

URBAN COLLEGE OF BOSTON

FINANCIAL STATEMENTS

AUGUST 31, 2021

URBAN COLLEGE OF BOSTON

Financial Statements

August 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Urban College of Boston (the "College"), which comprise the statements of financial position as of August 31, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban College of Boston as of August 31, 2021 and 2020, 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.

Report on Internal Control

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, on our consideration of Urban College of Boston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Certified Public Accountants
Braintree, Massachusetts

March 10, 2022

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31, 2021 and 2020

URBAN COLLEGE OF BOSTON

Statements of Financial Position

August 31,

Assets

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and equivalents	\$ 1,510,192	\$ 1,094,535
Student accounts receivable, net	-	478,151
Federal grants receivable	758,560	-
Other grants receivable	231,311	8,884
Contributions receivable	10,000	15,834
Prepaid expenses and other assets	100,245	64,703
Property and equipment, net	<u>37,874</u>	<u>49,150</u>
Total Assets	<u>\$ 2,648,182</u>	<u>\$ 1,711,257</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 68,928	\$ 64,635
Deferred revenue	14,945	28,963
Accrued expenses	157,353	150,281
Deferred rent	182,962	162,205
Paycheck Protection Program loan	<u>-</u>	<u>440,000</u>
Total Liabilities	<u>424,188</u>	<u>846,084</u>
Net Assets:		
Without Donor Restrictions	2,120,887	722,775
With Donor Restrictions	<u>103,107</u>	<u>142,398</u>
Total Net Assets	<u>2,223,994</u>	<u>865,173</u>
Total Liabilities and Net Assets	<u>\$ 2,648,182</u>	<u>\$ 1,711,257</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>
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	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>
Changes 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>
Change 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 Activities and Changes in Net Assets

For the Year Ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Revenues and Other Support:			
Tuition and fees	\$ 3,456,573	\$ -	\$ 3,456,573
Less: scholarships and grants	<u>(388,957)</u>	<u>-</u>	<u>(388,957)</u>
Net tuition and fees	3,067,616	-	3,067,616
Federal, state and local grants	460,098	-	460,098
Private grants	150,301	48,765	199,066
Contributions	133,263	70,000	203,263
Other income	10,049	-	10,049
Net assets released from restrictions	<u>357,627</u>	<u>(357,627)</u>	<u>-</u>
Total Operating Revenues	<u>4,178,954</u>	<u>(238,862)</u>	<u>3,940,092</u>
Operating Expenses:			
Program:			
Instructional	1,424,728	-	1,424,728
Student services	941,041	-	941,041
Academic support	<u>310,855</u>	<u>-</u>	<u>310,855</u>
Total program	2,676,624	-	2,676,624
Management and general:			
Institutional support	<u>1,231,612</u>	<u>-</u>	<u>1,231,612</u>
Total Operating Expenses	<u>3,908,236</u>	<u>-</u>	<u>3,908,236</u>
Changes in Net Assets	270,718	(238,862)	31,856
Net Assets, Beginning of Year	<u>452,057</u>	<u>381,260</u>	<u>833,317</u>
Net Assets, End of Year	<u>\$ 722,775</u>	<u>\$ 142,398</u>	<u>\$ 865,173</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, 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
Conf/meeting/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 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	23,090	8,658	4,617	36,365	21,358	57,723
	<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

Statement of Functional Expenses

For the Year Ended August 31, 2020

	Program Services				Institutional Support	Total
	Instructional	Academic Support	Student Services	Total Program Services		
Bad debts	\$ -	\$ -	\$ -	\$ -	\$ 108,575	\$ 108,575
Benefits and deductions	65,769	24,231	93,462	183,462	162,693	346,155
Buildings and grounds	241,289	20,107	60,322	321,718	80,430	402,148
Conf/meetings/memberships	2,313	463	1,851	4,627	18,505	23,132
Depreciation	11,411	2,282	22,822	36,515	9,129	45,644
Grant and program expense	20,963	29,348	20,963	71,274	12,578	83,852
Information technology	8,922	13,383	53,533	75,838	21,313	97,151
Insurance	26,649	24,746	49,491	100,886	89,465	190,351
Interest	219	44	439	702	176	878
Miscellaneous	24,681	8,048	4,292	37,021	16,634	53,655
Office supplies and printing	23,540	3,832	14,233	41,605	13,138	54,743
Professional fees	-	16,753	25,130	41,883	125,650	167,533
Salaries and wages	975,432	158,791	589,796	1,724,019	551,552	2,275,571
Utilities	23,540	8,827	4,707	37,074	21,774	58,848
	<u>\$ 1,424,728</u>	<u>\$ 310,855</u>	<u>\$ 941,041</u>	<u>\$ 2,676,624</u>	<u>\$ 1,231,612</u>	<u>\$ 3,908,236</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>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	<u>\$ 1,358,821</u>	<u>\$ 31,856</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(440,000)	-
Bad debt expense	50,090	108,575
Depreciation	11,276	45,644
Change in operating assets and liabilities:		
Student accounts receivable	430,561	(296,934)
Federal grants receivable	(758,560)	-
Other grants receivable	(222,427)	3,422
Contributions receivable	3,334	156,499
Prepaid expenses and other assets	(35,542)	-
Accounts payable and accrued expenses	11,365	104,357
Deferred revenue	(14,018)	(24,430)
Deferred rent	<u>20,757</u>	<u>54,068</u>
 Net Adjustments	<u>(943,164)</u>	<u>151,201</u>
 Net Cash Provided by Operating Activities	<u>415,657</u>	<u>183,057</u>
 Cash Flows from Financing Activity:		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>440,000</u>
 Net Increase in Cash and Equivalents	415,657	623,057
 Cash and Equivalents, Beginning of Year	<u>1,094,535</u>	<u>471,478</u>
 Cash and Equivalents, End of Year	<u>\$ 1,510,192</u>	<u>\$ 1,094,535</u>
 Supplemental data:		
Cash paid for interest	<u>\$ 3,271</u>	<u>\$ 878</u>

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements

August 31, 2021 and 2020

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.

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. The College implemented remote learning. 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 May 14, 2022.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

Note 1 - **Organization - Continued**

COVID-19 - continued

The College has been awarded the following HEERF and Minority Serving Institutions funds as of August 31, 2021:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 304,353	\$ 304,353	\$ 39,906	\$ 648,612
CRRSA	304,353	1,569,874	-	1,874,227
ARPA	<u>1,642,493</u>	<u>1,642,492</u>	<u>-</u>	<u>3,284,985</u>
 Total	 <u>\$ 2,251,199</u>	 <u>\$ 3,516,719</u>	 <u>\$ 39,906</u>	 <u>\$ 5,807,824</u>

The College has recognized the following as non-operating 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
CRRSA	304,353	1,154,087	-	1,458,440
ARPA	<u>898,809</u>	<u>-</u>	<u>-</u>	<u>898,809</u>
 Total	 <u>\$ 1,507,515</u>	 <u>\$ 1,458,440</u>	 <u>\$ 39,906</u>	 <u>\$ 3,005,861</u>

For year ended August 31, 2020, the College did not recognize any of the HEERF funds. Additionally, during the 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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

Use of Estimates

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

Cash and Equivalents

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

Student Accounts Receivable

The adequacy of the allowance for doubtful accounts is reviewed on an ongoing basis by the College's management and adjusted as required. In determining the amount required in the allowance, management has considered a variety of factors, including experience with students. During the years ended August 31, 2021 and 2020, the College incurred bad debt expense relating to student accounts receivable of approximately \$50,000 and \$108,000, respectively.

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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

Revenue with Customers - continued

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, 2021 and 2020, management has concluded an allowance for doubtful accounts is not required. Also, as of August 31, 2021 and 2020, 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

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

Deferred Revenue

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

Deferred Rent

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

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.

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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

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 year ended August 31, 2021, the College incurred \$8,106 in advertising expenses and did not incur any for the year ended August 31, 2020.

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.

Adoption of Accounting Pronouncements

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

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

Adoption of Accounting Pronouncements - continued

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

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

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

New Accounting Pronouncements

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.

FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for periods beginning after June 15, 2021. The pronouncement will require not-for-profit entities to present contributed non-financial assets in the statement of activities as a line that is separate from other contributions. It will also require additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category.

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

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

Note 3 - **Student Accounts Receivable**

Student accounts receivable are net of an allowance for uncollectible accounts of \$53,897 and \$325,000 at August 31, 2021 and 2020, respectively.

Note 4 - **Property and Equipment**

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

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 125,742	\$ 125,742
Improvements	14,000	14,000
Other equipment	<u>68,774</u>	<u>68,774</u>
	208,516	208,516
Accumulated depreciation	<u>(170,642)</u>	<u>(159,366)</u>
Property and equipment, net	<u>\$ 37,874</u>	<u>\$ 49,150</u>

Note 5 - **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, 2021 and 2020.

Interest expense amounted to \$3,271 and \$878 during the years ended August 31, 2021 and 2020, respectively.

Note 6 - **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, 2021 and 2020

Note 7 - Net Assets

Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Program restrictions:		
Programs	\$ 46,117	\$ 97,264
Scholarships	30,462	20,416
Time restrictions:		
Contributions receivable	<u>26,528</u>	<u>24,718</u>
Total	<u>\$ 103,107</u>	<u>\$ 142,398</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>2021</u>	<u>2020</u>
Program restrictions:		
Programs	\$ 65,149	\$ 197,706
Scholarships	20,920	-
Time restrictions:		
Contributions receivable	<u>38,268</u>	<u>159,921</u>
Total	<u>\$ 124,337</u>	<u>\$ 357,627</u>

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

Note 8 - **Lease Agreements**

The College leases its facilities under a ten-year lease agreement expiring on August 31, 2027, requiring escalating monthly payments ranging from approximately \$27,700 to \$39,000. The lease includes two 5-year extension periods. For the years ended August 31, 2021 and 2020, total rent, which is recognized on a straight-line basis over the life of the lease, was \$386,381. Subsequent to August 31, 2021, minimum future lease payments under the lease are as follows:

Years Ending August 31,	
2022	\$ 365,625
2023	386,125
2024	406,625
2025	427,125
2026	447,625
Thereafter	<u>468,125</u>
	<u>\$ 2,501,250</u>

Note 9 - **Pension Plan**

The College has a defined-contribution money purchase plan (the “Plan”), which provides benefits for its employees through membership in the Association of Community Service Agencies, Inc. Group Pension Plan. Eligible employees contribute a minimum of 5% of their annual compensation to the College’s tax-sheltered annuity plan, and the College contributes 9% of eligible employee compensation to the Plan. For the years ended August 31, 2021 and 2020, the College’s contributions under the Plan amounted to approximately \$61,000 and \$63,000, respectively.

Note 10 - **Regulatory Matters**

The College is subject to regulatory oversight by the New England Commission of Higher Education (“NECHE”), which provides the College with its academic accreditation and the United States Department of Education (“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.

URBAN COLLEGE OF BOSTON

Notes to the Financial Statements - Continued

August 31, 2021 and 2020

Note 10 - **Regulatory Matters - Continued**

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.

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

Cash

From time to time, the College's cash balances fluctuate and may exceed the federally insured limits. Management monitors the financial condition of the banking institution along with its cash balances and tries to keep the potential risk to a minimal. As of August 31, 2021, the College had an uninsured cash balance of approximately \$1,337,000.

Contingencies

The COVID-19 crisis as discussed in Note 1 is on-going. Management cannot reasonably estimate the duration or impact on finances and operations.

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, 2021 and 2020

Note 12 - **Liquidity and Availability**

As of August 31, 2021 and 2020, the following financial assets could readily be made available within one year of balance sheet date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and equivalents	\$ 1,510,192	\$ 1,094,535
Accounts receivable, net	-	478,151
Federal grants receivable	758,560	-
Contributions receivable, due within one year	<u>241,311</u>	<u>24,718</u>
	2,510,063	1,597,404
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(103,107)</u>	<u>(142,398)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 2,406,956</u>	<u>\$ 1,455,006</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, 2021 and 2020, management believes that the College has no liquidity issues.

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

Management has evaluated subsequent events through March 10, 2022, 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, 2021 requiring disclosure in these financial statements.

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban College of Boston (the "College"), which comprise the statement of financial position as of August 31, 2021, the related statement of activity and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Urban College of Boston's basic financial statements and have issued our report thereon dated March 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Urban College of Boston's internal control over financial reporting ("internal control") 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban College of Boston's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

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

**Certified Public Accountants
Braintree, Massachusetts**

March 10, 2022