

URBAN COLLEGE OF BOSTON
Financial Statements
June 30, 2023
With Independent Auditor's Report

Urban College of Boston
Table of Contents
June 30, 2023

Independent Auditor's Report	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16
Supplementary Information	
Financial Responsibility Supplemental Schedule	17
Financial Responsibility Supplemental Disclosures	18
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 <i>Government Auditing Standards</i>	19-20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Urban College of Boston:

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 statement of financial position as of June 30, 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from September 1, 2022 to June 30, 2023, 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 June 30, 2023, and the changes in its net assets and its cash flows for the period from September 1, 2022 to June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

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 Urban College of Boston 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.

Emphasis of a Matter

As described in Note 1, the College adopted Topic 842 as of September 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the College's historic accounting under Topic 840. Our opinion is not modified with respect to this matter.

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.

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 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.

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 17 and 18 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 GAAS. 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 18, 2024, 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* in considering the College's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

January 18, 2024

Urban College of Boston
Statement of Financial Position
June 30, 2023

Assets

Cash and equivalents	\$ 4,962,017
Student accounts receivable, net	351,021
Grants receivable	662,951
Prepaid expenses and other assets	64,703
Right-of-use asset - operating, net	1,399,522
Property and equipment, net	<u>32,156</u>
Total assets	<u>\$ 7,472,370</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 163,425
Deferred revenue	174,640
Accrued expenses	138,512
Lease liability - operating	<u>1,603,433</u>
Total liabilities	<u>2,080,010</u>

Net assets

Without donor restrictions	5,213,572
With donor restrictions	<u>178,788</u>
Total net assets	<u>5,392,360</u>

Total liabilities and net assets	<u>\$ 7,472,370</u>
----------------------------------	---------------------

The Notes to Financial Statements are an integral part of this statement.

Urban College of Boston
Statement of Activities and Changes in Net Assets
For the Period from September 1, 2022 to June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Tuition and fees	\$ 1,239,103	\$ -	\$ 1,239,103
Less: Scholarships and grants	<u>(47,348)</u>	<u>-</u>	<u>(47,348)</u>
Net tuition and fees	1,191,755	-	1,191,755
Federal, state and local grants	1,883,166	-	1,883,166
Private grants	3,590,336	114,025	3,704,361
Contributions of financial assets	35,047	-	35,047
Net assets released from restrictions	<u>60,131</u>	<u>(60,131)</u>	<u>-</u>
Total revenues and other support	<u>6,760,435</u>	<u>53,894</u>	<u>6,814,329</u>
Operating expenses			
Program			
Instructional	1,373,770	-	1,373,770
Student services	1,195,957	-	1,195,957
Academic support	<u>321,316</u>	<u>-</u>	<u>321,316</u>
Total program	2,891,043	-	2,891,043
Management and general			
Institutional support	<u>1,208,748</u>	<u>-</u>	<u>1,208,748</u>
Total operating expenses	<u>4,099,791</u>	<u>-</u>	<u>4,099,791</u>
Change in net assets	2,660,644	53,894	2,714,538
Net assets			
Beginning of period	<u>2,552,928</u>	<u>124,894</u>	<u>2,677,822</u>
End of period	<u>\$ 5,213,572</u>	<u>\$ 178,788</u>	<u>\$ 5,392,360</u>

The Notes to Financial Statements are an integral part of this statement.

Urban College of Boston
Statement of Functional Expenses
For the Period from September 1, 2022 to June 30, 2023

	<u>Program Services</u>					<u>Total</u>
	<u>Instructional</u>	<u>Student Services</u>	<u>Academic Support</u>	<u>Total Program Services</u>	<u>Institutional Support</u>	
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ 2,621	\$ 2,621
Benefits and deductions	48,416	68,803	17,838	135,057	119,767	254,824
Buildings and grounds	205,381	51,345	17,114	273,840	68,460	342,300
Conferences/meeting/memberships	12,110	9,690	2,424	24,224	96,875	121,099
Depreciation	4,277	8,554	855	13,686	3,421	17,107
Grant and program expense	23,043	250,278	32,261	305,582	13,826	319,408
Information technology	17,743	106,459	26,614	150,816	42,384	193,200
Insurance	30,235	56,151	28,076	114,462	101,505	215,967
Miscellaneous	8,682	1,510	2,831	13,023	5,851	18,874
Office supplies and printing	1,675	1,013	273	2,961	899	3,860
Professional fees	-	33,740	22,492	56,232	168,698	224,930
Salaries and wages	1,001,235	604,220	162,674	1,768,129	565,041	2,333,170
Utilities	20,973	4,194	7,864	33,031	19,400	52,431
	<u>\$ 1,373,770</u>	<u>\$ 1,195,957</u>	<u>\$ 321,316</u>	<u>\$ 2,891,043</u>	<u>\$ 1,208,748</u>	<u>\$ 4,099,791</u>

The Notes to Financial Statements are an integral part of this statement.

Urban College of Boston
Statement of Cash Flows
For the Period from September 1, 2022 to June 30, 2023

Operating activities

Change in net assets	\$ 2,714,538
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt expense	2,621
Depreciation	17,107
Amortization of right-of-use asset, operating	238,799
Change in operating assets and liabilities	
Student accounts receivable	(238,523)
Grants receivable	1,133,783
Prepaid expenses and other assets	31,459
Accounts payable and accrued expenses	(30,302)
Deferred revenue	169,260
Lease liabilities - operating	<u>(238,606)</u>
Net adjustments	<u>1,085,598</u>
Net cash provided by operating activities	3,800,136

Investing activity

Acquisition of property and equipment	<u>(5,430)</u>
Net change in cash and cash equivalents	3,794,706

Cash and equivalents

Beginning of period	<u>1,167,311</u>
End of period	<u>\$ 4,962,017</u>

The Notes to Financial Statements are an integral part of this statement.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

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. The College changed its year end from August 31 to June 30 during the period.

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.

The College has been awarded the following HEERF and Minority Serving Institutions funds as of June 30, 2023:

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

Urban College of Boston
Notes to Financial Statements
June 30, 2023

The College has recognized the following as federal grants for the period from September 1, 2022 to June 30, 2023:

	<u>Student Aid Award</u>	<u>Institutional Award</u>	<u>Minority Serving Institutions</u>	<u>Total</u>
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	-	-	-
ARPA	-	130,861	-	130,861
	<u>\$ -</u>	<u>\$ 130,861</u>	<u>\$ -</u>	<u>\$ 130,861</u>

All CARES, CRRSAA, and ARPA funds have been spent through June 30, 2023.

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 statement of activities and changes in net assets. Restricted contributions in which the restrictions are met in the same year are reported as without donor restrictions revenue.

Measure of Operations

The statement of activities and changes in net assets reports 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 generate return from assets or other activities considered to be of a more unusual or nonrecurring nature.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

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 at June 30, 2023. Activity through the allowance was considered immaterial and thus detail of a roll forward has not been provided. Student accounts receivable was \$115,119 at September 1, 2022.

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 statement of financial position as deferred revenue. Deferred revenue was \$5,380 at September 1, 2022.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

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 June 30, 2023, there were no contributions receivable.

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 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:

<u>Description</u>	<u>Estimated Life (Years)</u>
Computer equipment	3-4
Furniture	10
Other equipment	5

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.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the College accounts for these other services as a component of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments. Since the interest rate was not readily available, an incremental borrowing rate or implicit risk free was utilized. 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.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

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

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 statement of activities and changes in net assets as net assets released from restrictions.

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

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 period from September 1, 2022 to June 30, 2023, the College incurred approximately \$99,000 in advertising expenses, included in conferences/meeting/memberships on the statement of functional expenses.

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.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

Adopted Accounting Pronouncements

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 September 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 to the financial statements.

Upon adoption, the College recognized \$1,638,321 in right-of-use (“ROU”) assets related to its leased property. Corresponding lease liabilities of \$1,842,039 were also recognized. Deferred rent liabilities of \$203,718 were reclassified and netted against the ROU asset. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to retained earnings upon adoption.

In March 2023, the FASB issued ASU 2023-01, *Leases: Common Control Arrangements*. The standard provides private companies additional guidance for leases and allows private companies to amortize leasehold improvements over the useful life of the asset for leases with entities under common control instead of the shorter of the economic life or the lease term. The College adopted this standard on the modified retrospective basis as of September 1, 2022. The implementation of the standard did not have a material impact on the financial statements.

New Accounting Pronouncements

The FASB issued ASU 2016-13, *Financial Instrument: Credit Losses, Measurement of Credit Losses on Financial Instruments*. It is effective for periods beginning after December 15, 2022 for non-public companies. Implementation of this standard will affect the recognition of impairments for assets measured at amortized cost, such as financing receivables and available-for-sale debt securities. Management is in the process of evaluating this pronouncement and has not yet determined its impact on the financial statements.

3. PROPERTY AND EQUIPMENT

The College’s property and equipment consist of the following at June 30, 2023:

Computer equipment	\$ 155,917
Improvements	14,000
Other equipment	<u>68,774</u>
	238,691
Accumulated depreciation	<u>(206,535)</u>
Property and equipment, net	<u>\$ 32,156</u>

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 June 30, 2023. Interest expense amounted to \$0 during the period from September 1, 2023 to June 30, 2023.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

5. NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2023:

Program restrictions	
Programs	\$ 40,875
Scholarships	<u>137,913</u>
	<u>\$ 178,788</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 period from September 1, 2022 to June 30, 2023, as follows:

Program restrictions	
Programs	\$ 11,950
Scholarships	<u>48,181</u>
	<u>\$ 60,131</u>

6. OPERATING LEASE

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. During the period from September 1, 2022 to June 30, 2023, cash paid for amounts included in the measurement of lease liabilities included \$321,770 for operating cash flows. The weighted-average remaining lease term and discount rate associated with finance leases as of June 30, 2023 is 4.25 years and 5.75%

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

2024	\$ 403,208
2025	423,708
2026	444,208
2027	464,708
2028	<u>78,023</u>
	1,813,855
Less: Imputed interest	<u>210,422</u>
	<u>\$ 1,603,433</u>

Lease expense, reported in buildings and grounds on the statement of functional expenses, was \$321,963 for the period from September 1, 2022 through June 30, 2023.

Urban College of Boston
Notes to Financial Statements
June 30, 2023

7. 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 period from September 1, 2022 to June 30, 2023, the College's contributions under the Plan amounted to approximately \$38,000.

8. 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 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.

9. 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 period from September 1, 2022 to June 30, 2023.

During the period from September 1, 2022 to June 30, 2023, the College received \$3,000,000 in grants from an affiliate.

10. COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Cash

The College has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on the College's financial condition, results of operations, and cash flows. As of June 30, 2023, uninsured amounts totaled approximately \$4,800,000.

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 Financial Statements
June 30, 2023

11. LIQUIDITY AND AVAILABILITY

As of June 30, 2023, the following financial assets could readily be made available within one year of statement of financial position date to meet general expenditures:

Financial assets at year-end	
Cash and equivalents	\$ 4,962,017
Student accounts receivable, net	351,021
Federal grants receivable	27,688
Other grants receivable	<u>635,263</u>
	5,975,989
Less: Amounts not available to be used within one year	
Net assets with donor restrictions	<u>(178,788)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,797,201</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 June 30, 2023, management believes that the College has no liquidity issues.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2024, the date for which the financial statements were available for issuance. Management did not identify any events subsequent to June 30, 2023 for disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

**Urban College of Boston
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 \$ 5,213,572
2	SFP	Net assets with donor restrictions 178,788
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 32,156
6	SD Line 1d	Property, plant and equipment pre-implementation 26,726
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 5,430
9	Not applicable	Construction in progress -
10	Not applicable	Lease right-of-use asset, net - total 1,399,522
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 1,399,522
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 1,603,433
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 and Changes in Net Assets 4,099,791
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 5,213,572
32	SFP	Net assets with donor restrictions 178,788
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 7,472,370
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 2,660,644
		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 6,760,435
45	Not applicable	Investments, net (operating and non-operating) -

See Independent Auditor's Report.

Urban College of Boston
Financial Responsibility Supplemental Disclosures
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.

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, 2022 financial statement)	\$ 43,833
	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>(17,107)</u>
	d. Balance pre-implementation property, plant and equipment, net	<u>26,726</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	<u>-</u>
3	Construction in progress- acquired subsequent to August 31, 2021	<u>-</u>
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>5,430</u>
5	Total property, plant and equipment, net- August 31, 2022	<u>\$ 32,156</u>

See Independent Auditor's Report.

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

To the Board of Directors of
Urban College of Boston:

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 June 30, 2023, the related statements of activities and changes in net assets and cash flows for the period from September 1, 2022 to June 30, 2023, and the related notes to the financial statements, and we have issued our report thereon dated January 18, 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.

Withum Smith + Brown, PC

January 18, 2024