

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Benjamin Franklin Institute of Technology

We have audited the accompanying statements of financial position of Benjamin Franklin Institute of Technology (formerly The Franklin Foundation) (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Benjamin Franklin Institute of Technology's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Benjamin Franklin Institute of Technology as of June 30, 2012 and 2011, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Berger, Katz, Weishaus, Nikosey & Lenza, P.C.

October 30, 2012

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	\$ 591,848	\$ 488,213
Investments in marketable securities	1,751,761	2,190,644
Investments in marketable securities, pledged	1,472,334	1,401,593
Tuition, fees and other receivables, net of allowance for doubtful accounts of \$133,500 (\$105,000 in 2011)	<u>294,303</u>	<u>256,845</u>
	<u>4,110,246</u>	<u>4,337,295</u>
Property and equipment, at cost:		
Land, buildings and improvements	6,212,826	5,368,282
Computers and other equipment	<u>2,090,350</u>	<u>2,016,349</u>
	8,303,176	7,384,631
Less accumulated depreciation	<u>5,311,863</u>	<u>4,952,322</u>
	<u>2,991,313</u>	<u>2,432,309</u>
Total Assets	\$ <u>7,101,559</u>	\$ <u>6,769,604</u>
Liabilities:		
Notes payable	\$ 1,362,280	\$ 734,912
Capital lease obligations	51,339	138,635
Accounts payable and accrued expenses	764,422	1,052,256
Deferred revenue	<u>203,495</u>	<u>296,245</u>
Total Liabilities	<u>2,381,536</u>	<u>2,222,048</u>
Net assets:		
Unrestricted	1,645,938	1,590,701
Temporarily restricted	1,211,677	1,094,506
Permanently restricted	<u>1,862,408</u>	<u>1,862,349</u>
Net Assets	<u>4,720,023</u>	<u>4,547,556</u>
Total Liabilities and Net Assets	\$ <u>7,101,559</u>	\$ <u>6,769,604</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Tuition and fees, net	\$ 6,323,702	\$	\$	\$ 6,323,702
Interest income	75,389		224	75,613
Government grants	513,613			513,613
Gifts and private grants	1,218,858	327,800		1,546,658
Auxiliary enterprises	766,036			766,036
Gain on sale of investments	8,948	41,237		50,185
Unrealized appreciation of investments	131,623	144,315		275,938
Net assets released from restrictions	<u>75,000</u>	<u>(75,000)</u>		
Total revenue	<u>9,113,169</u>	<u>438,352</u>	<u>224</u>	<u>9,551,745</u>
Expenses:				
Instruction costs	2,911,242			2,911,242
Academic support	1,753,631			1,753,631
Institutional support	1,607,075			1,607,075
Student services	1,154,830			1,154,830
Operation and maintenance of plant	876,043			876,043
Scholarships and other grants	311,446			311,446
Depreciation	<u>298,096</u>			<u>298,096</u>
Total expenses	<u>8,912,363</u>			<u>8,912,363</u>
Increase in net assets	200,806	438,352	224	639,382
Net assets, beginning of year as previously reported	5,318,794	656,154	1,862,125	7,837,073
Prior period adjustments	<u>(3,928,899)</u>			<u>(3,928,899)</u>
Net assets, end of year	<u>\$ 1,590,701</u>	<u>\$ 1,094,506</u>	<u>\$ 1,862,349</u>	<u>\$ 4,547,556</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Tuition and fees, net	\$ 6,326,599	\$	\$	\$ 6,326,599
Interest income	11,208	69,017	59	80,284
Government grants	348,112			348,112
Gifts and private grants	1,755,289	183,250		1,938,539
Auxiliary enterprises	912,271			912,271
Gain on sale of investments	39,582	42,272		81,854
Unrealized depreciation of investments	(39,319)	(40,383)		(79,702)
Net assets released from restrictions	<u>120,000</u>	<u>(120,000)</u>		
Total revenue	<u>9,473,742</u>	<u>134,156</u>	<u>59</u>	<u>9,607,957</u>
Expenses:				
Instruction costs	2,785,323			2,785,323
Academic support	1,872,116			1,872,116
Institutional support	1,835,764	16,985		1,852,749
Student services	1,249,500			1,249,500
Operation and maintenance of plant	838,245			838,245
Scholarships and other grants	464,535			464,535
Depreciation	<u>373,022</u>			<u>373,022</u>
Total expenses	<u>9,418,505</u>	<u>16,985</u>		<u>9,435,490</u>
Increase in net assets	55,237	117,171	59	172,467
Net assets, beginning of year	<u>1,590,701</u>	<u>1,094,506</u>	<u>1,862,349</u>	<u>4,547,556</u>
Net assets, end of year	<u>\$ 1,645,938</u>	<u>\$ 1,211,677</u>	<u>\$ 1,862,408</u>	<u>\$ 4,720,023</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 172,467	\$ 639,382
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	373,022	298,096
Unrealized appreciation on investments	(79,701)	(275,938)
Gain on sale of investments	(81,854)	(50,185)
Loss on disposal of property and equipment	5,239	0
(Increase) decrease in assets:		
Tuition, fees and other receivables	(37,457)	(170,625)
Other assets		73,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(287,836)	421,631
Deferred revenue	<u>(92,750)</u>	<u>(141,690)</u>
Net cash provided (used) by operating activities	<u>(28,870)</u>	<u>793,671</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of investments	(145,627)	(1,329,143)
Proceeds from sale of investments	675,324	1,475,220
Purchase of property and equipment	<u>(937,264)</u>	<u>(1,020,054)</u>
Net cash used by investing activities	<u>(407,567)</u>	<u>(873,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(decrease) in capital leases payable	(87,296)	114,288
Increase in notes payable	<u>627,368</u>	<u>234,912</u>
Net cash provided by financing activities	<u>540,072</u>	<u>349,200</u>
Net increase in cash	103,635	268,894
Cash, beginning of year	<u>488,213</u>	<u>219,319</u>
Cash, end of year	\$ <u>591,848</u>	\$ <u>488,213</u>
Supplemental Disclosures:		
Cash paid during the year for:		
Interest expense	\$ <u>60,701</u>	\$ <u>29,246</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Under a special act of the Massachusetts General Court, Benjamin Franklin Institute of Technology (formerly The Franklin Foundation) was established as the corporate entity to administer a bequest under the will of Dr. Benjamin Franklin “for the conduct of youth” in the “town of Boston”. Such “agency”, Benjamin Franklin Institute of Technology, also was created as the “body corporate” to manage (as well as administer the aforementioned founding endowment) a new educational institution bearing Dr. Franklin’s name, now called Benjamin Franklin Institute of Technology (BFIT), to be located in the City of Boston.

The accompanying financial statements, (formerly, “The Franklin Foundation”), reflect the financial position and statement of activities for Benjamin Franklin Institute of Technology, a degree-granting college offering programs in industrial and engineering technologies.

Basis of Accounting

The financial statements of BFIT have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Fund Accounting

The accounts of BFIT are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Fund balances are classified on the Statements of Financial Position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of BFIT to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements and acquisitions.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Investment Income and Gains

In accordance with the laws of the Commonwealth of Massachusetts, unless explicitly stated otherwise by the donor, BFIT classifies realized and unrealized gains (investment appreciation) on endowment investments related to permanently restricted funds as temporarily restricted assets until such time the Board of Directors properly appropriates the funds. On BFIT’s Statement of Financial Position, the balance in temporarily restricted net assets primarily represents unexpended investment appreciation of the permanently restricted funds.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Institutional expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BFIT.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, BFIT considers all highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Investments

BFIT carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. BFIT's accounting records do not record unrealized gains by security and as a result, it is not possible to readily determine the portion of realized gains previously reported as unrealized gains.

Donated marketable securities are recorded as contributions at their fair values at the date of donation.

Tuition, Fees, and Other Receivables

Tuition, fees, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. BFIT provides for losses on tuition, fees, and other receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of students to meet their obligations. Student accounts are considered impaired if full payment is not received by the due date. It is BFIT's policy to charge off uncollectible tuition, fees, and other receivables when management determines the receivable will not be collected.

Property and Equipment

Property and equipment are recorded at cost or fair market value at the date of purchase or donation. Depreciation is provided over their estimated useful lives on a straight-line basis. Depreciation expense was \$373,022 and \$298,096 for the years ended June 30, 2012 and 2011, respectively. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, BFIT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. BFIT reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BFIT. Local businesses occasionally donate services most of which are not recognized as contributions in the financial statements since the recognition criteria were not met.

Deferred Revenue

Deferred revenue includes amounts received from donors that have not yet been earned.

Income Tax Status

BFIT is exempt from federal income tax under Section 170(c)(1) of the Internal Revenue Code. Therefore, no provision for income taxes is included in the accompanying financial statements.

Reclassifications

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the current year's presentation.

NOTE B- FINANCIAL INSTRUMENTS

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

BFIT maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the amount on deposit may exceed the federally insured limit. BFIT has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risk on the cash.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE B- FINANCIAL INSTRUMENTS (CONT'D)

Fair Values of Financial Instruments

The following methods and assumptions were used to determine the fair value of each class of financial instruments:

Cash, cash equivalents and short-term unconditional promises to give: the carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Short-term and endowment investments: the fair values of investments are based on quoted market prices for those or similar investments.

Long-term unconditional promises to give: the fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

The fair values of BFIT financial instruments at June 30, 2012 and 2011 are as follows:

	June 30, 2012		June 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash	\$ 591,848	\$ 591,848	\$ 488,213	\$ 488,213
Investments	3,224,095	3,224,095	3,592,237	3,592,237
Financial Liabilities:				
Notes Payable	\$ 1,362,280	\$ 1,362,280	\$ 734,912	\$ 734,912
Capital Lease Obligations	51,339	51,339	138,635	138,635

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE B- FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements for the year ended June 30, 2012, for investments reported at fair value on a recurring basis were determined based on:

	<u>Fair Value</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Money market accounts	\$ 210,350	\$ 210,350	
Marketable Equity Securities			
Consumer Durables	30,171	30,171	
Consumer Non-Durables	159,694	159,694	
Consumer Services	57,017	57,017	
Business Products and Services	168,290	168,290	
Capital Goods	169,024	169,024	
Energy	58,381	58,381	
Basic Industries	48,518	48,518	
Financial	81,221	81,221	
Foreign Assets	<u>239,852</u>	<u>239,852</u>	
	<u>1,012,168</u>	<u>1,012,168</u>	
Marketable Equity Mutual Funds			
U.S. Equity Funds	1,493,223	1,493,223	
International Funds	<u>42,925</u>	<u>42,925</u>	
	<u>1,536,148</u>	<u>1,536,148</u>	
Marketable Debt Securities			
Corporate Bonds	<u>316,844</u>	<u>316,844</u>	
Common Trust Funds			
CTF Research Equity Portfolio	<u>148,585</u>		<u>148,585</u>
Total Investments	\$ <u>3,224,095</u>	\$ <u>3,075,509</u>	\$ <u>148,585</u>

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE B- FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements for the year ended June 30, 2011, for investments reported at fair value on a recurring basis were determined based on:

	<u>Fair Value</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Money market accounts	\$ 519,775	\$ 519,775	
Marketable Equity Securities			
Consumer Durables	22,363	22,363	
Consumer Non-Durables	116,896	116,896	
Consumer Services	50,172	50,172	
Business Products and Services	153,533	153,533	
Capital Goods	141,533	141,533	
Energy	47,728	47,728	
Basic Industries	21,678	21,678	
Financial	61,156	61,156	
Foreign Assets	<u>195,809</u>	<u>195,809</u>	
	<u>810,869</u>	<u>810,869</u>	
Marketable Equity Mutual Funds			
U.S. Equity Funds	1,417,653	1,417,653	
International Funds	<u>30,388</u>	<u>30,388</u>	
	<u>1,448,041</u>	<u>1,448,041</u>	
Marketable Debt Securities			
Corporate Bonds	<u>270,031</u>	<u>270,031</u>	
Common Trust Funds			
CTF Core Bond Portfolio	176,149		176,149
CTF Research Equity Portfolio	<u>367,372</u>		<u>367,372</u>
	<u>543,521</u>		<u>543,521</u>
Total Investments	\$ <u>3,592,237</u>	\$ <u>3,048,716</u>	\$ <u>543,521</u>

Fair values for investments, except common trust funds, are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for the common trust funds are reported periodically based on the fair values of the assets in the common trust fund by referencing quoted market prices. Since the common trust fund itself is not observable in an open market and its value is only disclosed to investors it is a Level 2 investment.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE C- PRIOR PERIOD ADJUSTMENTS

Effective during the year ended June 30, 2012, BFIT retroactively adjusted its property and equipment accounts to reflect depreciation that should have been recorded, pursuant to generally accepted accounting principles, for all assets acquired prior to June 30, 1990. The change had no effect on the Statements of Activities for the years ended June 30, 2012 and 2011. The statements of financial position have been retroactively restated for such change, which resulted in an increase in accumulated depreciation of \$2,561,654, a decrease in computers and other equipment of \$1,367,245 and a decrease in unrestricted net assets of \$3,928,899.

NOTE D- NOTES PAYABLE

As of June 30, 2012 notes payable consists of the following:

Line of credit agreement in the amount of \$1,000,000 with a bank for renovations of the facilities. The agreement calls for 12 monthly installments of interest only at prime plus 1.5% and 48 subsequent installments of principal and interest. The line is collateralized by a mortgage on certain real estate of BFIT. This line of credit was paid in full in August 2012.

Installment loan for laboratory renovations in the amount of \$250,000 dated July 27, 2010, payable to a bank with interest only at prime plus .25% to October 27, 2010, followed by 57 installments of principal of \$4,386 per month to July 27, 2015, with a minimum rate of 3.75% for the life of the loan (3.75% at June 30, 2012) Balance as of June 30, 2012 of \$ 162,280. This loan was paid in full in August 2012.

Working capital revolving line of credit in the amount of \$ 600,000, dated March 24, 2011, payable to a bank on demand, with interest at the higher of prime or 3.75% (3.75% at June 30, 2011), collateralized by certain investments. Balance outstanding at June 30, 2012 of \$200,000. This line of credit was paid in full in August 2012.

NOTE E- CAPITAL LEASE OBLIGATIONS

BFIT has entered into various capital equipment leases with 36-60 monthly payments totaling \$86,296 (\$32,944 in 2011) including interest as computed, with expiration dates to July, 2015. The carrying values of capital leases are as follows:

	2012	2011
Cost	\$ 120,684	\$ 177,304
Accumulated depreciation	43,397	26,000
Net carrying value	\$ 77,287	\$ 151,304

Future minimum lease payments on a fiscal year basis are as follows:

2013	\$46,970
2014	\$27,894
2015	\$13,227
2016	\$ 1,150

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE F- ENDOWMENTS AND THE FRANKLIN TRUST

BFIT maintains numerous donor restricted endowment funds established to further the educational mission of the School. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BFIT has adopted investment and spending policies for endowment assets that attempt to provide funding of programs and capital improvements, while also seeking to maintain the purchasing power of the investment assets. Under this policy, as approved by the Board of Directors in December 2011, endowment assets are invested using a diversified asset allocation strategy to provide a total return (income and appreciation) over time to generate principal growth to offset inflation within prudent risk constraints. Preservation of capital in an anticipated volatile market is the highest priority. To meet the stated objectives, a portion of the Endowment's portfolio shall be allocated to equities for growth and income. The portfolio's targeted allocation range comprises 10% cash and equivalents, 30% fixed income bonds and 60% stocks.

As of June 30, 2012, BFIT has adopted a formula for sustainable use of their endowment going forward that allows for a 3.5% annual spending rate based on the net endowment, as defined. This consists of total holdings minus dedicated funds (such as for scholarships) and collateralized assets.

Endowment Net Asset Composition by Type as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		1,211,677	1,862,408	3,074,337
Board restricted endowment funds	150,010			150,010
	<u>\$ 150,010</u>	<u>\$1,211,677</u>	<u>\$ 1,862,408</u>	<u>\$ 3,224,095</u>

Endowment Net Asset Composition by Type as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		1,094,506	1,862,349	2,956,855
Board restricted endowment funds	134,420			134,420
	<u>\$ 134,420</u>	<u>\$ 1,094,506</u>	<u>\$ 1,862,349</u>	<u>\$ 3,091,275</u>

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE F- ENDOWMENTS AND THE FRANKLIN TRUST (CONT'D)

Permanently restricted net assets are available for the following purposes at June 30:

	2012	2011
Franklin Trust	\$ 1,197,419	\$ 1,197,419
Donor restricted endowment funds	664,989	664,930
	\$ 1,862,408	\$ 1,862,349

The Franklin Trust

In a codicil to his will, Dr. Benjamin Franklin established a 200-year Trust, now managed by BFIT. Under the provisions of this codicil, the accumulated amount was to be left to the disposition of the Inhabitants of the Town of Boston (now the City of Boston) and to the disposition of the Government of The Commonwealth of Massachusetts. The 200 years expired on June 30, 1991. On January 14, 1994, the Commonwealth in Sec. 127 of Chapter 495 of the Acts of 1993 distributed its portion of The Franklin Trust to The Franklin Foundation in trust for the maintenance, extension and use of The Benjamin Franklin Institute of Technology. On June 2, 1994, the Mayor of the City of Boston approved an Order passed by the City Council authorizing the distribution of the City's share of The Franklin Trust to Benjamin Franklin Institute of Technology, in trust, as a permanent endowment, with income only, to be used for the maintenance, extension and use of Benjamin Franklin Institute of Technology for the benefit of Boston residents.

NOTE G- PENSION PLANS

BFIT participates in an Internal Revenue Code Section 403(b) defined contribution (money purchase) retirement plan administered by the Teachers' Insurance Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF). Under the terms of the plan as amended on January 1, 2009, all full-time employees who have completed two years of service and have attained age 21 are eligible for participation. BFIT's annual contribution to the plan equals 10% of compensation. Employees may make additional voluntary contributions. For the years ended June 30, 2012 and 2011 pension expense relating to these plans amounted to \$ 249,609 and \$267,866, respectively.

BFIT intends, but does not promise, to pay those who were employed prior to participation in the TIAA-CREF plan in 1973, a monthly pension in recognition of prior service. The monthly pension is equal to 1% of regular monthly compensation multiplied by prior service years, as defined. No liability has been recorded on the financial accounts for this pension, as the liability is not established. BFIT has not calculated a current value of its past service obligation. During the years ended June 30, 2012 and 2011, payments to retired employees amounting to \$33,774 and \$ 33,709 respectively were made based upon a vote of the Board of Directors

BFIT also offers an Internal Revenue Code Section 403(b) Tax Deferred Annuity Plan for all employees. This Plan is an optional retirement savings plan funded by employees through payroll deductions. BFIT is not required to make contributions to this plan.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE H- ADVERTISING

BFIT follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$84,737 and \$48,895 for the years ended June 30, 2012 and 2011, respectively.

NOTE I- FUND-RAISING EXPENSE

Included in institutional support expenses in the statements of activities for the years ended June 30, 2012 and 2011, are \$351,190 and \$280,640, respectively, of expenses related to fund-raising.

NOTE J- RELATED PARTY TRANSACTIONS

In January 1990, The Franklin Institute, Inc. was established under Internal Revenue Code Sec. 501(c)(3) as a nonprofit organization to raise funds to support the ongoing educational programs of The Franklin Institute of Boston, now called the Benjamin Franklin Institute of Technology (BFIT). During the years ended June 30, 2012 and 2011, The Franklin Institute, Inc. expended approximately \$1,858,000 and \$1,247,000, respectively, on behalf of BFIT.

NOTE K- COMMITMENTS AND CONTINGENCIES

On May 31, 2011 BFIT entered into a two academic year lease agreement for student housing in a neighboring property. The lease, effective August 31, 2011, called for annual rent expense of \$528,560 and \$550,120 for the years ending August 31, 2012 and 2013, respectively. This lease agreement was terminated by mutual agreement on May 4, 2012.

On April 2, 2012 BFIT entered into a group accommodations agreement for student housing with a local motel for 22 rooms at \$75-94 per night for the 2 semesters in the 2012-2013 academic year. The agreement expires on May 3, 2013.

Certain federally and state funded financial aid programs are routinely subject to special audit. The reports on the examinations, which are conducted pursuant to specific regulatory requirements by the auditors for BFIT, are required to be submitted to BFIT, the U.S. Department of Education and the Massachusetts Office of Student Financial Assistance. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate student aid programs.

Other Federal programs are also subject to audit. Such audits could result in claims against the resources of BFIT. No provision has been made for any liabilities, which may arise from such audits since the amounts, if any, cannot be determined at this date.

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NOTE L- SUBSEQUENT EVENTS

Subsequent events were evaluated through October 30, 2012, which is the financial statement issuance date.

The following subsequent events were identified:

On August 21, 2012 BFIT entered into a \$2,000,000 line of credit agreement with a bank with interest at the bank's base rate plus 0.5% which in no event shall be less than 3.75%. In addition, on August 21, 2012 BFIT entered into a new \$500,000 installment loan agreement with the bank, with interest fixed at 3.89% for the first 5 years. Subsequently interest shall be payable at the Federal Home Loan Bank's five- year regular cost of funds rate plus 2.5%. Payments shall be made over 120 months in the amount of \$3,015, based on a 20 year amortization with a balloon payment on August 21, 2022.

NOTE M – UNCERTAINTY IN INCOME TAXES

BFIT adopted the new standards for Accounting for Uncertainty in Income Taxes, which required BFIT to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2012, BFIT determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. BFIT files tax and information returns in the United States Federal and Massachusetts state jurisdictions. There returns are generally subject to examination by tax authorities for the last three years.