

**Financial Statements and Report of Independent  
Certified Public Accountants**

**Benjamin Franklin Institute of Technology**

**June 30, 2014 and 2013**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP  
75 State Street, 13th Floor  
Boston, MA 02109  
T 617.723.7900  
F 617.723.3640  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

**Board of Directors**  
**Benjamin Franklin Institute of Technology**

We have audited the accompanying financial statements of Benjamin Franklin Institute of Technology (the “College”), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### Management’s responsibility for the financial statements

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

### Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benjamin Franklin Institute of Technology as of June 30, 2014, 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.

Other matter

The financial statements of the College as of and for the year ended June 30, 2013, before the effects of the adjustments to restate the 2013 financial statements to correct an error described in Note B, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2013 financial statements (not presented herein) in their report dated October 22, 2013.

As part of our audit of the 2014 financial statements, we audited the aforementioned adjustments described in Note B to the financial statements that were applied to restate the 2013 financial statements to correct an error. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the College other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements taken as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts

April 2, 2015

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		(as restated - Note B)
Cash	\$ 104,861	\$ 7,542
Investments in marketable securities	4,636,591	3,787,171
Tuition, fees and other receivables, net of allowance for doubtful accounts of \$400,241 and \$420,300 at June 30, 2014 and 2013, respectively	218,447	611,662
Pledges receivable	1,110,000	125,000
Prepaid expenses	47,338	-
Security deposits	10,000	-
	<u>6,127,237</u>	<u>4,531,375</u>
Property & Equipment, at cost:		
Land, building and improvements	6,434,923	6,272,526
Computers and other equipment	2,298,500	2,134,633
	<u>8,733,423</u>	<u>8,407,159</u>
Less: Accumulated depreciation	5,985,469	5,658,627
	<u>2,747,954</u>	<u>2,748,532</u>
Total assets	<u>8,875,191</u>	<u>7,279,907</u>
<b>LIABILITIES</b>		
Line of credit	1,095,200	821,978
Accounts payable and accrued expenses	925,182	788,017
Deferred revenue	158,788	164,499
Capital lease obligations	-	15,668
Note payable	468,734	486,068
	<u>2,647,904</u>	<u>2,276,230</u>
Total liabilities	<u>2,647,904</u>	<u>2,276,230</u>
<b>NET ASSETS</b>		
Unrestricted	1,792,596	2,002,374
Temporarily restricted	1,422,198	113,755
Permanently restricted	3,012,493	2,887,548
	<u>6,227,287</u>	<u>5,003,677</u>
Net assets	<u>6,227,287</u>	<u>5,003,677</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 8,875,191</u>	<u>\$ 7,279,907</u>

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
**Statement of Activities**  
**For the year ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE:</b>				
Tuition and fees	\$ 8,533,455	\$ -	\$ -	\$ 8,533,455
Less: Scholarships	<u>2,068,426</u>	<u>-</u>	<u>-</u>	<u>2,068,426</u>
Net tuition and fees revenue	6,465,029	-	-	6,465,029
Auxiliary enterprises	326,696	-	-	326,696
Student provisions	911,783	-	-	911,783
Gifts and private grants	1,217,958	1,236,600	124,945	2,579,503
Investment income	302,727	550,508	-	853,235
Releases from restrictions	<u>478,665</u>	<u>(478,665)</u>	<u>-</u>	<u>-</u>
Total revenue	9,702,858	1,308,443	124,945	11,136,246
<b>EXPENSE:</b>				
Instructional costs	3,746,994	-	-	3,746,994
Academic support	937,550	-	-	937,550
Institutional support	2,068,457	-	-	2,068,457
Student services	2,178,902	-	-	2,178,902
Operations & maintenance	653,891	-	-	653,891
Depreciation	<u>326,842</u>	<u>-</u>	<u>-</u>	<u>326,842</u>
Total expenses	\$ <u>9,912,636</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,912,636</u>
Change in net assets	(209,778)	1,308,443	124,945	1,223,610
Net assets, beginning of year - as restated, Note B	<u>2,002,374</u>	<u>113,755</u>	<u>2,887,548</u>	<u>5,003,677</u>
Net assets, end of year	\$ <u><u>1,792,596</u></u>	\$ <u><u>1,422,198</u></u>	\$ <u><u>3,012,493</u></u>	\$ <u><u>6,227,287</u></u>

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
**Statement of Activities**  
**For the year ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE:</b>				
Tuition and fees	\$ 8,269,988	\$ -	\$ -	\$ 8,269,988
Less: Scholarships	<u>1,675,646</u>	-	-	<u>1,675,646</u>
Net tuition and fees revenue	6,594,342	-	-	6,594,342
Student provisions	1,138,248	-	-	1,138,248
Auxiliary enterprises	343,727	-	-	343,727
Gifts and grants	1,145,565	52,272	311,500	1,509,337
Investment income	95,739	285,205	88	381,032
Releases from restriction	<u>224,519</u>	<u>(224,519)</u>	-	<u>-</u>
Total revenue	9,542,140	112,958	311,588	9,966,686
<b>EXPENSE:</b>				
Instructional costs	3,365,882	-	-	3,365,882
Academic support	931,957	-	-	931,957
Institutional support	1,764,940	-	-	1,764,940
Student services	2,430,465	-	-	2,430,465
Operations & maintenance	843,025	-	-	843,025
Depreciation	<u>346,763</u>	-	-	<u>346,763</u>
Total expenses	\$ <u>9,683,032</u>	\$ -	\$ -	\$ <u>9,683,032</u>
Change in net assets	(140,892)	112,958	311,588	283,654
Net assets, beginning of year - as restated, Note B	<u>2,143,266</u>	<u>797</u>	<u>2,575,960</u>	<u>4,720,023</u>
Net assets, end of year - as restated, Note B	<u>\$ 2,002,374</u>	<u>\$ 113,755</u>	<u>\$ 2,887,548</u>	<u>\$ 5,003,677</u>

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**

## Notes to Financial Statements

For the Year Ended June 30, 2014

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,223,610	\$ 283,654
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	326,842	346,763
Unrealized (appreciation) depreciation on investments	(416,306)	(135,759)
Gain on sale of investments	(383,937)	(186,886)
Interest and dividends from long term investments	(85,600)	
Discount on pledges receivable	100,000	-
Contributed fixed assets	(6,000)	-
Increase (decrease) in allowance for doubtful accounts	(20,059)	286,800
(Increase) decrease in certain assets and liabilities:		
Tuition, fees and other receivables	413,274	(729,159)
Pledges receivable	(1,085,000)	-
Prepaid expenses	(47,338)	-
Security deposits	(10,000)	-
Accounts payable and accrued expenses	(16,182)	(2,600)
Deferred revenue	(5,711)	(38,996)
Net cash used by operating activities	<u>(12,407)</u>	<u>(176,183)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,923,210)	(1,382,708)
Proceeds from sale of investments	1,959,635	1,142,277
Purchase of property and equipment	(166,919)	(77,787)
Net cash used by investing activities	<u>(130,494)</u>	<u>(318,218)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments made on capital lease obligations	(15,668)	(35,671)
Payments made on note payable	(17,334)	(676,212)
Net drawdowns on line of credit	273,222	621,978
Net cash provided (used) by financing activities	<u>240,220</u>	<u>(89,905)</u>
Net change in cash	97,319	(584,306)
Cash, beginning of year	7,542	591,848
Cash, end of year	<u>\$ 104,861</u>	<u>\$ 7,542</u>
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest expense	\$ 45,516	\$ 38,969
Assets acquired and not yet paid for	\$ 153,345	\$ 26,195
Contributed capital assets	\$ 6,000	\$ -

**NOTE A – NATURE OF OPERATION**

**Nature of Activities**

Benjamin Franklin Institute of Technology (“BFIT” or the “College”) is a private, non-profit college serving the Boston region and is committed to student success and career preparation in technology fields. The College provides programs leading to the Associate in Science degree, the Bachelor of Science, a certificate and non-credit programs in engineering technology, industrial technology, and related fields. In the 2013-2014 academic year the College enrolled about 460 students, mostly full time. BFIT strives to empower and inspire every student to reach his or her full potential, through industry-informed curricula, hands-on learning, and personalized support, producing graduates fully prepared for work, life-long learning, and citizenship.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of BFIT have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflect all receivables, payables, and other liabilities.

**Classification and Reporting of Net Assets**

The accompanying financial statements have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

***Permanently restricted net assets*** – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

***Temporarily restricted net assets*** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the College and/or the passage of time.

***Unrestricted net assets*** – Net assets not subject to donor-imposed stipulations. The Board of Trustees may elect to designate such net assets for specific purposes or to function as endowment. This designation may be removed at the Board’s discretion.

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements - Continued

For the Year Ended June 30, 2014

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****Restatement of Net Assets**

In connection with the preparation of the fiscal year 2014 financial statements, management identified certain errors in the classification of certain net assets related primarily to endowment principal and accumulated earnings on permanently restricted endowment. As a result, net assets as of July 1, 2012 were restated as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets as reported	\$ 1,645,938	\$ 1,211,677	\$ 1,862,408	\$ 4,720,023
Adjustments to net asset classifications	<u>497,328</u>	<u>(1,210,880)</u>	<u>713,552</u>	<u>-</u>
Net assets as restated	<u>\$ 2,143,266</u>	<u>\$ 797</u>	<u>\$ 2,575,960</u>	<u>\$ 4,720,023</u>

In addition to the changes in the net assets as of July 1, 2012, there were reclassifications to the earnings in the statement of activity for the year ended June 30, 2013. The statement of activities for the year ended June 30, 2013 has been restated as follows:

	<u>As Presented</u>	<u>Restatement Adjustment</u>	<u>Restated</u>
Net assets released from restrictions	\$ <u>189,742</u>	\$ <u>34,777</u>	\$ <u>224,519</u>

**Revenue Recognition**

Substantially all of the College's revenue is derived from student tuition and fees, private contributions, federal and state student assistance, and auxiliary enterprises related to the College. Auxiliary enterprises and student provisions revenue include activities related to food and housing services provided by the College as well as sales from bookstores, tools, lab services and rental revenue from third parties. Tuition, fees and auxiliary revenue are recognized as revenue in the period to which they relate. Student deposits and deferred revenue represents tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided.

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 same 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 restriction.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Investments**

BFIT carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

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 as the Board of Trustees properly appropriates the funds.

**Tuition, Fees, and Other Receivables**

Tuition, fees, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is calculated based on past experience in collecting student obligations. The allowance methodology as of June 30, 2014 has been refined to reflect a calculation based on gross positive account balances only rather than net balances (which would include students with credit balance accounts) and provide for a 42.5% allowance on year end balances in contrast with 10% at prior year end. Student's accounts must be considered to be "in good standing" (paid in full, payment plan fulfillment on schedule, or below an outstanding balance of \$500) to gain enrollment for a subsequent semester. The College utilizes the services of collection agencies to pursue past due amounts receivable. It is BFIT's policy to charge off uncollected tuition, fees and other receivables when management determines the receivable will not be collected.

**Pledges Receivable**

Unconditional promises to give (pledges receivables) are reported at fair value on the date the promise is verifiably committed. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risks involved and the time duration involved at the time the pledge is received. Conditional promises to give are not included in revenue until the conditions are substantially met.

**Functional Allocation of Expenses**

Methods used in allocating costs include actual expenses incurred and proportional percentage allocation, where applicable.

**Property and Equipment**

Property and equipment are recorded at cost or fair market value at the date of purchase or donation. Management applies a capitalization threshold of \$5,000 with depreciation expensed on a straight-line basis over the shorter of the estimated useful life or the lease term (if applicable).

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements - Continued

For the Year Ended June 30, 2014

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Property, plant and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Building	15-39
Plant and Equipment	5-15
Furniture and Fixtures	5-10
Vehicles	3-5
Equipment	3-7

Property, plant and equipment assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

**Deferred Revenue**

Deferred revenue includes amounts received from donors that have not yet been earned because certain conditions have not been met.

**Income Taxes**

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include allowances for doubtful accounts, accrual of certain post employment obligations and estimated useful lives of land, buildings and equipment. Actual results could differ from those estimates.

**Reclassification**

Certain items in the financial statements have been reclassified to conform to the current year's presentation

**Subsequent Events**

The College has evaluated subsequent events from the date of the financial statements through April 2, 2015, the date at which the financial statements were issued, and determined there were no matters to disclose.

**NOTE C – FINANCIAL INSTRUMENTS**

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

BFIT maintains its cash balances at one bank. 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 associated with these accounts.

**Fair Values of Financial Instruments**

The College's financial assets and liabilities are measured at fair value which is defined as the price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and reflects a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The applicable level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Investments**

Investment values are based on quoted market prices in active markets and are classified as Level 1. The portfolio of investments as of June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Money market funds	\$ 302,807	\$ 330,365
Equity	3,874,468	2,996,554
Fixed income	<u>459,316</u>	<u>460,252</u>
Total investments	<u>\$ 4,636,591</u>	<u>\$ 3,787,171</u>

Investment fees of \$32,609 and \$26,067 are reported as a reduction of investment income for the years ending June 30, 2014 and 2013 respectively.

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
Notes to Financial Statements - Continued  
For the Year Ended June 30, 2014

**NOTE D – PLEDGES**

Pledges receivable are summarized as follows as of June 30:

	<u>2014</u>	<u>2013</u>
Unconditional promises expected to be collect in:		
Less than one year	\$ 543,000	\$ 125,000
One year to five years	<u>667,000</u>	<u>-</u>
	1,210,000	125,000
Less: Unamortized discounts	<u>(100,000)</u>	<u>-</u>
Net pledges receivable	<u>\$ 1,110,000</u>	<u>125,000</u>

Pledges receivable are discounted at a rate of 5%.

**NOTE E – DEBT**

The College has a line of credit agreement with Eastern Bank in the amount of \$2,500,000, with interest at the bank's base rate plus 0.5% which in no event shall be less than 3.75%. The balance outstanding as of June 30, 2014 was \$1,095,200 and the interest rate was 3.75%. The balance outstanding at June 30, 2013 was \$821,978 and the interest rate was 3.75%. The line of credit is collateralized by certain investments. Interest expense related to the line of credit was \$22,136 and \$19,348 for the years ended June 30, 2014 and 2013.

The College also has an installment loan with Eastern Bank with a principal amount of \$500,000, at issuance and 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. The balance as of June 30, 2014 was \$468,734 and the balance at June 30, 2013 was \$486,068. The installment loan is collateralized by certain investments. Interest expense on the note was \$18,861 and \$17,139 for the years ended June 30, 2014 and 2013.

**Debt Covenants**

The Borrower will maintain an annual cash flow of at least 1.10: 1.00 at each fiscal year end. Annual cash flow is defined as operating income plus depreciation and amortization to scheduled payments of all principal and interest on all indebtedness.

The College shall not permit the loan to value ratio, at any time, to exceed .70 to 1.00. Loan to value ratio is defined as the ratio of (i) the sum of the outstanding principal balance plus any accrued and unpaid interest outstanding under the note payable to (ii) the value of the Pledged Account.

With reference to the \$2,500,000 line of credit, prior to December 31 of each fiscal year, the College shall pay the outstanding principal due on the line of credit, and thereafter maintain a zero balance on the principal amount due for a period of not less than 30 consecutive days.

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
Notes to Financial Statements - Continued  
For the Year Ended June 30, 2014

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**NOTE E – DEBT - Continued**

Future Payment Schedule on the note payable is as follows:

2015	\$	36,180
2016		36,180
2017		36,180
2018		36,180
2019		36,180
Thereafter		<u>287,834</u>
Total	\$	<u><u>468,734</u></u>

**NOTE F– ENDOWMENTS**

BFIT maintains numerous donor restricted endowment funds established to further the educational mission of the College. 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.

**Interpretation of Relevant Law**

The Board of Trustees of BFIT has interpreted the Massachusetts version of the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, BFIT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements - Continued

For the Year Ended June 30, 2014

**NOTE F- ENDOWMENTS - Continued**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BFIT in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, BFIT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of BFIT and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of BFIT
7. The investment policies of BFIT

**Endowment Investment Policy**

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 revised and approved by the Board of Trustees in April, 2013, endowment investments are invested using a diversified asset allocation strategy to provide a total return (income and appreciation) over time to provide principal growth to offset inflation. Growth of capital is the primary objective with preservation of capital in an anticipated volatile market as a high priority as well. To meet the stated objectives, a portion of the investment portfolio should be allocated to equities for both growth and income. The fixed income portfolio provides income and reduces the portfolio's volatility. The investment manager shall have the discretion to allocate funds to equities or fixed income depending on the investment manager's outlook for investment markets. The portfolio's targeted allocation range (as a percentage of portfolio total market value) is 5% cash and equivalents, 30% bonds, and 65% equities.

As of June 30, 2014, BFIT has adopted a formula for sustainable use of the endowment going forward that allows for a 3.5% annual spending rate based on the net endowment, as defined. This consists of total holdings excluding collateralized assets. The College employs an investment manager to oversee the implementation of this policy.

Endowment net asset composition as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 436,287	\$ 3,012,493	\$ 3,448,780
Board restricted endowment funds	<u>1,187,810</u>	<u>-</u>	<u>-</u>	<u>1,187,810</u>
	<u>\$ 1,187,810</u>	<u>\$ 436,287</u>	<u>\$ 3,012,493</u>	<u>\$ 4,636,590</u>

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
Notes to Financial Statements - Continued  
For the Year Ended June 30, 2014

**NOTE F – ENDOWMENTS - Continued**

Endowment net asset composition as of June 30, 2013 (as restated, Note B) is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 61,483	\$ 2,887,548	\$ 2,949,031
Board restricted endowment funds	<u>838,140</u>	<u>-</u>	<u>-</u>	<u>838,140</u>
	<u>\$ 838,140</u>	<u>\$ 61,483</u>	<u>\$ 2,887,548</u>	<u>\$ 3,787,171</u>

Endowment activity for the year ended June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 838,140	\$ 61,483	\$ 2,887,548	\$ 3,787,171
Investment gains (losses), net of investment expenses	279,067	550,508	-	829,575
Gifts	-	-	77,450	77,450
Reclassification of net assets related to matching grant	(47,495)		47,495	-
Releases from restrictions	175,704	(175,704)		-
Amounts utilized for operations	<u>(57,606)</u>	<u>-</u>	<u>-</u>	<u>(57,606)</u>
Ending balance	<u>\$ 1,187,810</u>	<u>\$ 436,287</u>	<u>\$ 3,012,493</u>	<u>\$ 4,636,590</u>

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
Notes to Financial Statements - Continued  
For the Year Ended June 30, 2014

**NOTE F – ENDOWMENTS - Continued**

Endowment activity for the year ended June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 738,125	\$ 797	\$ 2,575,960	\$ 3,314,882
Investment gains (losses), net of investment expenses	95,739	285,205	(162)	380,782
Gifts	71,775	-	155,750	227,525
Reclassification of net assets related to matching grant	(156,000)	-	156,000	-
Reclassification of non-endowment net assets	-	(81,563)	-	(81,563)
Release from restrictions	142,956	(142,956)	-	-
Amounts utilized for operations	(54,455)	-	-	(54,455)
Ending balance	<u>\$ 838,140</u>	<u>\$ 61,483</u>	<u>\$ 2,887,548</u>	<u>\$ 3,787,171</u>

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

	<u>2014</u>	<u>2013</u> (as restated)
Franklin Trust	\$ 1,197,419	\$ 1,197,419
Other scholarship funds	<u>1,815,074</u>	<u>1,690,129</u>
Total	<u>\$ 3,012,493</u>	<u>\$ 2,887,548</u>

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

	<u>2014</u>	<u>2013</u>
Unspent accumulated earnings on:		
Franklin Trust	\$ 196,987	\$ 49,213
Other scholarship funds	<u>239,300</u>	<u>12,270</u>
Total	<u>\$ 436,287</u>	<u>\$ 61,483</u>

## **BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**

Notes to Financial Statements - Continued

For the Year Ended June 30, 2014

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### **NOTE G – RETIREMENT PLAN**

BFIT participates in an Internal Revenue Code Section 403(b) defined contribution retirement plan (the “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. For the years ended June 30, 2014 and 2013 retirement benefit expense relating to this plan amounted to \$311,974 and \$282,602 respectively. Employees may make additional voluntary contributions to the Plan through payroll deductions. BFIT is not required to match voluntary contributions.

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 in the statement of financial position, as there is no contractual or legal obligation to these employees. During the years ended June 30, 2014 and 2013, payments to this group of retired employees amounting to \$27,368 and \$29,970 respectively, were made based upon a vote of the Board of Trustees.

### **NOTE H – ADVERTISING**

BFIT follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$73,863 and \$139,782 for the years ended June 30, 2014 and 2013, respectively.

### **NOTE I – FUNDRAISING EXPENSE**

Included in institutional support expenses in the statements of activities for the years ended June 30, 2014 and 2013 are \$196,424 and \$298,791 respectively, of expenses related to fundraising.

### **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, 2014 and 2013, The Franklin Institute, Inc. expended \$0 and \$331,600 respectively, on behalf of BFIT.

### **NOTE K – COMMITMENTS AND CONTINGENCIES**

On June 25, 2014 BFIT entered into a sublease agreement for student housing with Fisher College for 13 rooms at a total cost of \$316,500 in rent for the period September 6, 2014 to May 17, 2015. The agreement expires on May 17, 2015.

**BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY**  
Notes to Financial Statements - Continued  
For the Year Ended June 30, 2014

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**NOTE K – COMMITMENTS AND CONTINGENCIES**

Certain federally and state funded financial aid programs are routinely subject to 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.

BFIT has entered into various operating lease agreements. The future minimum lease payments on those leases are as follows:

	<u>Operating Leases</u>
2015	\$ 29,349
2016	27,141
2017	18,220
2018	17,960
2019	<u>15,100</u>
Total minimum lease payments	<u>\$ 107,770</u>