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2011-09-14 09:14

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

2011-2010

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

Certified Public Accountants
& Business Consultants

2011

CPA F.N. 01.01.01.01

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, 2011 and 2010, 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.

As explained in Note C to the financial statements, depreciation has not been provided for some plant assets. In our opinion, generally accepted accounting principles require that depreciation be provided for all plant assets. It was not practicable to determine the effects of the unrecorded depreciation on the financial statements.

In our opinion, except for the effects of not recording depreciation on some plant assets, as discussed in the preceding paragraph, 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, 2011 and 2010, 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.

September 27, 2011

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash	\$ 488,213	\$ 219,319
Investments in marketable securities	2,190,644	2,248,025
Investments in marketable securities, pledged	1,401,593	1,164,166
Tuition, fees and other receivables, net of allowance for doubtful accounts of \$105,000 (\$100,000 in 2010)	256,845	86,220
Prepaid expenses	<u>0</u>	<u>73,000</u>
	<u>4,337,295</u>	<u>3,790,730</u>
Property and equipment, at cost:		
Land, buildings and improvements	6,483,484	6,009,729
Computers and other equipment	<u>2,268,392</u>	<u>1,722,093</u>
	8,751,876	7,731,822
Less accumulated depreciation	<u>2,390,668</u>	<u>2,092,572</u>
	<u>6,361,208</u>	<u>5,639,250</u>
Total Assets	<u>\$ 10,698,503</u>	<u>\$ 9,429,980</u>
Liabilities:		
Notes payable	\$ 734,912	\$ 500,000
Capital lease obligations	138,635	24,347
Accounts payable and accrued expenses	1,052,256	630,625
Deferred revenue	<u>296,245</u>	<u>437,935</u>
Total Liabilities	<u>2,222,048</u>	<u>1,592,907</u>
Net assets:		
Operations:		
Unrestricted	6,034,088	5,835,782
Temporarily restricted	494,598	139,166
Permanently restricted	664,930	664,706
Franklin Trust:		
Temporarily restricted	85,420	0
Permanently restricted	<u>1,197,419</u>	<u>1,197,419</u>
Net Assets	<u>8,476,455</u>	<u>7,837,073</u>
Total Liabilities and Net Assets	<u>\$ 10,698,503</u>	<u>\$ 9,429,980</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Operations				Franklin Trust		Total
	Unrestricted		Temporarily	Permanently	Temporarily	Permanently	
	General	Investments	Restricted	Restricted	Restricted	Restricted	
Revenue:							
Tuition and fees, net	\$ 6,323,702	\$ 75,389	\$	\$ 224	\$	\$	\$ 6,323,702
Interest income							75,613
Government grants	513,613						513,613
Gifts and private grants	1,216,358		330,300				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	58,895		85,420		275,938
Net assets released from restrictions		75,000	(75,000)				
Total revenue	<u>8,819,709</u>	<u>290,960</u>	<u>355,432</u>	<u>224</u>	<u>85,420</u>		<u>9,551,745</u>
Expenses:							
Instruction costs	3,201,284						3,201,284
Academic support	1,463,591						1,463,591
Institutional support	1,335,374	8,948					1,344,322
Student services	1,154,830						1,154,830
Operation and maintenance of plant	1,138,794						1,138,794
Scholarships and other grants	311,446						311,446
Depreciation	298,096						298,096
Total expenses	<u>8,903,415</u>	<u>8,948</u>					<u>8,912,363</u>
Increase in net assets	(83,706)	282,012	355,432	224	85,420		639,382
Net assets, beginning of year	<u>4,904,218</u>	<u>931,564</u>	<u>139,166</u>	<u>664,706</u>	<u>0</u>	<u>1,197,419</u>	<u>7,837,073</u>
Net assets, end of year	<u>\$ 4,820,512</u>	<u>\$ 1,213,576</u>	<u>\$ 494,598</u>	<u>\$ 664,930</u>	<u>\$ 85,420</u>	<u>\$ 1,197,419</u>	<u>\$ 8,476,455</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Operations				Franklin Trust		Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted	
	General	Investments					
Revenue:							
Tuition and fees, net	\$ 6,656,988	\$	\$	\$	\$	\$	\$ 6,656,988
Interest income		95,564		260			95,824
Government grants	112,942						112,942
Gifts and private grants	1,255,401						1,255,401
Auxiliary enterprises	599,264						599,264
Loss on sale of investments		(4,660)					(4,660)
Unrealized appreciation of investments		139,438	60,177				199,615
Total revenue	<u>8,624,595</u>	<u>230,342</u>	<u>60,177</u>	<u>260</u>			<u>8,915,374</u>
Expenses:							
Instruction costs	3,135,323						3,135,323
Academic support	532,029						532,029
Institutional support	2,005,554	4,190					2,009,744
Student services	1,947,264						1,947,264
Operation and maintenance of plant	659,429						649,429
Scholarships and other grants	24,450						24,450
Depreciation	238,172						238,172
Total expenses	<u>8,542,221</u>	<u>4,190</u>					<u>8,546,411</u>
Increase in net assets	82,374	226,152	60,177	260			368,963
Net assets, beginning of year	<u>4,821,844</u>	<u>705,412</u>	<u>78,989</u>	<u>664,446</u>		<u>1,197,419</u>	<u>7,468,110</u>
Net assets, end of year	<u>\$ 4,904,218</u>	<u>\$ 931,564</u>	<u>\$ 139,166</u>	<u>\$ 664,706</u>	<u>\$ 0</u>	<u>\$ 1,197,419</u>	<u>\$ 7,837,073</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 639,382	\$ 368,963
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	298,096	238,172
Unrealized appreciation on investments	(275,938)	(199,615)
(Gain) loss on sale of investments	(50,185)	4,660
Loss on disposal of property and equipment	0	25,252
(Increase) decrease in assets:		
Tuition, fees and other receivables	(170,625)	59,649
Other assets	73,000	(55,656)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	421,631	77,633
Deferred revenue	<u>(141,690)</u>	<u>(65,360)</u>
Net cash provided by operating activities	<u>793,671</u>	<u>453,698</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of investments	(1,329,143)	(762,553)
Proceeds from sale of investments	1,475,220	674,021
Purchase of property and equipment	<u>(1,020,054)</u>	<u>(180,378)</u>
Net cash used by investing activities	<u>(873,977)</u>	<u>(268,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital leases payable	114,288	20,857
Increase in notes payable	<u>234,912</u>	<u>0</u>
	<u>349,200</u>	<u>20,857</u>
Net increase in cash	268,894	205,645
Cash, beginning of year	<u>219,319</u>	<u>13,674</u>
Cash, end of year	\$ <u>488,213</u>	\$ <u>219,319</u>
Supplemental Disclosures:		
Cash paid during the year for:		
Interest expense	\$ <u>29,246</u>	\$ <u>14,064</u>

See notes to financial statements

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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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, 2011

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 \$298,096 and \$238,712 for the years ended June 30, 2011 and 2010, 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.

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BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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. However, during the year ended June 30, 2010 BFIT recognized \$74,746 of donated legal services.

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 June 30, 2010 amounts have been reclassified to conform with the June 30, 2011 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, 2011

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, 2011 and 2010 are as follows:

	June 30, 2011		June 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash	\$ 488,213	\$ 488,213	\$ 219,319	\$ 219,319
Investments	3,592,237	3,592,237	3,412,191	3,412,191
Financial Liabilities:				
Notes Payable	\$ 734,912	\$ 734,912	\$ 500,000	\$ 500,000
Capital Lease Obligations	138,635	138,635	24,347	24,347

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

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>

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE B- FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements for the year ended June 30, 2010, 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	\$ <u>243,443</u>	\$ <u>243,443</u>	
Marketable Equity Securities			
Business Products and Services	<u>1,261</u>	<u>1,261</u>	
Marketable Equity Mutual Funds			
U.S. Equity Funds	<u>1,154,001</u>	<u>1,154,001</u>	
Marketable Debt Securities			
Government and Agency Bonds	50,469	50,469	
Corporate Bonds	<u>270,031</u>	<u>270,031</u>	
	<u>406,771</u>	<u>406,771</u>	
Common Trust Funds			
CTF Core Bond Portfolio	1,332,477		1,332,477
CTF Research Equity Portfolio	<u>274,239</u>		<u>274,239</u>
	<u>1,606,715</u>		<u>1,606,715</u>
 Total Investments	 \$ <u>3,412,191</u>	 \$ <u>1,805,476</u>	 <u>\$1,606,715</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 a open market and it's 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, 2011

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NOTE C- PROPERTY AND EQUIPMENT

BFIT historically did not provide for depreciation on its property and equipment. Generally accepted accounting principles require that certain organizations retroactively restate their statement of financial position as though depreciation had been provided on all property and equipment. BFIT however, has only retroactively recalculated depreciation on assets acquired since June 30, 1990, as it was not practical to go further back in time.

Depreciation expense for property and equipment acquired since June 30, 1990, has been provided by the straight-line method over the estimated useful lives of the respective assets.

NOTE D- NOTES PAYABLE

As of June 30, 2011 notes payable consists of the following:

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, 2011) Balance as of June 30, 2011 of \$ 214,912.

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, 2011 of \$520,000.

As of June 30, 2010 BFIT had a \$500,000 working capital line of credit with a bank. The note was collateralized by investments held by the bank in a pledged account. Interest was at the bank's prime rate. Amounts borrowed under this agreement were subject to certain limitations based on market value of the investments. The balance outstanding at June 30, 2010 was \$500,000.

NOTE E- CAPITAL LEASE OBLIGATIONS

BFIT has entered into various capital equipment leases with 36-60 monthly payments totaling \$32,944 (\$2,039 in 2010) including interest as computed, with expiration dates to July, 2015. The carrying values of capital leases are as follows:

	2011	2010
Cost	\$ 177,304	\$ 30,071
Accumulated depreciation	26,000	4,009
Net carrying value	\$ 151,304	\$ 26,062

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

2012	\$49,395
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, 2011

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NOTE F- RESTRICTIONS/LIMITATIONS ON NET ASSETS AND THE FRANKLIN TRUST

Temporarily restricted net assets are available for the following purpose at June 30:

	2011	2010
Operations:		
Unrealized appreciation of investments	\$164,298	\$ 139,166

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

	2011	2010
Operations:		
Various funds restricted in perpetuity, the income of which is expendable for operations	\$ 414,730	\$ 414,706
Graham funds restricted in perpetuity, the income of which is expendable for scholarships	250,000	250,000
	\$ 664,730	\$ 664,706

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, 2011 and 2010, pension expense relating to these plans amounted to \$267,866 and \$252,354, respectively.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE G- PENSION PLANS (CONT'D)

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, 2011 and 2010, payments to retired employees amounting to \$33,774 each year 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.

NOTE H- ADVERTISING

BFIT follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$48,895 and \$27,252 for the years ended June 30, 2011 and 2010, respectively.

NOTE I- FUND-RAISING EXPENSE

Included in institutional support expenses in the statements of activities for the years ended June 30, 2011 and 2010, are \$280,640 and \$284,170, 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, 2011 and 2010, The Franklin Institute, Inc. expended approximately \$1,247,000 and \$220,000, 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, which is effective August 31, 2011, calls for annual rent expense of \$528,560 and \$550,120 for the years ending August 31, 2012 and 2013, respectively. The rent shall be paid in 4 equal installments on September 15, October 15, January 15 and February 15.

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.

BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2011

NOTE L- SUBSEQUENT EVENTS

Subsequent events were evaluated through September 27, 2011, which is the financial statement issuance date.

The following subsequent event was identified:

On July 21, 2011 BFIT entered into a \$1,000,000 line of credit agreement 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.

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, 2011, 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.