

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

Financial Statements

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JULY 31, 2022

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ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Boston Graduate School of Psychoanalysis, Inc.

Opinion

We have audited the financial statements of Boston Graduate School of Psychoanalysis, Inc., which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Boston Graduate School of Psychoanalysis, Inc., as of July 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Boston Graduate School of Psychoanalysis, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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. In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Graduate School of Psychoanalysis, Inc.'s ability to continue as a going concern for one year after the date that the financial statement is issued.

To the Board of Directors
Boston Graduate School of Psychoanalysis, Inc.

Auditors' Responsibilities for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement. In performing an audit in accordance with GAAS, we:

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

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

Treeful Damaso Aniceto, Inc.

November 16, 2022

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC.

Statement of Financial Position

July 31, 2022

ASSETS

Cash and cash equivalents	\$ 568,169
Accounts receivable, net	32,870
Prepaid expense	16,338
Investments at fair value	2,648,821
Property and equipment, net	<u>711,027</u>
Total assets	\$ <u>3,977,225</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 244,562
Deferred revenue	246,442
Accrued professional fees	58,619
Mortgage payable	<u>494,220</u>
Total liabilities	1,043,843

NET ASSETS

Without donor restrictions	
Undesignated	284,561
Board designated	<u>2,648,821</u>
Total net assets	<u>2,933,382</u>
Total liabilities and net assets	\$ <u>3,977,225</u>

See accompanying notes and Independent Auditors' Audit Report

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC.

Statement of Activities

For the year ended July 31, 2022

REVENUE WITHOUT DONOR RESTRICTIONS

Tuition and fees	\$ 1,616,368
Net program revenue - New York, New Jersey	191,272
Cares Act directed revenue	90,410
	<u>1,898,050</u>
Less scholarship and student aid	(73,340)
Less Cares Act student rebates and discounts	<u>(90,410)</u>
Net student fees	1,734,300
Cares Act grant revenue	214,942
Contributions	174,004
Net investment income	<u>(162,010)</u>
Total revenue without donor restrictions	1,961,236

EXPENSES

Program services	769,523
Management and general	<u>1,086,679</u>
Total expenses	<u>1,856,202</u>
Change in unrestricted net assets	105,034

NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of year 2,828,348

NET ASSETS WITHOUT DONOR RESTRICTIONS - End of year \$ 2,933,382

See accompanying notes and Independent Auditors' Audit Report

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC.

Statement of Functional Expenses

For the year ended July 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Instruction and training	355,255	--	\$ 355,255
Financial and general management	--	620,186	620,186
Property and plant	--	179,083	179,083
Public relations	--	178,289	178,289
Academic administration	105,424	--	105,424
Information resources	64,049	--	64,049
Student services	244,795	--	244,795
Depreciation and amortization	--	109,122	109,122
Total expenses	<u>\$ 769,523</u>	<u>\$ 1,086,679</u>	<u>\$ 1,856,202</u>

See accompanying notes and Independent Auditors' Audit Report

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC.

Statement of Cash Flows

For the Year Ended July 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$ 105,034
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	109,122
Realized and unrealized losses on investments	198,254
Changes in operating assets and liabilities	
Accounts receivable	(14,202)
Prepaid expenses	13,199
Accounts payable	(20,880)
Accrued liabilities	(54,970)
Deferred revenue	<u>233,717</u>
Net cash provided by operating activities	569,274
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	23,775
Sale of investments	384,220
Purchase of investments	<u>(1,148,891)</u>
Net cash used in investing activities	<u>(740,896)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long term-debt	<u>(37,324)</u>
Net cash used in financing activities	<u>(37,324)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 (208,946)
 CASH AND CASH EQUIVALENTS	
Beginning of year	<u>777,115</u>
 CASH AND CASH EQUIVALENTS	
End of year	<u>\$ 568,169</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest paid	<u>\$ 16,784</u>

See accompanying notes and Independent Auditors' Audit Report

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 1 - Nature of activities and summary of significant accounting policies

The Boston Graduate School of Psychoanalysis, Inc. (BGSP or the Organization) is a private, not-for-profit degree granting institution for higher education chartered by the Commonwealth of Massachusetts.

BGSP was founded in 1973 to provide psychoanalysis education, clinical training, and research skills to a diverse student community. Unlike traditional post-graduate psychoanalytic training programs, BGSP offers master's degrees in Psychoanalysis, Mental Health Counseling, and Psychoanalysis and Culture, as well as the Doctor of Psychoanalysis degree in both Psychoanalysis and Psychoanalysis and Culture. In addition, BGSP offers its original post-graduate Certificate in Psychoanalysis. BGSP is accredited by the New England Commission of Higher Education.

BGSP is governed by its Board of Trustees, which commonly controls the New York Graduate School of Psychoanalysis (NYGSP). NYGSP is an independent entity and is accredited as a branch campus of BGSP.

The Organization is primarily supported by tuition, registration, and program revenues.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). A summary of the Organization's significant accounting policies is set forth below.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that depend on the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. The Organization has no net assets with donor restrictions as of July 31, 2022.

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 1 - Nature of activities and summary of significant accounting policies—Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, BGSP considers cash and cash equivalents to be cash in checking accounts, bank certificates of deposit, cash in money market reserves, and investments with maturities at date of purchase of three months or less.

Accounts Receivable

Accounts receivables represent amounts due for tuition. Based on historical trends Management has determined a \$3,000 allowance for doubtful accounts to be reasonable, which has been reflected in the financial statements.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain is, reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Property and Equipment

The Organization capitalizes property and equipment having an initial unit cost in excess of \$1,000 and records depreciation using the straight-line method over their estimated useful lives of 5-7 years. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Functional Allocation of Expenses

Expenses directly identifiable are charged to program and supporting services. Expenses related to more than one function are allocated between program services and management and general services based upon management's estimate of the percentage attributable to each function.

Advertising Costs

Advertising costs are expensed as incurred and approximated at \$82,805 for the year ended July 31, 2022.

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 1 - Nature of activities and summary of significant accounting policies—Continued

Revenue Recognition

The Organization recognizes revenue by determining whether transactions should be accounted for as contributions or exchange transactions, and determination of whether a contribution is conditional. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indications of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. If grants and contributions are conditional, they should be recorded as a conditional grant liability until conditions are met. Grants and contributions are recorded as revenue when unconditionally received or pledged. Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Tuition and fees are considered exchanges and recognized as income in the period when the services are provided.

Income Tax Status

BGSP is a not-for-profit corporation exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. BGSP's Form 990, Return of Organization Exempt from Income Tax, for the years ended July 31, 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable are considered to be limited due to high historical collections. Investments are made by diversified investment managers whose performance is monitored by management and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 2 – Accounts Receivable

At July 31, 2022, the net accounts receivable totaled \$32,870 and consist of:

Tuition receivable	\$ 35,870
Less: allowance for bad debts	(3,000)
Accounts receivable, net	<u>\$ 32,870</u>

NOTE 3 – Property and Equipment

Property and equipment consist of the following at July 31, 2022:

Land	\$ 400,000
Building and improvements	1,791,493
Furniture and equipment	<u>275,561</u>
	2,467,054
Less: accumulated depreciation and amortization	<u>(1,756,027)</u>
Net property and equipment	<u>\$ 711,027</u>

Depreciation expense for the year ended July 31, 2022 was \$109,122.

NOTE 4 – Investments

The Organization's investments are summarized as of July 31, 2022:

Corporate bonds	\$ 1,079,312
Equities	1,061,898
Boston Mgmt Donation	506,611
State of Israel bond	<u>1,000</u>
Total Investment securities	<u>\$ 2,648,821</u>

Investment return for the year ended July 31, 2022:

Dividend and interest income	\$ 32,081
Realized gain on sale of investments, net	23,047
Unrealized gain on investments, net	(198,254)
Investment management fees	<u>(18,884)</u>
Net Investment return	<u>\$ (162,010)</u>

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 5 – Fair Value Measurements and Disclosures

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides 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 under FASB ASC 820-10 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 inputs to the valuation methodology include the following:

Quoted prices for similar assets or liabilities in active markets

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that are observable for the asset or liability

Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In recording the fair value of its assets and liabilities, Boston Graduate School of Psychoanalysis, Inc. uses Level I and Level III measurements.

The Organization has evaluated the results of the fair value hierarchy as of July 31, 2022 as follows:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Instruments Measured at Fair Value on a Recurring Basis:	\$ 2,648,821	\$0	\$853

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

NOTE 6 – Mortgage Payable

BGSP has a mortgage note payable with TD Bank. The mortgage matures November 1, 2022. The Organization has a floating-to-fixed rate swap to manage the risk of increased debt service costs resulting from rising variable interest rates. The swap consists of an \$800,000, ten-year floating-to-fixed rate swap whereby the Organization pays a fixed rate of 3.905% and receives the LIBOR-BBA rate. The notional amount of the swap will decline until maturity on November 1, 2022.

Interest expense for the year ended July 31, 2022 was \$16,784 and is included in property and plant expense on the statement of activities and change and net assets.

The Organization is required to comply with certain financial covenants as listed in the credit and security agreement with TD Bank. At July 31, 2022 the Organization is in compliance with all of the requirements. Future required principal payments:

<u>Year ending July 31</u>	
2023	<u>\$ 494,220</u>
Total	<u>\$ 494,220</u>

NOTE 7 – Derivative Financial Instrument: Interest Rate Swap

On November 15, 2015 the Organization entered into an interest rate swap to manage the interest rate exposure of its variable rate debt. The swap is recorded at fair value, which is the estimated amount the Organization would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty.

Change in the swap's fair value during the year ended July 31, 2022, resulted in an unrealized gain on fair value of \$155 which is included in nonoperating changes in net assets in the Statement of Activities and Changes in Net Assets. The fair value of the swap was an asset of \$853 at July 31, 2022, and is included in prepaid expenses and other income on the Statement of Financial Position.

The Organization's externally managed investment funds may include derivatives. The fair value of any such derivatives is included in the calculation of the fair values of the Organization's investments in such funds.

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS, INC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended July 31, 2022

NOTE 8 – Endowment

The Organization has a board designated endowment for long term investment. The board designated endowment allows use of net dividend and interest income for operations while reinvesting gains and losses.

Endowment, July 31, 2021	\$ 2,165,955
Board releases	644,876
Investment return:	
Investment income	13,197
Unrealized and realized gains	<u>(175,207)</u>
Endowment, July 31, 2022	<u>\$ 2,648,821</u>

The Organization has adopted investment spending policies for endowment assets that provide unrestricted revenue. The Organization's spending and investment policies work together to maximize this revenue. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The current spending policy is to distribute the net investment income of the endowment funds while maintaining the corpus.

NOTE 9 – Related Party

The New York Graduate School of Psychoanalysis (NYGSP) is a private, not-for-profit, degree-granting institution for higher education. NYGSP is governed by its Board of Trustees, which is commonly controlled by the Board of Trustees of the Boston Graduate School of Psychoanalysis (BGSP). NYGSP is accredited by the New England Commission of Higher Education as BGSP's branch campus. BGSP collected \$62,289 in management fees from NYGSP during the year ended July 31, 2022.

NOTE 10 – Liquidity and Availability of Financial Assets

The Organization has \$601,039 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$568,169 and accounts receivable of \$32,870. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable is subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$285,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 – Subsequent Events

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through November 16, 2022, the date which the financial statements were available for issue.