

BOSTON GRADUATE SCHOOL OF PSYCHOANALYSIS
SUMMARY OF AUDITED FINANCIAL STATEMENTS, FY 2021-22

BALANCE SHEET

BGSP continues to have strong assets relative to its liabilities, both in investments and real estate. With \$3,977,225 in total assets and \$1,043,843 in total liabilities as of 7/31/22, BGSP has more than sufficient funds to support the School.

The School's long-term investments are valued at \$2,056,000 and short-term investments are valued at \$506,000 as of October 31, 2022. As a quasi-endowment, the long-term investment account is Board designated, rather than restricted, meaning the School maintains liquidity, at the discretion of the Board. The investment portfolio is very prudently managed by Boston Financial Management, with the objective of balancing safe investment with long-term growth and income. The portfolio currently has a mix of 2% cash and cash equivalents, 53% fixed income instruments, and 45% equities. It has achieved a 5.2% annualized rate of return since 2010, when the current management firm took over the portfolio. Since the spending policy is 4%, the portfolio has continued to grow despite allowed cash withdrawals.

In addition, BGSP's assets include its Brookline real estate, which is valued at well over \$5 million. BGSP has reduced its mortgage on this property to under \$485,000, which is currently the School's only debt. The School has been approved for and is scheduled to close on its refinance of this loan on December 1, 2022 with a new 10-year loan with TD Bank with a fixed interest rate of 6.50% and a 20-year amortization.

Overall, the ratio of debt to net assets is very strong at 0.17, and the current ratio is also very strong at 5.94. Likewise, BGSP has enough available working capital to cover close to 120 days of operating expenses. Debt service coverage has not been a concern for the last three fiscal years. The new debt service covenant simply requires \$1,000,000 of unrestricted liquid assets, which is covered by the current long-term investment account.

FINANCIAL RESULTS: INCOME STATEMENT AND CASH FLOW

For each of the past three years, BGSP has generated an operating surplus and has increased its overall net assets.

Net tuition and fees have increased steadily:

- FY 2020: \$1.43 million
- FY 2021: \$1.63 million (14% increase)
- FY 2022: \$1.73 million (6% increase)
- FY 2023 budget: \$1.91 million (10% increase)

These increases are attributable primarily to increases in the number of credits purchased, shown above. Tuition rates increased 4% in FY 2020 but were not increased for FY 2021 and FY 2022 in response to the pandemic. Rates increased 4% again in FY 2023. BGSP continues to

benchmark its total cost of attendance against comparable institutions to ensure it remains competitive.

In addition to tuition and fees, the School benefitted from gifts of \$113 thousand, \$50 thousand, and \$174 thousand in FY 2020, 2021, and 2022 (including a single gift of \$100 thousand in FY 2022), as well as the PPP loan grant of \$218 thousand in FY 2021. BGSP also received \$439 thousand in institutional funding through HEERF and FIPSE across FY 2021 and 2022. These funds were expended primarily on one-time improvements related to COVID, and BGSP projects a small operating surplus this fiscal year without any CARES Act funding.

The School has managed its expenses judiciously during the pandemic. Student services has seen a 53% increase in salaries over the past three years, reflecting three factors: (a) addition of a professional Internship and Career Services Coordinator; (b) addition of staff to manage electronic student information and digitize student workflows to create a greatly improved student administrative experience; and (c) student services staff taking over some functions previously managed by faculty on stipends, such as maintenance of manuals and handbooks across campuses. While one-time technology upgrade expenses were covered by the FIPSE grant in FY 2021 and 2022, ongoing technology managed services and staff represent a significant part of the increased budget for institutional support.

In keeping with BGSP's strategic planning, the School has provided an Institutional Advancement budget for FY 2023 and forward. This sets the stage for increasing major gifts to contribute to strategic priorities such as increasing faculty salaries and recruiting new faculty.

With these developments, revenue has been outpacing expenses on a consistent basis, and the School has maintained a very strong cash position. As a result, BGSP has not drawn the allowable 4% from its quasi-endowment, but rather has continued to reinvest those funds consistently since FY 2020. Furthermore, the School has put aside over \$500 thousand in cash reserves. BGSP expects to spend about \$200 thousand of the reserves on roof and HVAC replacement this fiscal year. There is no deferred maintenance.

SUMMARY

With over \$2.5 million in investments and cash reserves, a \$5 million property, and total debt of under \$500,000, the School is on very sound financial footing.