

BOSTON ARCHITECTURAL COLLEGE

**Financial Statements as of
June 30, 2025
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

December 4, 2025

To the Board of Trustees of
Boston Architectural College:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boston Architectural College (a Massachusetts not-for-profit corporation) (the College), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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INDEPENDENT AUDITOR'S REPORT

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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 generally accepted auditing standards 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 and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited the College's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

ASSETS

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,810,517	\$ 1,475,532
Student accounts receivable, net of allowance for credit losses of \$288,925 and \$350,001 at 2025 and 2024, respectively	9,978,981	8,674,748
Current portion of pledges receivable	184,105	413,354
Other receivables	75,999	27,000
Prepaid expenses	296,881	239,835
Short-term investments	<u>8,696</u>	<u>9,388</u>
Total current assets	<u>12,355,179</u>	<u>10,839,857</u>
NON-CURRENT ASSETS:		
Pledges receivable, net	190,866	142,000
Long-term investments	12,165,163	11,079,499
Property and equipment, net	<u>15,254,382</u>	<u>15,910,124</u>
Total non-current assets	<u>27,610,411</u>	<u>27,131,623</u>
Total assets	<u>\$ 39,965,590</u>	<u>\$ 37,971,480</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 699,142	\$ 288,106
Deferred revenue	11,964,948	10,185,699
Accrued expenses	485,277	424,525
Current portion of bonds payable, net	<u>126,277</u>	<u>603,433</u>
Total current liabilities	<u>13,275,644</u>	<u>11,501,763</u>
LONG-TERM LIABILITIES:		
Bonds payable, net	<u>9,846,597</u>	<u>10,072,178</u>
Total liabilities	<u>23,122,241</u>	<u>21,573,941</u>
NET ASSETS:		
Without donor restrictions	6,450,809	6,693,581
With donor restrictions	<u>10,392,540</u>	<u>9,703,958</u>
Total net assets	<u>16,843,349</u>	<u>16,397,539</u>
Total liabilities and net assets	<u>\$ 39,965,590</u>	<u>\$ 37,971,480</u>

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2025

(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2025	2024
OPERATING REVENUES:				
Tuition and fees, net of institutional assistance and scholarships of \$2,880,862 and \$2,642,547 in 2025 and 2024, respectively	\$ 18,377,558	\$ -	\$ 18,377,558	\$ 15,757,531
Private contributions	441,650	132,356	574,006	842,980
Government and private grants	49,008	38,842	87,850	314,041
Investment return designated for operations	87,398	245,805	333,203	355,003
Other revenue	130,999	-	130,999	68,549
Net assets released from restrictions	457,090	(457,090)	-	-
Total operating revenues	19,543,703	(40,087)	19,503,616	17,338,104
OPERATING EXPENSES:				
Program services	11,751,166	-	11,751,166	11,675,800
Management and general	7,974,712	-	7,974,712	7,021,950
Fundraising	489,219	-	489,219	494,563
Total operating expenses	20,215,097	-	20,215,097	19,192,313
Changes in net assets from operating activities	(671,394)	(40,087)	(711,481)	(1,854,209)
NON-OPERATING ACTIVITIES:				
Investment return, net of amounts designated for operations	253,622	762,545	1,016,167	1,082,498
Change in donor intent	175,000	(175,000)	-	-
Endowment and capital contributions	-	141,124	141,124	633,723
Total non-operating activities	428,622	728,669	1,157,291	1,716,221
CHANGE IN NET ASSETS	(242,772)	688,582	445,810	(137,988)
NET ASSETS - beginning of year	6,693,581	9,703,958	16,397,539	16,535,527
NET ASSETS - end of year	\$ 6,450,809	\$ 10,392,540	\$ 16,843,349	\$ 16,397,539

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**
(With Comparative Totals for 2024)

	Program Services				Management and General	Fundraising	Total	
	Instructional	Student Services	Academic Support	Total			2025	2024
Salaries and benefits	\$ 3,135,778	\$ 2,396,203	\$ 806,671	\$ 6,338,652	\$ 6,000,133	\$ 391,983	\$ 12,730,768	\$ 12,294,469
Supplies and services	735,466	619,506	835,808	2,190,780	1,470,510	70,388	3,731,678	3,525,613
Occupancy	363,273	978,412	146,819	1,488,504	182,750	12,679	1,683,933	1,335,069
Depreciation	591,247	389,524	46,607	1,027,378	238,656	10,524	1,276,558	1,370,208
Credit losses	-	350,000	-	350,000	-	-	350,000	218,173
Interest and amortization	204,790	134,919	16,143	355,852	82,663	3,645	442,160	448,781
	<u>\$ 5,030,554</u>	<u>\$ 4,868,564</u>	<u>\$ 1,852,048</u>	<u>\$ 11,751,166</u>	<u>\$ 7,974,712</u>	<u>\$ 489,219</u>	<u>\$ 20,215,097</u>	<u>\$ 19,192,313</u>

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 445,810	\$ (137,988)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Provision for credit losses	350,000	218,173
Contributions restricted for endowment and capital	(141,124)	(633,723)
Net realized and unrealized gains on investments	(1,342,705)	(1,433,312)
Depreciation	1,276,558	1,370,208
Amortization of bond issuance costs	16,142	16,142
Changes in:		
Student accounts receivable	(1,654,233)	29,359
Pledges receivable	180,383	28,237
Other receivables	(48,999)	177,801
Prepaid expenses	(57,046)	(111,967)
Accounts payable	54,969	(581,236)
Deferred revenue	1,779,249	1,546,841
Accrued expenses	<u>60,752</u>	<u>(114,232)</u>
Net cash flow from operating activities	<u>919,756</u>	<u>374,303</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(29,836)
Proceeds from sale of investments	257,733	532,368
Purchases of property and equipment	<u>(264,749)</u>	<u>(259,989)</u>
Net cash flow from investing activities	<u>(7,016)</u>	<u>242,543</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment and capital	141,124	633,723
Repayment of bonds payable, net	(585,090)	(568,933)
Payment of bond issuance costs	<u>(133,789)</u>	<u>-</u>
Net cash flow from financing activities	<u>(577,755)</u>	<u>64,790</u>
CHANGE IN CASH AND CASH EQUIVALENTS	334,985	681,636
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,475,532</u>	<u>793,896</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,810,517</u>	<u>\$ 1,475,532</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 427,751</u>	<u>\$ 433,630</u>
Capital expenditures in accounts payable	<u>\$ 356,067</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

BOSTON ARCHITECTURAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

1. THE ORGANIZATION

Founded in 1889, the Boston Architectural College (the College) is committed to providing excellence in design education grounded in practice and accessibility to diverse communities. The College is New England's largest, independent, not-for-profit, accredited college of spatial design and offers professional and non-professional degrees at both undergraduate and graduate levels.

The core of the College experience is concurrency, which is a belief that design education is best experienced in the classroom and professional workplace, simultaneously. Classes are taught predominantly by practicing design professionals, strengthening the connection between workplace and classroom learning.

The College is accredited by the New England Commission of Higher Education, the National Architectural Accrediting Board, the Council for Interior Design Accreditation, and the Landscape Architectural Accreditation Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Reporting

The College classifies its activities into the following net asset categories:

- Net assets without donor restrictions are available to support the College's operations.
- Net assets with donor restrictions have been limited by donors by either a specific time, purpose, or perpetual restriction, and also include investment earnings on perpetually restricted endowment funds not yet appropriated by the Board of Trustees. When appropriation is made by the Board of Trustees or a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on non-endowment investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations

The statement of activities and change in net assets present the change in net assets of the College from operating and non-operating activities. Operating revenues and expenses relate primarily to educational programs provided by the College and auxiliary sales and service revenue. Utilization of endowment investment income under the College's spending policy is considered operating revenue. Non-operating activity reflects all other activity, including but not limited to, the investment return, net of the amount appropriated under the Board of Trustees' approved spending formula, contributions for endowment and plant purposes, as well as other activities outside the normal course of operations for the College.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less and include bank deposits and money market funds. At times, the College may maintain funds in excess of amounts insured by the Federal Depository Insurance Corporation. The College has not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenue in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

Unconditional pledges are recognized at their estimated net present value, net of an allowance for uncollectible receivables. Management periodically reviews the sufficiency of the allowance for uncollectible pledges and other receivables, taking into consideration current economic conditions, its historical losses and specific amounts outstanding, and makes adjustments to the allowance as considered necessary. As of June 30, 2025 and 2024, the College determined no allowance for uncollectible amounts was considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuition and Fees Revenues and Student Accounts Receivable

Revenue from contracts with students is recognized in the fiscal year in which the academic programs are delivered. The College recognizes tuition and fees in the period in which the College satisfies its performance obligation by transferring services to students. The College's performance obligation relative to tuition and fees is a bundled obligation to provide instruction for students over the stated period of the contract (i.e., the academic term), along with any additional services as outlined in academic programs. The College establishes tuition and fees contracts with students upon the earliest of receipt of their enrollment deposit to secure a place in a future academic term, registration for classes, a signed financial responsibility agreement, or similar consent by the student. Students who withdraw completely on or before the scheduled drop/add deadline of the academic term may receive a full refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. At June 30, 2025 and 2024, due to the timing of each academic semester, there was no variable consideration recorded related to refunds.

Student revenues are charged and collected on a term by term basis. The College expects to collect established payments due under student contracts, less any College funded student financial aid. All scholarships and grants awarded to students are applied to tuition first, up-to the amount of tuition for the student, with the remaining amount to be applied to room and board, if any. Amounts that remain uncollected at the end of the term are included as student accounts receivable. The College records an allowance for credit losses based on prior collection experience, current and future economic conditions and a review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. As of July 1, 2023, the beginning balance of student accounts receivable was \$8,922,280, net of allowance for credit losses of \$628,232.

Revenue from net tuition and fees accounted for approximately 94% and 91% of the College's operating revenues in 2025 and 2024, respectively.

Deferred Revenue

Deferred revenue represents unearned income related to academic courses and programs related to the subsequent academic year. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized as revenues upon satisfaction of the related performance obligation.

Revenue related to summer sessions that span across fiscal years is recognized within the fiscal year in which the program is predominantly concluded. In addition, the College records student deposits and prepayments for the fall semester. As of June 30, 2025, 2024, and 2023 there was approximately \$12,158,000, \$9,467,000, and \$8,639,000 respectively, of remaining performance obligations under open service contracts, which were included in deferred revenue in the accompanying statement of financial position that will be recognized in operating revenues during the subsequent fiscal year.

Prepaid Expenses

Prepaid expenses consist of amounts paid for expenses not yet incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of money market and mutual funds stated at fair value based on quoted market prices in active markets.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

Endowment

The College's endowment consists of investments that are managed to achieve a maximum long-term total return. The College's Board of Trustees has authorized a policy permitting the use of total returns at a rate (spending rate) of up to 5.00% of the 12-quarter rolling average market value of the endowment portfolio on the last day of the preceding calendar year for current operations. The remainder is retained to support operations of future years. This policy is designed to preserve the value of the portfolio in real terms (after inflation) and provide a predictable flow of funds to support operations.

Fair Value

The College uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the College. Unobservable inputs are inputs that reflect the College's estimates about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. These inputs are segregated into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the College has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the College in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The useful lives range from 5 to 45 years. The College's policy is to capitalize property and equipment acquired in excess of \$25,000. Impairment losses are recognized when the carrying value of an asset exceeds its fair value. The College regularly assesses all of its long-lived assets for impairment. There was no impairment loss recognized for the years ended June 30, 2025 and 2024.

Allocation of Certain Expenses

The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and as a result it is necessary to allocate these expenses amongst the functional categories. These expenses include benefits which are allocated by the related salaries, as well as overhead and maintenance, depreciation, technology, interest, and insurance, which are allocated by square footage occupied by each function. All remaining expense categories are directly charged.

Tax Status

The College has been recognized by the Internal Revenue Service as an organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The College has also been classified as an organization that is not a private foundation.

Advertising

The College charges the cost of advertising to expense as incurred. Advertising expense for the years ended June 30, 2025 and 2024 was \$605,725 and \$591,947, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2024. These reclassifications are for comparative purposes only and have no effect on net assets or change in net assets as originally reported.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,810,517	\$ 1,475,532
Student accounts receivable	9,978,981	8,674,748
Current portion of pledges receivable	184,105	413,354
Other receivables	75,999	27,000
Expected Board-approved endowment appropriation	<u>405,000</u>	<u>393,471</u>
	<u>\$ 12,454,602</u>	<u>\$ 10,984,105</u>

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The College considers all expenditures related to its ongoing activities of providing financial support through scholarships and grants, and institutional support, to be general expenditures.

As part of its liquidity management plan, the College structures financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition, the College invests cash in excess of daily requirements in an overnight repurchase account. To help manage unanticipated liquidity needs, a committed line of credit of \$1,000,000 could be drawn upon.

4. PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2025 are expected to be collected as follows during the years ending June 30:

2026	\$	184,105
2027		62,000
2028		57,000
2029		56,866
2030		10,000
Thereafter		<u>5,000</u>
	\$	<u>374,971</u>

One pledge comprised approximately 27% of pledges receivable at June 30, 2025 and two pledges comprised approximately 66% of pledges receivable at June 30, 2024.

5. STUDENT ACCOUNTS RECEIVABLE AND CURRENT EXPECTED CREDIT LOSSES

Changes in the allowance for credit losses for the years ended June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Balance July 1	\$ 350,001	\$ 628,232
Write-offs	(411,076)	(496,404)
Provisions	<u>350,000</u>	<u>218,173</u>
Balance June 30	<u>\$ 288,925</u>	<u>\$ 350,001</u>

6. INVESTMENTS

Investments are stated at fair value and consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 743,377	\$ 711,233
Treasury inflation protected mutual fund	296,887	280,820
Bond index mutual fund	3,152,151	2,972,650
Stock index mutual fund	<u>7,981,444</u>	<u>7,124,184</u>
	<u>\$ 12,173,859</u>	<u>\$ 11,088,887</u>

7. FAIR VALUE MEASUREMENTS

The following were measured at fair value on a recurring basis using the following input levels at June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 743,377	\$ -	\$ -	\$ 743,377
Treasury inflation protected mutual fund	296,887	-	-	296,887
Bond index mutual fund	3,152,151	-	-	3,152,151
Stock index mutual fund	<u>7,981,444</u>	<u>-</u>	<u>-</u>	<u>7,981,444</u>
	<u>\$ 12,173,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,173,859</u>

The following were measured at fair value on a recurring basis using the following input levels at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 711,233	\$ -	\$ -	\$ 711,233
Treasury inflation protected mutual fund	280,820	-	-	280,820
Bond index mutual fund	2,972,650	-	-	2,972,650
Stock index mutual fund	<u>7,124,184</u>	<u>-</u>	<u>-</u>	<u>7,124,184</u>
	<u>\$ 11,088,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,088,887</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 5,522,337	\$ 5,522,337
Buildings and improvements	25,860,355	25,860,355
Furniture, fixtures and equipment	<u>6,059,418</u>	<u>5,956,212</u>
	37,442,110	37,338,904
Less: Accumulated depreciation	(23,921,542)	(22,644,984)
Plus: Construction in progress	<u>1,733,814</u>	<u>1,216,204</u>
	<u>\$ 15,254,382</u>	<u>\$ 15,910,124</u>

9. BONDS PAYABLE

Bonds payable consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Series 2012 Massachusetts Finance Agency Revenue Bonds in the amount of \$5,800,000. During 2025, the bonds were refinanced, bearing an interest rate of 4.89% with monthly payments of principal and interest of \$21,797. The refinanced bonds are calculated on a 30-year amortization with a lump sum balloon payment due in June 2035.	\$ 4,078,188	\$ 4,237,510
Series 2017 Massachusetts Finance Agency Revenue Bonds in the amount of \$9,365,668. During 2025, the bonds were refinanced, bearing an interest rate of 4.39% with monthly payments of principal and interest of \$31,546. The refinanced bonds are calculated on a 30-year amortization with a lump sum balloon payment due in June 2035.	<u>6,259,035</u>	<u>6,684,803</u>
	10,337,223	10,922,313
Less: Current portion	(162,712)	(603,433)
Less: Unamortized deferred financing costs	<u>(364,349)</u>	<u>(246,702)</u>
	<u>\$ 9,810,162</u>	<u>\$ 10,072,178</u>

9. BONDS PAYABLE (Continued)

Future principal maturities of bonds payable are as follows for the years ending June 30:

	<u>Principal</u>	<u>Deferred Financing Costs</u>	<u>Total</u>
2026	\$ 162,712	\$ (36,435)	\$ 126,277
2027	170,425	(36,435)	133,990
2028	177,231	(36,435)	140,796
2029	186,909	(36,435)	150,474
2030	195,773	(36,435)	159,338
Thereafter	<u>9,444,173</u>	<u>(182,174)</u>	<u>9,261,999</u>
	<u>\$ 10,337,223</u>	<u>\$ (364,349)</u>	<u>\$ 9,972,874</u>

The bonds are secured by land, buildings, and equipment, and certain revenues. The College must also meet certain covenants to maintain compliance with the loan agreements, including a restriction on new debt. On June 30, 2025, the College determined it was in compliance with these covenants.

10. LINE OF CREDIT

The College carries an unsecured line of credit with a maximum borrowing of \$1,000,000. Amounts borrowed bear interest at 2.0% over the secured overnight financing rate (5.33% and 4.45% at June 30, 2025 and 2024, respectively). There were no amounts outstanding at June 30, 2025 and 2024.

11. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were restricted for the following purposes at June 30:

	<u>2025</u>	<u>2024</u>
Scholarships	\$ 5,387,555	\$ 4,750,318
Capital improvements	1,251,904	1,338,811
Instruction and institutional support	641,423	598,641
Strategic initiatives	25,000	-
To be maintained in perpetuity	<u>3,086,658</u>	<u>3,016,188</u>
	<u>\$ 10,392,540</u>	<u>\$ 9,703,958</u>

Net assets were released from donor restrictions by satisfying the restricted purpose as follows during the years ended June 30:

	<u>2025</u>	<u>2024</u>
Scholarships	\$ 357,400	\$ 398,681
Capital improvements	7,694	7,274
Instruction and institutional support	<u>91,996</u>	<u>38,758</u>
	<u>\$ 457,090</u>	<u>\$ 444,713</u>

11. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS (Continued)

In 2025 and 2024, the College reclassified \$175,000 and \$1,618,527, respectively, from net assets with donor restrictions to net assets without donor restrictions based on a change in donor intent.

12. ENDOWMENT

The College's endowment consisted of the following at June 30, 2025:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction- Time/Purpose</u>	<u>With Donor Restriction- Perpetual</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 5,879,426	\$ 3,086,658	\$ 8,966,084
Board designated funds	<u>3,220,143</u>	<u>-</u>	<u>-</u>	<u>3,220,143</u>
	<u>\$ 3,220,143</u>	<u>\$ 5,879,426</u>	<u>\$ 3,086,658</u>	<u>\$ 12,186,227</u>

The College's endowment consisted of the following at June 30, 2024:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction- Time/Purpose</u>	<u>With Donor Restriction- Perpetual</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 5,291,880	\$ 3,016,188	\$ 8,308,068
Board designated funds	<u>2,790,184</u>	<u>-</u>	<u>-</u>	<u>2,790,184</u>
	<u>\$ 2,790,184</u>	<u>\$ 5,291,880</u>	<u>\$ 3,016,188</u>	<u>\$ 11,098,252</u>

Changes in endowment net assets for the year ended June 30, 2025 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, at July 1, 2024	\$ 2,790,184	\$ 8,308,068	\$ 11,098,252
Net appreciation	337,357	1,008,350	1,345,707
Contributions	5,000	70,471	75,471
Amounts appropriated for expenditure	(87,398)	(245,805)	(333,203)
Reclassifications	<u>175,000</u>	<u>(175,000)</u>	<u>-</u>
Endowment net assets, at June 30, 2025	<u>\$ 3,220,143</u>	<u>\$ 8,966,084</u>	<u>\$ 12,186,227</u>

12. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2024 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, at July 1, 2023	\$ 1,057,867	\$ 8,943,897	\$ 10,001,764
Net appreciation	149,502	1,263,240	1,412,742
Contributions	-	38,749	38,749
Amounts appropriated for expenditure	(35,712)	(319,291)	(355,003)
Reclassifications	<u>1,618,527</u>	<u>(1,618,527)</u>	<u>-</u>
Endowment net assets, at June 30, 2024	<u>\$ 2,790,184</u>	<u>\$ 8,308,068</u>	<u>\$ 11,098,252</u>

Interpretation of Relevant Law

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donors' intended purpose of the endowment fund, stipulated or otherwise.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as net assets with donor restrictions until approved for expenditure by the College. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the College. The College believes that its total return spending policy meets UPMIFA requirements.

Return Objectives and Risk Parameters

The College's primary investment objective for the endowment assets is to earn a total return (net of fees), within prudent levels of risk, sufficient to provide income for the College's operating expenses while preserving the value of the portfolio. The College's secondary investment objective is to attain long-term growth of the portfolio, subject to the endowment's risk tolerance.

Strategies Employed for Achieving Objectives

The College's Board of Trustees classifies donor-restricted funds and earnings thereon in accordance with applicable state law. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor. The goal of the College's endowment spending and distribution policy is to preserve the purchasing power of the endowment and provide predictable support of operations and scholarships.

12. ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as underwater, is reported as losses within net assets with donor restrictions. The Board of Trustees has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024, the fair value of the fund with deficiencies was approximately \$380,000. The original value of the fund with deficiencies was approximately \$415,000, resulting in the underwater fund of approximately \$35,000 at June 30, 2024. At June 30, 2025, there were no funds with deficiencies.

13. RETIREMENT BENEFITS

The College is a sponsor of a 403(b) Plan (the Plan). The Plan covers all eligible employees. During the years ended June 30, 2025 and 2024, total related retirement plan expense was approximately \$343,000 and \$327,000. Any employer funding is at the sole discretion of the College.

14. CONTINGENCIES, COMMITMENTS AND UNCERTAINTIES

Legal

Pending or threatened lawsuits arise as part of the ordinary course of operations. In the opinion of management, no litigation is pending or threatened that would materially affect the College's financial position.

Employment Agreement

The College has an employment contract with the College's President. The College's contract with the President provides for a payment of nine months salary upon termination if certain conditions are met.

Commitments

The College has a contract for a restoration project in an amount not to exceed approximately \$1,800,000. At June 30, 2025, there was approximately \$1,200,000 remaining on the commitment.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 4, 2025, which is the date the financial statements were available to be issued.

**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**

December 4, 2025

To the Board of Trustees of
Boston Architectural College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boston Architectural College (a Massachusetts not-for-profit corporation) (the College), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2025.

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 were not identified.

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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*

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.