>	<u>21,358</u>	<u>57,723</u>
	<u>\$ 1,480,752</u>	<u>\$ 351,030</u>	<u>\$ 2,977,861</u>	<u>\$ 4,809,643</u>	<u>\$ 1,297,394</u>	<u>\$ 6,107,037</u>

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,

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>453,828</u>	\$ <u>1,358,821</u>
Adjustments to reconcile increase in net assets to net cash provided by (applied to) operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(440,000)
Bad debt expense (recoveries)	(50,083)	50,090
Depreciation	18,786	11,276
Change in operating assets and liabilities:		
Student accounts receivable	(65,036)	430,561
Federal grants receivable	(614,776)	(758,560)
Other grants receivable	(192,087)	(222,427)
Contributions receivable	10,000	3,334
Prepaid expenses and other assets	4,083	(35,542)
Accounts payable and accrued expenses	105,958	11,365
Deferred revenue	(9,565)	(14,018)
Deferred rent	<u>20,756</u>	<u>20,757</u>
 Net Adjustments	 <u>(771,964)</u>	 <u>(943,164)</u>
 Net Cash Provided by (Applied to) Operating Activities	 <u>(318,136)</u>	 <u>415,657</u>
 Cash Flows for Investing Activity:		
Acquisition of property and equipment	<u>(24,745)</u>	<u>-</u>
 Net Increase (Decrease) in Cash and Equivalents	 (342,881)	 415,657
 Cash and Equivalents, Beginning of Year	 <u>1,510,192</u>	 <u>1,094,535</u>
 Cash and Equivalents, End of Year	 <u>\$ 1,167,311</u>	 <u>\$ 1,510,192</u>
 Supplemental data:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,271</u>

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements

August 31, 2022 and 2021

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.

On August 22, 2022, the College entered into an affiliation agreement with a supporting organization, a previously unrelated non-profit organization. This resulted in the supporting organization becoming the sole member of the College. The affiliation was done to further both organizations’ respective charitable purposes, be mutually beneficial and benefit the communities they serve. The College will remain a separate legal entity with its own distinct board and continue to serve as a separate institution of higher education.

COVID-19

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis created volatility in the financial markets and uncertainty in the overall economy. For academic year 2020 - 2021, management took steps, such as reducing discretionary expenses and receiving loans offered through the federal and state government stimulus program, to mitigate the negative effects on operations.

In response to the pandemic, the federal government provided to the College Higher Education Emergency Relief Funds (“HEERF”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), American Rescue Plan Act (“ARPA”) and funds for Minority Serving Institutions. The HEERF consisted of the student aid portion and institutional portion, and each Act requires a minimum amount to be spent on student aid. The student aid portion 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 portion 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 June 30, 2023.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

The College has been awarded the following HEERF and Minority Serving Institutions funds as of August 31, 2022:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 304,353	\$ 304,353	\$ 39,906	\$ 648,612
CRRSAA	304,353	1,569,874	-	1,874,227
ARPA	1,642,493	1,642,492	280,155	3,565,140
Total	\$ 2,251,199	\$ 3,516,719	\$ 320,061	\$ 6,087,979

The College has recognized the following as federal grants for the year ended August 31, 2022:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	415,787	-	415,787
ARPA	743,684	1,511,631	280,155	2,535,470
Total	\$ 743,684	\$ 1,927,418	\$ 280,155	\$ 2,951,257

The College has recognized the following as federal grants for the year ended August 31, 2021:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 304,353	\$ 304,353	\$ 39,906	\$ 648,612
CRRSAA	304,353	1,154,087	-	1,458,440
ARPA	898,809	-	-	898,809
Total	\$ 1,507,515	\$ 1,458,440	\$ 39,906	\$ 3,005,861

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

The College has approximately \$131,000 of unspent ARPA funds. All CARES and CRRSAA funds have been spent.

For year ended August 31, 2021, the College received and spent \$90,000 of Governor's Emergency Education Relief Fund ("GEERF") as a pass-through from Commonwealth of Massachusetts. During the year ended August 31, 2022 the College did not receive GEER funds.

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 expensed 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 and changes in net assets 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 returns earned on investments. Non-operating activities are limited to resources that

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

generate return from assets or other activities considered to be of a more unusual or nonrecurring nature.

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.

Student Accounts Receivable

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic activity. Payments for tuition and fees are generally due by the start of the academic period with the recognition that on-behalf payments being made by the ED or others are subject to specific requirements within those programs as to when those funds can be availed. Certain ED funding can become available prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the ED. Student accounts are not collateralized.

Student accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific terms. Adjustments to the allowance are charged to bad debt expense. Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 60 days or the student no longer attends the institution. Interest is not charged on student accounts receivable. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. The allowance for doubtful accounts was approximately \$54,000 for both the years

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

ended August 31, 2022 and 2021, respectively. Activity through the allowance was considered immaterial and thus detail of a roll forward has not been provided.

Revenue with Customers

Tuition and fees 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 relating to educational services. 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 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 semester. Contract liabilities are presented in the Statements of Financial Position as deferred revenue.

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, 2022 and 2021, management has concluded an allowance for doubtful accounts is not required. Also, as of August 31, 2022 and 2021, all contributions were due within one year or less.

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

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 or 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 7. 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.

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 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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

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.

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, 2022 and 2021, the College incurred approximately \$57,000 and \$8,000 in advertising expenses, respectively.

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" 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.

New Accounting Pronouncement

FASB issued ASU 2016-02, *Leases*, which is effective for periods beginning after December 15, 2021. The purpose of this pronouncement 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.

Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

Note 3 - **Property and Equipment**

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

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 150,487	\$ 125,742
Improvements	14,000	14,000
Other equipment	<u>68,774</u>	<u>68,774</u>
	233,261	208,516
Accumulated depreciation	<u>(189,428)</u>	<u>(170,642)</u>
Property and equipment, net	<u>\$ 43,833</u>	<u>\$ 37,874</u>

Note 4 - **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%. There were no amounts outstanding on the line of credit at August 31, 2022 and 2021. Interest expense amounted to \$0 and \$3,271 during the years ended August 31, 2022 and 2021, respectively.

Note 5 - **Paycheck Protection Program Loan**

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 \$440,000. The loan will be forgiven based upon the College using the proceeds on eligible expenses over a twenty-four-week period from the time that the loan was obtained. Eligible expenses include payroll and related benefits, utilities, and rent. The College used the entire funds from the loan in accordance with the provisions of the CARES Act. In June 2021, the Small Business Administration, acting on behalf of the federal government, forgave the entire loan.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

Note 6 - **Net Assets**

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31,:

	<u>2022</u>	<u>2021</u>
Program restrictions:		
Programs	\$ 46,950	\$ 46,117
Scholarships	77,944	30,462
Time restrictions:		
Contributions receivable	<u>-</u>	<u>26,528</u>
Total	<u>\$ 124,894</u>	<u>\$ 103,107</u>

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:

	<u>2022</u>	<u>2021</u>
Program restrictions:		
Programs	\$ 39,167	\$ 65,149
Scholarships	25,046	20,920
Time restrictions:		
Contributions receivable	<u>26,528</u>	<u>38,268</u>
Total	<u>\$ 90,741</u>	<u>\$ 124,337</u>

Note 7 - **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, 2022 and 2021, total rent, which is recognized on a straight-line basis over the life of the lease, was \$386,381.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

Subsequent to August 31, 2022, minimum future lease payments under the lease are as follows:

Years Ending <u>August 31,</u>	
2023	\$ 386,125
2024	406,625
2025	427,125
2026	447,625
2027	<u>468,125</u>
	<u>\$ 2,135,625</u>

Note 8 - **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, 2022 and 2021, the College's contributions under the Plan amounted to approximately \$67,000 and \$61,000, respectively.

Note 9 - **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 ("ED") 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

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 ED, and the ED determined that this late filing constituted a failure of financial responsibility. The College continues its participation in Federal financial assistance programs, but the ED has required that

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

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 or 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 ED's review and approval of previous related filings.

Note 10 - **Related Parties**

Other than the matter described in Note 1 regarding the affiliation agreement, the College did not enter into any related party transactions during the years ended August 31, 2022 and 2021.

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 minimum. As of August 31, 2022, the College had an uninsured cash balance of approximately \$625,000.

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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2022 and 2021

Note 12 - **Liquidity and Availability**

As of August 31, 2022 and 2021, the following financial assets could readily be made available within one year of balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and equivalents	\$ 1,167,311	\$ 1,510,192
Accounts receivable, net	115,119	-
Federal grants receivable	1,373,336	758,560
Other grants receivable	<u>423,398</u>	<u>241,311</u>
	3,079,164	2,510,063
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(124,894)</u>	<u>(103,107)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 2,954,270</u>	<u>\$ 2,406,956</u>

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, 2022 and 2021, management believes that the College has no liquidity issues.

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

Management has evaluated subsequent events through January 25, 2023, 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, 2022 disclosure in these financial statements.

URBAN COLLEGE OF BOSTON

Financial Responsibility Supplemental Schedule

Year Ended August 31, 2022

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 2,552,928
2	SFP	Net assets with donor restrictions	124,894
3	Not applicable	Secured and Unsecured related party receivable - Total	-
4	Not applicable	Unsecured related party receivables	-
5	Supplemental Disclosure (SD) Line 5	Property, Plant and Equipment, net (includes Construction in progress) - Total	43,833
6	SD Line 1d	Property, plant and equipment pre-implementation	19,088
7	Not applicable	Property, plant and equipment post-implementation with outstanding debt for original purchase	-
8	Not applicable	Property, plant and equipment post-implementation without outstanding debt for original purchase	24,745
9	Not applicable	Construction in progress	-
10	Not applicable	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	Not applicable	Long-term debt- for long term purposes - Total	-
16	Not applicable	Long-term debt- for long term purposes pre-implementation	-
17	Not applicable	Long-term debt- for long term purposes post-implementation	-
18	Not applicable	Line of Credit for Construction in progress	-
19	Not applicable	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	Not applicable	Annuities, term endowment and life income with donor restrictions - Total	-
23	Not applicable	Annuities with donor restrictions	-
24	Not applicable	Term Endowments with donor restrictions	-
25	Not applicable	Life income funds with donor restrictions	-
26	Not applicable	Net Assets with donor restrictions - restricted in perpetuity	-
		Total Expenses without Donor Restrictions and 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	5,531,417
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	2,552,928
32	SFP	Net assets with donor restrictions	124,894
33	Not applicable	Intangible Assets	-
34	Not applicable	Intangible Assets- Goodwill	-
35	Not applicable	Secured and unsecured related party receivables- Total	-
36	Not applicable	Unsecured related party receivables	-
		Modified Assets:	
37	SFP	Total Assets	3,219,159
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	432,041
		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	5,963,458
45	Not applicable	Investments, net (operating and non-operating)	-

URBAN COLLEGE OF BOSTON

Financial Responsibility Supplemental Disclosures

Year Ended August 31, 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.

Property, Plant and Equipment, net

1 Pre-implementation property, plant and equipment, net (PP&E, net)	
a. Ending balance of last financial statements submitted to the Department of Education (August 31, 2021 financial statement)	\$ 37,874
b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 lease standards	-
c. Less subsequent depreciation and disposals	<u>(18,786)</u>
d. Balance Pre-implementation property, plant and equipment, net	<u>19,088</u>
2 Debt Financed Post-Implementation property, plant and equipment, net	
Long-lived assets acquired with debt subsequent to August 31, 2021:	
a. Equipment	-
b. Land Improvements	-
c. Building	<u>-</u>
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months	-
3 Construction in progress- acquired subsequent to August 31, 2021	-
4 Post-implementation property, plant and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to August 31, 2021	<u>24,745</u>
5 Total Property, Plant and Equipment, net- August 31, 2022	<u>\$ 43,833</u>

**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 audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Urban College of Boston (the "College"), which comprise the statement of financial position as of August 31, 2022, the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated January 25, 2023.

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 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 cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants
Braintree, Massachusetts**

January 25, 2023