



**FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**BPE**

Contents  
June 30, 2018 and 2017

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## Independent Auditor's Report

To the Board of Trustees of  
BPE:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of BPE (a Massachusetts trust, not for profit) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of unrestricted activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 audits 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 BPE as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Cross, Fenning & Co., P.C.*

Westborough, Massachusetts  
November 27, 2018

**BPE**Statements of Financial Position  
June 30, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash and cash equivalents	\$ 2,073,665	\$ 2,086,671
Grants and contributions receivable	1,552,005	1,765,763
Funds held for others	102,291	66,203
Prepaid expenses and other current assets	40,206	18,399
Total current assets	3,768,167	3,937,036
Long-Term Grants and Contributions Receivable, net	100,000	737,300
Security Deposit	72,450	72,450
Property and Equipment, net	59,255	90,221
Total assets	<u>\$ 3,999,872</u>	<u>\$ 4,837,007</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 562,908	\$ 294,231
Accrued payroll and benefits	67,285	67,817
Funds held for others	102,291	66,203
Current portion of deferred rent	34,776	15,456
Total current liabilities	767,260	443,707
Deferred Rent, net of current portion	173,880	208,656
Total liabilities	<u>941,140</u>	<u>652,363</u>
Net Assets:		
Unrestricted:		
Operating	1,658,457	1,717,123
Property and equipment	59,255	90,221
Total unrestricted	1,717,712	1,807,344
Temporarily restricted	1,341,020	2,377,300
Total net assets	<u>3,058,732</u>	<u>4,184,644</u>
Total liabilities and net assets	<u>\$ 3,999,872</u>	<u>\$ 4,837,007</u>

The accompanying notes are an integral part of these statements.

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**BPE**Statements of Unrestricted Activities  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Unrestricted Operating Revenue:</b>		
Federal grants	\$ 3,671,240	\$ 3,835,527
Grants and contributions	1,141,755	474,378
In-kind services	85,921	41,975
Interest and other	28,171	43,288
State and local grants	3,675	-
Unrestricted operating revenue before net assets released from restrictions	4,930,762	4,395,168
Net assets released from restrictions	1,640,000	1,585,000
Total unrestricted operating revenue	<u>6,570,762</u>	<u>5,980,168</u>
<b>Operating Expenses:</b>		
Payroll and related:		
Salaries	3,355,607	2,422,525
Payroll taxes and fringe benefits	726,817	564,069
Total payroll and related	<u>4,082,424</u>	<u>2,986,594</u>
U.S. Department of Education Teacher Quality Partnership Grants to subrecipients		
	<u>553,817</u>	<u>422,500</u>
Other expenses:		
Resident stipends and benefits	540,159	542,859
Consultants and contracted services	487,574	1,934,273
Occupancy	475,196	467,942
Professional fees	114,260	70,810
Program support and supplies	86,195	60,507
Dues and software subscriptions	80,729	90,406
Training, conferences and events	63,112	47,312
Minor equipment and maintenance	51,021	36,324
Payroll fees	42,590	55,041
Advertising	22,771	12,963
Insurance	18,263	19,547
Travel	14,864	15,019
Office supplies	11,505	12,664
Printing and postage	8,036	15,886
Miscellaneous	7,878	18,617
Total other expenses	<u>2,024,153</u>	<u>3,400,170</u>
Total operating expenses	<u>6,660,394</u>	<u>6,809,264</u>
Changes in unrestricted net assets	<u>\$ (89,632)</u>	<u>\$ (829,096)</u>

**BPE**Statements of Changes in Net Assets  
For the Years Ended June 30, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2016</b>	<u>\$ 2,636,440</u>	<u>\$ 3,441,451</u>	<u>\$ 6,077,891</u>
Unrestricted operating revenue	4,395,168	-	4,395,168
Temporarily restricted grants and contributions	-	520,849	520,849
Net assets released from restrictions	1,585,000	(1,585,000)	-
Total operating expenses	<u>(6,809,264)</u>	<u>-</u>	<u>(6,809,264)</u>
Changes in net assets	<u>(829,096)</u>	<u>(1,064,151)</u>	<u>(1,893,247)</u>
<b>Net Assets, June 30, 2017</b>	<u>1,807,344</u>	<u>2,377,300</u>	<u>4,184,644</u>
Unrestricted operating revenue	4,930,762	-	4,930,762
Temporarily restricted grants and contributions	-	603,720	603,720
Net assets released from restrictions	1,640,000	(1,640,000)	-
Total operating expenses	<u>(6,660,394)</u>	<u>-</u>	<u>(6,660,394)</u>
Changes in net assets	<u>(89,632)</u>	<u>(1,036,280)</u>	<u>(1,125,912)</u>
<b>Net Assets, June 30, 2018</b>	<u><u>\$ 1,717,712</u></u>	<u><u>\$ 1,341,020</u></u>	<u><u>\$ 3,058,732</u></u>

**BPE**Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (1,125,912)	\$ (1,893,247)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	30,966	32,167
Change in discount on grants receivable	(12,700)	(30,849)
Changes in operating assets and liabilities:		
Grants and contributions receivable	863,758	1,369,401
Prepaid expenses and other current assets	(21,807)	232,766
Accounts payable and accrued expenses	268,677	(106,609)
Accrued payroll and benefits	(532)	(59,472)
Deferred rent	(15,456)	(11,592)
	<u>(13,006)</u>	<u>(467,435)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(13,006)</b>	<b>(467,435)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>2,086,671</u>	<u>2,554,106</u>
End of year	<u><u>\$ 2,073,665</u></u>	<u><u>\$ 2,086,671</u></u>

**1. OPERATIONS, NONPROFIT STATUS, AND SIGNIFICANT ACCOUNTING POLICIES****OPERATIONS AND NONPROFIT STATUS**

BPE is a nonprofit organization formed in Massachusetts on September 7, 1984. BPE's purpose is to drive exceptional outcomes for all students in public schools located in Boston, Massachusetts by developing great teachers and great schools. BPE prepares and supports diverse groups of talented teachers for Boston's schools and partners to create strong schools where teachers can do their best work and for students to learn at their highest potential.

BPE is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes pursuant to Section 501(a) of the IRC. BPE qualifies as a public charity and is also exempt from state income taxes. Donors may deduct contributions made to BPE within the requirements of the IRC. In fiscal year 2017, BPE amended its by-laws to change its structure from a nonprofit trust to a nonprofit corporation. Concurrent with this change in corporate structure, BPE reapplied to the IRS for a redetermination of its nonprofit status. The redetermination has been approved by the IRS. At June 30, 2018, BPE is still legally a nonprofit trust.

**SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with generally accepted accounting standards and principles (U.S. GAAP) promulgated by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

**Cash and Cash Equivalents**

Cash and cash equivalents include checking and money market accounts. For the purposes of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

As of June 30, 2018 and 2017, cash balances of \$321,020 and \$552,300, respectively, were restricted by grantors for a specific use.

**Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Property and Equipment and Depreciation**

Property and equipment having a value of \$5,000 or more and a useful life of at least one year are capitalized. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Computer equipment	3 - 5 years
Leasehold improvements	Term of lease

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of receipt by BPE.

**1. OPERATIONS, NONPROFIT STATUS, AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fair Value Measurements**

BPE follows the accounting and disclosure standards pertaining to ASC Topic 820, *Fair Value Measurements and Disclosures*, for qualifying assets and liabilities. Fair value is defined as the price that BPE would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

BPE uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of BPE. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities have been valued using Level 1 inputs at June 30, 2018 and 2017.

**Revenue Recognition**

Grants and contributions pledged or received with donor stipulations that limit the use of the donated assets are recorded as temporarily restricted support. When a donor-stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of unrestricted activities and statements of changes in net assets as net assets released from restrictions. Temporarily restricted net assets received and released from restrictions in the same year are recorded as unrestricted revenue.

Federal grant revenue is recorded as services are provided and costs are incurred. All other revenue is recorded when earned.

**BPE**

Notes to Financial Statements  
June 30, 2018 and 2017

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**1. OPERATIONS, NONPROFIT STATUS, AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets*****Unrestricted:***

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by BPE. BPE has grouped its unrestricted net assets into the following categories:

**Operating net assets** represent net assets that are available for operations.

**Property and equipment net assets** represent amounts expended for property and equipment.

***Temporarily Restricted:***

Temporarily restricted net assets are those amounts received with outside restrictions that have not yet been expended for their designated purpose or the time has not yet lapsed. Temporarily restricted net assets are restricted as follows at June 30:

	<u>2018</u>	<u>2017</u>
Time	\$ 1,055,000	\$ 1,892,300
Purpose	<u>286,020</u>	<u>485,000</u>
	<u>\$ 1,341,020</u>	<u>\$ 2,377,300</u>

Net assets released from restrictions consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Time	\$ 1,155,000	\$ 1,125,000
Purpose	<u>485,000</u>	<u>460,000</u>
	<u>\$ 1,640,000</u>	<u>\$ 1,585,000</u>

**Expense Allocation**

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Expense allocations are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Program	\$ 5,460,786	\$ 5,734,767
General and administrative	858,723	794,430
Fundraising	<u>340,885</u>	<u>280,067</u>
	<u>\$ 6,660,394</u>	<u>\$ 6,809,264</u>

**1. OPERATIONS, NONPROFIT STATUS, AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Advertising Costs**

Advertising costs are expensed as incurred by BPE.

**Allowance for Doubtful Accounts**

An allowance for potentially uncollectible grants and contributions receivable is provided based upon management's assessment of potential defaults. This assessment includes such factors as collection history and type of receivable. No allowance was deemed necessary as of June 30, 2018 and 2017.

**In-Kind Services**

BPE received donated legal and consulting services in fiscal years 2018 and 2017. The value of these services, as assigned by the donors, totaled \$85,921 and \$41,975, respectively, and are included in in-kind services and professional fees in the accompanying statements of unrestricted activities.

**Funds Held for Others**

BPE acts as a fiscal agent for Boston Public Schools (BPS) under certain projects. As of June 30, 2018 and 2017, funds held for others consist of amounts raised from a fundraiser from individuals for the benefit of BPS, which have not yet been spent for the intended projects.

**Accounting for Uncertainty in Income Tax Positions**

BPE accounts for uncertainty in income taxes in accordance with ASC Topic 740, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. BPE has not taken any tax positions which would have a material effect, individually or in the aggregate, upon BPE's financial statements at June 30, 2018 and 2017. BPE believes it has not taken any significant uncertain tax positions that would jeopardize BPE's tax-exempt status. BPE's information returns are subject to examination by the Federal and state jurisdictions.

**Partnership Grants to Subrecipients**

BPE has entered into agreements with certain organizations in order to fulfill its obligations under various federal grants. Amounts are awarded and paid to subrecipients upon BPE's approval, review of project related expenditures by the subrecipients, and upon meeting terms and conditions outlined in the subrecipient award document.

**Subsequent Events**

Subsequent events have been evaluated through November 27, 2018, which is the date the financial statements were available to be issued. The following events met the criteria for recognition or disclosure in the financial statements:

Subsequent to June 30, 2018, the line of credit (see Note 10) was renewed for a period of one year through September 2019. The terms and conditions of the renewal are substantially the same as the existing line of credit.

In October 2018, BPE entered into a sublease agreement to lease its office space (see Note 4).

**BPE**

Notes to Financial Statements  
June 30, 2018 and 2017

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**2. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 149,916	\$ 149,916
Computer equipment	7,931	21,285
Leasehold improvements	<u>96,856</u>	<u>96,856</u>
	254,703	268,057
Less - accumulated depreciation	<u>195,448</u>	<u>177,836</u>
	<u>\$ 59,255</u>	<u>\$ 90,221</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$30,966 and \$32,167, respectively, and is included in occupancy in the accompanying statements of unrestricted activities.

**3. FUNDING**

BPE receives a significant portion of its funding from government agencies under cost reimbursable grants. These reimbursements are subject to audit by those government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of BPE as of June 30, 2018 and 2017, and on the changes in its net assets for the years then ended. As part of the U.S. Department of Education Teacher Quality Partnership Grants Program, BPE granted funds of \$553,817 and \$422,500 to the University of Massachusetts, Boston for the years ended June 30, 2018 and 2017, respectively.

**4. LEASES**

BPE leases office space under a lease agreement, which expires in November 2022, with an option to extend the lease for an additional five year period. As of June 30, 2018 and 2017, the monthly base rent under the lease agreement was \$29,946 and \$28,014, respectively. BPE is also responsible for its proportionate share of property taxes and certain operating expenses.

In accordance with ASC Topic 840, *Accounting for Leases*, BPE records rent expense for the operating lease agreement on a straight-line basis over the term of the lease regardless of actual cash payments. BPE has accrued \$208,656 and \$224,112 as of June 30, 2018 and 2017, respectively, of rent expense under this agreement.

Rent expense under this agreement for the years ended June 30, 2018 and 2017 was \$324,576, which is included in occupancy in the accompanying statements of unrestricted activities.

Concurrent with the above lease, BPE leases parking spaces. As of June 30, 2018 and 2017, the monthly rent under the lease agreement was \$2,100. Rent expense under this agreement for the years ended June 30, 2018 and 2017 was \$25,200, which is included in occupancy in the accompanying statements of unrestricted activities.

BPE leases equipment under operating lease agreements with monthly payments aggregating \$2,878. These leases expire at various dates through August 2019.

**BPE**

Notes to Financial Statements  
June 30, 2018 and 2017

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**4. LEASES (Continued)**

Future minimum cash payments for the next five years under the lease agreements are as follows:

	<u>Office Space</u>	<u>Parking Space</u>	<u>Equipment</u>
2019	\$ 359,352	\$ 25,200	\$ 17,908
2020	\$ 363,216	\$ 25,200	\$ 2,239
2021	\$ 382,536	\$ 25,200	\$ -
2022	\$ 382,536	\$ 25,200	\$ -
2023	\$ 127,512	\$ 8,400	\$ -

Subsequent to June 30, 2018, BPE entered into a sublease agreement to lease its office space. The sublease begins on November 1, 2018, and will terminate in October 2022, prior to the original lease's expiration date. The sublease provides four months of free rent. Commencing March 1, 2019, the monthly base rent payment under the sublease agreement will be \$28,980 through April 30, 2020, and \$31,878 through the termination date. The subtenant is also responsible for its proportionate share of property taxes and certain operating expenses.

Future minimum cash payments to be received for the next five years under the sublease agreement are as follows:

2019	\$ 115,920
2020	\$ 359,352
2021	\$ 382,536
2022	\$ 382,536
2023	\$ 127,512

**5. EMPLOYEE BENEFIT PLAN**

BPE participates in a salary reduction plan under IRC Section 403(b), whereby eligible employees may make elective tax deferred contributions. Employee contributions vest immediately. In accordance with the plan document, BPE may make discretionary matching contributions to the plan. The match is 100% or 200% (depending on date of hire) of the employee's contribution up to 5% of their salary. BPE made total contributions of \$91,594 and \$107,023 for the years ended June 30, 2018 and 2017, respectively, which are included in payroll taxes and fringe benefits in the accompanying statements of unrestricted activities.

**6. CONCENTRATIONS**

BPE maintains its cash and cash equivalent balances in a bank, which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balance exceeded the insured amount. BPE has not experienced any losses in those accounts. Management believes BPE is not exposed to any significant credit risk on its operating cash and cash equivalents.

**BPE**

Notes to Financial Statements  
June 30, 2018 and 2017

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**6. CONCENTRATIONS (Continued)**

Concentrations of unrestricted operating revenue and grants and contributions receivable are as follows for the years ended June 30:

<u>Funder</u>	<u>2018</u>		<u>2017</u>	
	<u>Percentage of Unrestricted Operating Revenue</u>	<u>Percentage of Grants and Contributions Receivable</u>	<u>Percentage of Unrestricted Operating Revenue</u>	<u>Percentage of Grants and Contributions Receivable</u>
Federal Government	56%	33%	64%	19%
The Barr Foundation	11%	45%	13%	60%
The Boston Foundation	17%	-	6%	-

**7. FUNDS HELD BY OTHERS**

BPE is the beneficiary of certain funds held by The Boston Foundation (the Foundation). The Foundation has variance power over these funds, which enables the Foundation to withhold or modify the distributions to BPE. Since there is no unconditional promise for the Foundation to grant future income or contributions from these funds, BPE recognizes contribution revenue when funds are received. Contributions from these funds were as follows and are included grants and contributions in the accompanying statements of unrestricted activities for the years ended June 30:

	<u>2018</u>	<u>2017</u>
BankBoston 200 <sup>th</sup> Anniversary Fund	\$ 750,000	\$ -
General Support Fund for Education	185,000	185,000
Support for Early Educational Development Fund	77,669	77,533
Hancock Endowment for Academics Recreation and Teaching Fund	<u>74,790</u>	<u>74,682</u>
	<u>\$ 1,087,459</u>	<u>\$ 337,215</u>

The donors of the Support for Early Educational Development Fund and the Hancock Endowment for Academics Recreation and Teaching fund have specifically named BPE as the income beneficiary. The donors of the BankBoston 200<sup>th</sup> Anniversary Fund and the General Support Fund for Education have not specifically named BPE as the income beneficiary.

The \$750,000 from the BankBoston 200<sup>th</sup> Anniversary Fund is historically distributed to BPE in May, but BPE did not receive the fiscal year 2017 funds until July 2017, forcing revenue recognition in fiscal year 2018.

**8. RELATED PARTY TRANSACTIONS**

In fiscal year 2017, one member of BPE's Board of Trustees was an employee of the bank where BPE maintains its cash accounts and line of credit (see Note 10).

The Executive Director is a voting member of the Board of Trustees.

**BPE**

Notes to Financial Statements  
June 30, 2018 and 2017

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**9. GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable are due as follows at June 30:

<u>Amounts due in:</u>	<u>2018</u>	<u>2017</u>
Less than one year	\$ 1,552,005	\$ 1,765,763
One to five years	<u>100,000</u>	<u>750,000</u>
	1,652,005	2,515,763
Less - present value discount	-	(12,700)
Less - current portion	<u>(1,552,005)</u>	<u>(1,765,763)</u>
Long-term grants and contributions receivable, net	<u>\$ 100,000</u>	<u>\$ 737,300</u>

As of June 30, 2017, grants have been discounted to their net present value using a discount rate of 1.82%. There is no discount for the year ended June 30, 2018 as the amount is immaterial.

**10. LINE OF CREDIT**

BPE has available a \$250,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively) plus 2%. There was no outstanding balance on the line of credit as of June 30, 2018 and 2017. This line of credit renews on an annual basis by written notification from the bank. BPE must meet certain covenants before any advances may be drawn. BPE was in compliance with these covenants at June 30, 2018 and 2017. The line of credit is secured by substantially all assets of BPE.

**11. RECLASSIFICATION**

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform with the fiscal year 2018 presentation.