

# **Boston College**

**Report on Federal Awards in Accordance with  
the OMB Uniform Guidance**

**May 31, 2017**

**EIN: 04-2103545**

**Boston College**  
**Report on Federal Awards in Accordance with the OMB Uniform Guidance**  
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**May 31, 2017**

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**Part I**

**Consolidated Financial Statements and Schedule of  
Expenditures of Federal Awards**



## **Report of Independent Auditors**

To the Trustees of Boston College:

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

We have audited the accompanying consolidated financial statements of Boston College and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of May 31, 2017 and 2016, and the related consolidated statements of activities for the year ended May 31, 2017 and of cash flows for the years ended May 31, 2017 and 2016, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boston College and its subsidiaries as of May 31, 2017 and 2016 and the changes in their net assets for the year ended May 31, 2017 and their cash flows for the years ended May 31, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.



***Other Matters***

We previously audited the University's consolidated statement of financial position as of May 31, 2016, and the related consolidated statements of activities and of cash flows for the year then ended (not presented herein), and in our report dated September 30, 2016, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of May 31, 2016 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended May 31, 2017 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended May 31, 2017. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts

September 29, 2017

**Boston College**  
**Consolidated Statements of Financial Position**  
**As of May 31, 2017 and 2016**

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 11,686	\$ 8,055
Accounts receivable, net (Note B)	40,104	40,091
Contributions receivable, net (Note C)	203,002	206,882
Notes and other receivables, net (Note B)	48,978	54,528
Investments (Note D)	2,887,969	2,417,926
Funds held by trustees (Note D)	6,311	8,456
Other assets	6,964	7,641
Property, plant and equipment, net (Note F)	<u>1,488,709</u>	<u>1,459,919</u>
Total assets	<u>\$ 4,693,723</u>	<u>\$ 4,203,498</u>
<b>Liabilities</b>		
Accounts payable	\$ 6,848	\$ 5,503
Accrued liabilities	207,123	217,784
Deposits payable and deferred revenues	30,733	29,233
Bonds and mortgages payable, net (Note G)	1,122,171	903,518
U.S. Government loan advances	<u>36,520</u>	<u>36,253</u>
Total liabilities	<u>1,403,395</u>	<u>1,192,291</u>
<b>Net Assets</b>		
Unrestricted (Note H)	1,581,067	1,465,879
Temporarily restricted (Note H)	707,466	574,300
Permanently restricted (Note H)	<u>1,001,795</u>	<u>971,028</u>
Total net assets	<u>3,290,328</u>	<u>3,011,207</u>
Total liabilities and net assets	<u>\$ 4,693,723</u>	<u>\$ 4,203,498</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Boston College**  
**Consolidated Statement of Activities**  
**Year Ended May 31, 2017**  
**(with summarized financial information for the year ended May 31, 2016)**

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>Operating</b>					
Revenues and other support					
Tuition and fees before student aid	\$ 612,647	\$ -	\$ -	\$ 612,647	\$ 586,118
Auxiliary enterprises before student aid	167,696	-	-	167,696	160,721
Sponsored research and other programs	52,261	-	-	52,261	47,932
Government financial aid programs	5,109	-	-	5,109	4,857
Sales and services	5,070	-	-	5,070	5,117
Other revenues	11,921	-	-	11,921	9,436
Nonoperating assets utilized or released from restrictions for operations	126,459	-	-	126,459	123,256
Total revenues and other support before student aid	981,163	-	-	981,163	937,437
Student aid applicable to tuition and fees	(175,789)	-	-	(175,789)	(170,100)
Student aid applicable to auxiliary enterprises	(6,406)	-	-	(6,406)	(5,959)
Net revenues	798,968	-	-	798,968	761,378
<b>Expenses</b>					
Instruction	308,687	-	-	308,687	298,570
Academic support	72,388	-	-	72,388	69,897
Research	43,474	-	-	43,474	40,356
Student services	65,604	-	-	65,604	60,089
Public service	4,548	-	-	4,548	4,529
General administration	128,014	-	-	128,014	121,757
Auxiliary enterprises	176,116	-	-	176,116	166,048
Total expenses	798,831	-	-	798,831	761,246
Increase in net assets from operating activities	137	-	-	137	132
<b>Nonoperating</b>					
Contributions	5,237	86,983	29,091	121,311	164,369
Realized and unrealized investment gains (losses), net	107,589	169,995	619	278,203	(101,025)
Investment income, net	6,827	50	(34)	6,843	6,777
Other gains (losses)	2,491	(2,338)	(1,067)	(914)	(13,703)
Nonoperating assets utilized or released from restrictions for operations	(29,844)	(96,615)	-	(126,459)	(123,256)
Net assets reclassified or released from restrictions	22,751	(24,909)	2,158	-	-
Increase (decrease) in net assets from nonoperating activities	115,051	133,166	30,767	278,984	(66,838)
Total increase (decrease) in net assets	115,188	133,166	30,767	279,121	(66,706)
<b>Net assets</b>					
Beginning of year	1,465,879	574,300	971,028	3,011,207	3,077,913
End of year	\$ 1,581,067	\$ 707,466	\$ 1,001,795	\$ 3,290,328	\$ 3,011,207

The accompanying notes are an integral part of these consolidated financial statements.

**Boston College**  
**Consolidated Statements of Cash Flows**  
**Years Ended May 31, 2017 and 2016**

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Total increase (decrease) in net assets	\$ 279,121	\$ (66,706)
Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities		
Depreciation, amortization and accretion	66,846	61,330
Allowance for uncollectible contributions	(210)	10,736
Discount on contributions	(4,120)	14,741
Net gain on retirement or disposal of property, plant and equipment	(8,210)	(72)
Loss on recognition of asset retirement obligation	638	6,356
Contributions of property and equipment	(1,289)	(4,159)
Loan cancellations	908	865
Contributed securities	(22,935)	(18,808)
Proceeds from sale of contributed securities	3,514	5,171
Realized and unrealized investment (gains) losses, net	(277,526)	100,331
Loss on debt extinguishment	1,272	-
Changes in assets and liabilities		
Accounts receivable, net	(13)	(2,950)
Notes and other receivables	366	348
Contributions receivable	8,210	(72,851)
Accounts payable and accrued liabilities	(4,166)	25,025
Deposits payable and deferred revenue	1,500	(1,900)
Other assets	677	(1,133)
Contributions to be used for long-term investment	(77,309)	(69,518)
Net cash and cash equivalents used in operating activities	<u>(32,726)</u>	<u>(13,194)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	1,012,060	888,686
Purchases of investments	(1,202,505)	(756,969)
Student loans granted	(2,442)	(4,993)
Student loans collected	6,718	6,952
Purchases of property, plant and equipment	(98,394)	(192,164)
Proceeds from sale of property, plant and equipment	5,106	-
Change in funds held by trustees	2,145	13,336
Net cash and cash equivalents used in investing activities	<u>(277,312)</u>	<u>(45,152)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	245,000	-
Payment of bonds and mortgages payable	(26,256)	(25,271)
Change in U.S. Government loan advances	267	258
Payments to beneficiaries of split interest agreements	(2,072)	(1,779)
Proceeds from sale of contributed securities	19,421	13,637
Contributions to be used for long-term investment	77,309	69,518
Net cash and cash equivalents provided by financing activities	<u>313,669</u>	<u>56,363</u>
Net increase (decrease) in cash and cash equivalents	3,631	(1,983)
<b>Cash and cash equivalents</b>		
Beginning of year	8,055	10,038
End of year	<u>\$ 11,686</u>	<u>\$ 8,055</u>
<b>Supplemental data</b>		
Interest paid, net of amounts capitalized	\$ 38,745	\$ 38,991
Change in asset retirement obligations recognized	(3,818)	7,959
Net fixed asset recognized related to asset retirement obligation	(27)	1,812
Contributed securities	22,935	18,808
Proceeds from issuance of debt	183,313	-
Use of proceeds to refund debt	(183,313)	-

The accompanying notes are an integral part of these consolidated financial statements.



# **Boston College**

## **Notes to Consolidated Financial Statements**

### **May 31, 2017 and 2016**

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#### **A. Accounting Policies**

The accompanying consolidated financial statements include certain other entities under the financial control of Boston College, including Boston College Ireland, Ltd. ("BCI") which is a non-profit entity established as an institute of education in the Republic of Ireland.

Boston College and entities included herein are referred to individually and collectively as the "University."

The significant accounting policies followed by the University are set forth below and in other sections of these notes.

#### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified into three categories based on the existence or absence of externally imposed restrictions. The net assets of the University are classified and defined as follows:

#### ***Unrestricted***

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

#### ***Temporarily Restricted***

Net assets where use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the University.

#### ***Permanently Restricted***

Reflects the historical value of contributions (and in certain circumstances investment returns from those contributions), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

#### **Nonoperating Activity**

Nonoperating activity includes all contributions, investment income, unfulfilled promises to give, life income adjustments, and gains and losses on: investments, postretirement healthcare benefits, sale or disposal of property, foreign currency translation, the recognition of asset retirement obligations, and debt extinguishment. All other activity is classified as operating revenue or expense.

To the extent contributions, investment income, and gains are used for operations, they are reclassified as "nonoperating assets utilized or released from restrictions for operations."

Expirations of temporary restrictions on net assets or other clarifications from donors are presented as "net assets reclassified or released from restrictions."

# **Boston College**

## **Notes to Consolidated Financial Statements**

### **May 31, 2017 and 2016**

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#### **Contributions**

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues in the year received. Contributions receivable are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value.

Contributions and investment return with donor-imposed restrictions, which are reported as temporarily restricted revenues, are released to unrestricted net assets when an expense is incurred that satisfies the restriction.

Contributions restricted for the purchase of property, plant and equipment are reported as nonoperating temporarily restricted revenues and are released to unrestricted net assets upon acquisition of the assets, when the asset is placed into service, or earlier, based on explicit donor stipulations.

Contributions received for which the designation is pending by the donor are classified as temporarily restricted net assets. Once a designation is made by the donor, the contributions are reclassified to the appropriate net asset category as part of "net assets reclassified or released from restrictions."

#### **Sponsored Activities**

Revenues associated with research and other contracts and grants are recognized when related costs are incurred. Facilities and administrative cost recovery on U.S. Government contracts and grants is based upon a predetermined negotiated rate and is recorded as unrestricted revenue.

#### **Fundraising Activities**

Expenses incurred in carrying out the fundraising activities of the University, which amounted to \$23,341,000 and \$22,041,000 for the years ended May 31, 2017 and 2016, respectively, are included primarily in the general administration expense category on the consolidated statement of activities.

#### **Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of operating funds deposited in cash management accounts, and other investments with maturities at the time of purchase of 90 days or less, and are carried at market value. Cash and cash equivalents held in the investment portfolio are included in investments.

Investment transactions are recorded on the trade date and dividend income is recorded on the ex-dividend date.

#### **Split-Interest Agreements**

The University has split-interest agreements consisting primarily of charitable gift annuities, pooled income funds, charitable remainder trusts, and charitable lead trusts. Split-interest agreements which are included in investments amount to \$35,425,000 and \$33,887,000 as of May 31, 2017 and 2016, respectively. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted with rates that range from 1.2% to 10.6%. The liability of \$14,031,000 and \$12,798,000 as of May 31, 2017 and 2016, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions.

# **Boston College**

## **Notes to Consolidated Financial Statements**

### **May 31, 2017 and 2016**

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#### **Use of Estimates**

The preparation of consolidated financial statements in accordance with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### **Income Taxes**

The University is a qualified tax-exempt organization under section 501(c) (3) of the Internal Revenue Code.

#### **Prior Year Summarized Information**

The consolidated financial statements include certain prior year summarized comparative information, but do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University’s audited financial statements for the year ended May 31, 2016, from which the summarized information was derived.

#### **Subsequent Events**

The University has assessed the impact of subsequent events through September 29, 2017, the date the audited consolidated financial statements were issued, and concluded there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

#### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers* (Subtopic 340-40). The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which the entity expects to be entitled in exchange for goods and services. The ASU is effective for fiscal years beginning after December 15, 2017.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new pronouncement amends certain financial reporting requirements for not-for-profit entities, including revisions to the classification of net assets and expanded disclosure requirements concerning expenses and liquidity. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permissible.

The University is evaluating the impact of each of these new standards on its consolidated financial statements.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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**B. Accounts, Notes and Other Receivables**

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2017 and 2016, the allowance related to accounts receivable is \$4,271,000 and \$3,172,000, respectively.

Notes and other receivables consist of amounts due from students under U.S. Government sponsored loan programs and from the Weston Jesuit Community, Inc. under a ground lease agreement. As of May 31, 2017 and 2016, the amount due under the U.S. Government sponsored loan program is \$33,651,000 and \$38,836,000, respectively. The notes receivable due from students under U.S. Government sponsored loan programs are subject to significant restrictions and, accordingly, it is not practicable to determine the fair value of such amounts. As of May 31, 2017 and 2016, the allowance related to student notes receivable is \$1,140,000.

**C. Contributions Receivable**

Contributions receivable are summarized as follows as of May 31:

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Unconditional promises scheduled to be collected in</b>		
Less than one year	\$ 92,734	\$ 76,711
Between one year and five years	131,858	149,366
More than five years	19,025	25,750
Less: Discount and allowance for unfulfilled promises to give	<u>(40,615)</u>	<u>(44,945)</u>
Contributions receivable, net	<u>\$ 203,002</u>	<u>\$ 206,882</u>

A present value discount of \$17,201,000 and \$21,321,000 as of May 31, 2017 and 2016, respectively, has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

The University has reflected contributions received during fiscal 2017 and 2016 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$75,635,000 and \$32,805,000 as of May 31, 2017 and 2016, respectively, are not recorded in the consolidated financial statements.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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**D. Investments**

Investments are stated at fair value and include accrued income. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers or appraisers. Management has established procedures in place to evaluate and monitor third party valuations, including regular communication with fund managers, the review of partnership financial statements and monthly performance metrics, prior to investment and on a regular basis going forward. The University believes that these valuations are a reasonable estimate of fair value as of May 31, 2017 and 2016, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Investments, including funds held by trustees, consist of the following as of May 31:

<i>(in thousands)</i>	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Equities	\$ 1,365,754	\$ 1,968,394	\$ 1,312,928	\$ 1,734,582
Fixed income	751,542	788,292	551,854	582,840
Real assets	129,012	137,594	111,363	108,960
	<u>\$ 2,246,308</u>	<u>\$ 2,894,280</u>	<u>\$ 1,976,145</u>	<u>\$ 2,426,382</u>

Equities include common stock, mutual funds, commingled funds and limited partnership interests. Fixed income includes money market funds, limited partnership interests, treasury and agency securities. Real assets include limited partnership interests and real estate.

A three level hierarchy of valuation inputs has been established based on the extent to which the inputs are observable in the marketplace. Level I is considered observable based on inputs such as quoted prices in active markets. Level II is considered observable based on inputs other than quoted prices in active markets, and Level III is considered unobservable.

As of May 31, 2017, the University's investments include \$889,886,000 of Level I equities, \$647,127,000 of Level I fixed income securities, \$10,007,000 of Level II fixed income securities and \$4,098,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2017 are \$1,078,508,000 of equities, \$127,060,000 of fixed income and \$103,794,000 of real assets for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2017 are \$33,800,000 of real estate investments valued at cost.

As of May 31, 2016, the University's investments include \$829,530,000 of Level I equities, \$479,932,000 of Level I fixed income securities, \$9,387,000 of Level II fixed income securities and \$4,732,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2016 are \$905,052,000 of equities, \$88,789,000 of fixed income and \$76,054,000 of real assets for which fair value is measured at net asset value per share using the practical expedient. Also excluded from the fair value hierarchy at May 31, 2016 are \$32,906,000 of real estate investments valued at cost.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

As of May 31, 2017, \$21,320,000, \$10,007,000 and \$4,098,000 of split interest agreements are included in Level I, Level II and Level III, respectively. As of May 31, 2016, \$19,768,000, \$9,387,000 and \$4,732,000 of split interest agreements are included in Level I, Level II and Level III, respectively.

The fair values of limited partnerships are represented by the net asset value of each partnership. The objective of these investments is to generate long term returns significantly higher than public equity markets on a risk adjusted basis. Redemption terms for those investments valued at net asset value consist of the following as of May 31, 2017 and 2016, respectively:

<i>(in thousands)</i>	<b>2017</b>			
	<b>Equities</b>	<b>Fixed Income</b>	<b>Real Assets</b>	<b>Total</b>
<b>Redemption terms</b>				
Within 30 days	\$ 227,894	\$ 55,684	\$ -	\$ 283,578
Quarterly				
30-90 days prior written notice	107,955	-	-	107,955
Semi-annually, annually				
30-180 days prior written notice	401,382	71,376	-	472,758
1-5 years	262,796	-	56,381	319,177
6-10 years	78,481	-	47,413	125,894
	<u>1,078,508</u>	<u>127,060</u>	<u>103,794</u>	<u>1,309,362</u>
Level I securities	889,886	647,127	-	1,537,013
Other investments	-	14,105	33,800	47,905
Total investments	<u>\$ 1,968,394</u>	<u>\$ 788,292</u>	<u>\$ 137,594</u>	<u>\$ 2,894,280</u>

<i>(in thousands)</i>	<b>2016</b>			
	<b>Equities</b>	<b>Fixed Income</b>	<b>Real Assets</b>	<b>Total</b>
<b>Redemption terms</b>				
Within 30 days	\$ 130,602	\$ 15,207	\$ -	\$ 145,809
Quarterly				
30-90 days prior written notice	92,154	-	-	92,154
Semi-annually, annually				
30-180 days prior written notice	335,473	73,582	-	409,055
1-5 years	290,832	-	31,463	322,295
6-10 years	55,991	-	44,591	100,582
	<u>905,052</u>	<u>88,789</u>	<u>76,054</u>	<u>1,069,895</u>
Level I securities	829,530	479,932	-	1,309,462
Other investments	-	14,119	32,906	47,025
Total investments	<u>\$ 1,734,582</u>	<u>\$ 582,840</u>	<u>\$ 108,960</u>	<u>\$ 2,426,382</u>

The University is committed to invest in private equity investments up to an additional amount of \$252,700,000 and \$183,900,000 as of May 31, 2017 and 2016, respectively.

The University recognized net realized and unrealized gains of \$278,203,000 and investment income of \$6,843,000, net of investment advisory fees of \$20,660,000, for the year ended May 31, 2017.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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The University recognized net realized and unrealized losses of \$101,025,000 and investment income of \$6,777,000, net of investment advisory fees of \$19,466,000, for the year ended May 31, 2016.

**E. Endowment**

The net assets associated with the University's endowment funds are classified in accordance with relevant state law as interpreted by the Board of Trustees. These classifications are unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include Board-designated funds, and any accumulated income and appreciation thereon. Temporarily restricted net assets include contributions not yet designated by donors and accumulated appreciation on temporarily and permanently restricted funds. Permanently restricted net assets include contributions designated by donors to be invested in perpetuity to produce income for general or specific purposes.

The long-term performance objective of the endowment portfolio is to attain an average annual total return that exceeds the University's spending rate plus inflation within acceptable levels of risk over a full market cycle. To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

The University has a spending policy for its donor restricted endowment, as approved by the University's Board of Trustees, that aims to provide a stable and predictable source of funding for the University's academic and strategic initiatives and also to protect the real value of the endowment over time. Under this policy the amount that can be expended for current operations is a weighted average based on two components; prior year spending adjusted for an inflationary factor, and 5% of a twelve quarter moving average of market values.

As of May 31, 2017 there were no endowment funds with a market value less than historical value. As of May 31, 2016 the market value attributable to certain endowment funds was less than the historical value of the related permanently restricted contribution by an aggregate of \$744,000, due to unfavorable market fluctuations. This was reflected as a reduction of unrestricted net assets which was restored to unrestricted net assets in the year ended May 31, 2017.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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**F. Property, Plant and Equipment**

The physical plant assets of the University are stated at cost on the date of acquisition or at fair market or appraised value on the date of donation in the case of contributions. Physical plant assets consist of the following as of May 31:

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
Land and improvements	\$ 287,091	\$ 282,570
Buildings	1,573,993	1,425,715
Equipment	246,883	237,260
Library books	205,268	196,054
Rare book and art collections	26,528	24,776
Purchase options	2,855	2,855
Plant under construction	58,702	154,382
Property, plant and equipment, gross	<u>2,401,320</u>	<u>2,323,612</u>
Accumulated depreciation/amortization	<u>(912,611)</u>	<u>(863,693)</u>
Property, plant and equipment, net	<u>\$ 1,488,709</u>	<u>\$ 1,459,919</u>

Annual provisions for depreciation of physical plant assets are computed on a straight-line basis over the expected useful lives of the individual assets, averaging 20 years for land improvements, 25-60 years for buildings, and 2-15 years for equipment. Depreciation for the years ended May 31, 2017 and 2016 amounted to \$63,996,000 and \$58,977,000, respectively, and is allocated to functional expense categories on the statement of activities based on square foot usage calculations.

Library books are amortized over 50 years. Amortization amounted to \$4,105,000 and \$3,921,000 for the years ended May 31, 2017 and 2016, respectively. Rare book and art collections are reflected at historical cost and are not amortized.

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and gains or losses are included in the statement of activities. The University retired or disposed of \$20,528,000 and \$7,411,000 in gross plant assets for the years ended May 31, 2017 and 2016, respectively.

Property, plant and equipment additions of \$14,249,000 and \$15,668,000 included in accrued liabilities are reflected as a noncash item in the statement of cash flows for the years ended May 31, 2017 and 2016, respectively.

The University recognized \$821,000 and \$402,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended May 31, 2017 and 2016, respectively. Conditional asset retirement obligations of \$12,991,000 and \$15,988,000 as of May 31, 2017 and 2016, respectively, are included in accrued liabilities.

The University has commitments of \$155,108,000 to complete various capital projects as of May 31, 2017.



**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

**G. Bonds and Mortgages Payable**

Bonds and mortgages payable consist of the following as of May 31:

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Massachusetts Health and Educational Facilities Authority (MHEFA)</b>		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	\$ 134,285	\$ 134,285
<b>Massachusetts Development Finance Agency (MDFA)</b>		
Boston College Issues (fixed rate)		
Series P, 4.75 - 5.00%, due 2019-2042	-	176,980
Series Q, 4.00 - 5.00%, due 2017-2029	66,855	72,135
Series R, 4.00 - 5.00%, due 2017-2040	160,235	166,655
Series S, 4.12 - 5.00%, due 2017-2038	123,030	131,600
Series T, 3.37 - 5.00%, due 2033-2042	129,305	-
<b>Trustees of Boston College (fixed rate)</b>		
Taxable bonds, Series 2013, 1.33 - 5.09%, due 2017-2043		
	171,035	176,255
Taxable bonds, Series 2017, 1.70 - 3.99%, due 2019-2047		
	287,110	-
<b>Department of Education (fixed rate)</b>		
Library building bonds, 3.41%, due 2017 - 2022		
	4,055	4,645
Secured note, 3.00%, due 2017 - 2018		
	182	358
Bonds and mortgages payable, par	<u>1,076,092</u>	<u>862,913</u>
Unamortized original bond issue premium	52,148	45,459
Unamortized issuance cost on bonds	<u>(6,069)</u>	<u>(4,854)</u>
Bonds and mortgages payable, net	<u>\$ 1,122,171</u>	<u>\$ 903,518</u>

The Department of Education building bonds are collateralized by a mortgage on the O'Neill Library and the secured note is collateralized by funds held by trustees.

As of May 31, 2017, principal payments due on all long-term bonds and mortgages payable are as follows: 2018 - \$27,367,000; 2019 - \$28,580,000; 2020 - \$30,475,000, 2021 - \$31,535,000, 2022 - \$32,845,000 and thereafter - \$ 925,290,000.

Interest expense for the years ended May 31, 2017 and 2016 amounted to \$38,617,000 and \$36,373,000, respectively. Interest expense has been allocated to the functional expense categories on the statement of activities based on each functional area's corresponding use of the related space or equipment that was constructed or acquired through debt financing. The University capitalized interest of \$2,983,000 and \$3,723,000 for the years ended May 31, 2017 and 2016, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2017 and 2016, there was no balance outstanding on the line of credit.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

In January 2017, the University issued \$129,305,000 of MDFA Series T Revenue Bonds (Series T) and \$287,110,000 of Trustees of Boston College Taxable Bonds Series 2017 (Series 2017). The Series T Revenue Bonds were issued with an original issue premium of \$11,898,000 which will be amortized over the life of the bonds. The entire net proceeds from Series T, \$140,280,000, as well as a portion of the net proceeds from Series 2017, \$40,680,000, were used to refund the existing Series P bonds. The retirement of Series P was comprised of \$176,980,000 repayment of par value and \$3,980,000 of interest prepayment. The remaining proceeds from Series 2017, \$245,000,000, will be used to finance certain capital needs including the construction, renovation and improvement of University facilities. The University incurred costs of \$2,353,000 associated with these issues, which were capitalized and will be amortized over the life of the bonds, and recognized a net loss on debt extinguishment of \$1,272,000.

**H. Net Assets**

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Unrestricted		Donor Restricted			
			Temporarily Restricted		Permanently Restricted	
	2017	2016	2017	2016	2017	2016
Endowment net assets, beginning of year						
Board designated	\$ 832,826	\$ 919,322	\$ -	\$ -	\$ -	\$ -
Donor restricted	-	-	391,811	515,606	971,028	911,062
Contributions, net of allowance	-	-	4,524	(8,100)	29,091	62,120
Investment return:						
Investment income, net	(150)	233	(22)	470	(34)	(36)
Net gains (losses)	111,051	(40,288)	169,994	(56,198)	619	(915)
Total investment return	110,901	(40,055)	169,972	(55,728)	585	(951)
Appropriation of endowed assets for expenditure	(43,692)	(45,703)	(66,045)	(61,506)	-	-
Net assets reclassified or released from restrictions	967	(571)	(804)	1,102	2,158	1,237
Other losses	(127)	(167)	(1,654)	437	(1,067)	(2,440)
Endowment net assets, end of year						
Board designated	900,875	832,826	-	-	-	-
Donor restricted	-	-	497,804	391,811	1,001,795	971,028
Designated for specific purposes	193,863	84,301	-	-	-	-
Net investment in plant	486,329	548,752	-	-	-	-
Program support	-	-	67,990	67,973	-	-
Contributions for plant assets	-	-	140,727	113,613	-	-
Student loans	-	-	945	903	-	-
Total net assets	\$ 1,581,067	\$ 1,465,879	\$ 707,466	\$ 574,300	\$ 1,001,795	\$ 971,028

**I. Retirement Programs**

All eligible full-time personnel may elect to participate in a defined contribution retirement program. Under the program, the University makes contributions, currently limited to 8-10% of the annual wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS limitations. The limitation applicable to University contributions is on a combined plan basis. For the years ended May 31, 2017 and 2016, the University's contributions to the retirement program were \$26,080,000 and \$24,755,000, respectively.

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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The University provides certain health care benefits for retired employees through either a defined benefit retirement medical program or a Retirement Medical Savings Account depending upon certain age and service requirements. Employees will become eligible for this benefit if they reach retirement while employed by the University. The plan does not hold assets and is funded as benefits are paid. The estimated future cost of providing postretirement health care benefits is recognized on an accrual basis over the period of service during which benefits are earned.

The net periodic postretirement health care benefit cost and other changes in plan assets and benefit obligation recognized in unrestricted net assets were determined as follows for the years ended May 31:

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
Service cost	\$ 3,301	\$ 3,139
Interest cost	3,751	3,602
Amortization of prior service cost	(534)	(757)
Amortization of loss	<u>869</u>	<u>632</u>
Net periodic postretirement benefit cost	<u>7,387</u>	<u>6,616</u>
Net (gain) loss	(396)	3,431
Amortization of prior service cost	534	757
Amortization of loss	<u>(869)</u>	<u>(632)</u>
Other changes in plan assets and benefit obligation	<u>(731)</u>	<u>3,556</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 6,656</u>	<u>\$ 10,172</u>

In fiscal 2018, the prior service cost credit of \$210,000 and unrecognized net loss of \$450,000 are expected to be amortized as a component of net periodic postretirement benefit cost.

For measurement purposes, the assumed annual rates of increase for measuring the obligation at May 31, 2016 and the cost for the year ending May 31, 2017 were: 7.0% in the per capita cost of covered health care benefits for post-65 benefits and 6.75% in the per capita cost of covered health care benefits for pre-65 benefits. Both rates were assumed to decrease gradually to 5.00% in 2023 and remain at that level thereafter. The assumed annual rates of increase for measuring the obligation at May 31, 2017 and the cost for the year ending May 31, 2018 were: 6.75% in the per capita cost of covered health care benefits for post-65 benefits and 6.50% in the per capita cost of covered health care benefits for pre-65 benefits. Both rates were assumed to decrease gradually to 5.00% in 2023 and remain at that level thereafter.

A one percentage point change in the assumed health care cost trend rates would have the following effect:

<i>(in thousands)</i>	<b>Increase</b>	<b>Decrease</b>
Effect on total of service and interest cost components	\$ 1,034	\$ (836)
Effect on postretirement benefit obligation	11,362	(8,929)

**Boston College**  
**Notes to Consolidated Financial Statements**  
**May 31, 2017 and 2016**

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The discount rate used to determine the accumulated benefit obligation is 4.25% as of May 31, 2017 and 2016, respectively. The discount rate used to determine the net periodic postretirement benefit cost is 4.25% and 4.50% as of May 31, 2017 and 2016, respectively.

A reconciliation of the accumulated postretirement benefit obligation and plan assets are as follows as of May 31:

<i>(in thousands)</i>	<b>2017</b>	<b>2016</b>
<b>Reconciliation of accumulated postretirement benefit obligation</b>		
Benefit obligation, beginning of year	\$ 86,973	\$ 78,905
Service cost	3,301	3,139
Interest cost	3,751	3,602
Plan participant contributions	855	740
Actuarial (gain) loss	(396)	3,431
Benefits paid	(3,160)	(2,844)
Benefit obligation, end of year	<u>\$ 91,324</u>	<u>\$ 86,973</u>
<b>Amounts not yet recognized as a component of net periodic benefit cost</b>		
Prior service cost	\$ (280)	\$ (813)
Net actuarial loss	13,451	14,716
	<u>\$ 13,171</u>	<u>\$ 13,903</u>

As of May 31, 2017 and 2016, the benefit obligation is reflected in accrued liabilities on the Consolidated Statements of Financial Position.

Expected benefit payments, net of participant contributions, are as follows: 2018 - \$2,990,000; 2019 - \$3,220,000; 2020 - \$3,420,000; 2021 - \$3,630,000; 2022 - \$3,900,000; and the five fiscal years thereafter - \$24,910,000.

**J. Related Party**

The University has mortgages, loans and notes due from various related parties of \$24,030,000 and \$23,209,000 as of May 31, 2017 and 2016, respectively.

**K. Commitments and Contingencies**

The University has several legal cases pending that have arisen in the normal course of its operations. The University believes that the outcome of these cases will have no material adverse effect on the financial position of the University.

## **Schedule of Expenditures of Federal Awards**

# Boston College

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
<b>Research and Development Cluster</b>					
<b>Direct Programs</b>					
<b>Department of Agriculture</b>					
<b>Agriculture Research Service</b>					
National Institute of Food and Agriculture	10.226			\$ 78,739	\$ 17,834
<b>Department of Defense</b>					
<b>Department of the Navy, Office of the Chief of Naval Research</b>					
Basic and Applied Scientific Research	12.300			61,642	-
<b>Department of Army Material Command</b>					
Basic Scientific Research	12.431			92,375	-
<b>Department of Air Force, Material Command</b>					
Air Force Defense Research Sciences Program	12.800			2,254,643	41,513
<b>National Security Agency</b>					
Mathematical Sciences Grant Program	12.901			36,055	-
<b>Department of Transportation</b>					
Federal Aviation Administration	20.RD			62,637	-
<b>National Aeronautics and Space Administration</b>					
<b>NASA Research Announcements/Research Opportunities in Space and Earth Sciences</b>					
Science	43.001			238,654	95,411
<b>National Endowment for the Arts</b>					
Promotion of the Arts Grants to Organizations and Individuals	45.024			9,280	-
<b>National Science Foundation</b>					
Engineering Grants	47.041			54,206	-
Mathematical and Physical Sciences	47.049			1,880,315	-
Mathematical and Physical Sciences	47.049			340	-
Geosciences	47.050			921,890	53,798
Geosciences	47.050			74,205	-
Computer and Information Science and Engineering	47.070			95,835	-
Biological Sciences	47.074			849,454	-
Biological Sciences	47.074			785	-
Social, Behavioral, and Economic Sciences	47.075			554,303	35,966
Education and Human Resources	47.076			873,474	165,877
Education and Human Resources	47.076			387,312	-
Education and Human Resources	47.076			83,726	-
NSF IPA	47.RD			77,207	-
<b>Department of Veterans Affairs</b>					
Veteran-Directed Home & Community Based Services	64.RD			89,543	-

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

# Boston College

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
<b>Research and Development Cluster</b>					
<b>Direct Programs, continued</b>					
<b>Department of Energy</b>					
Office of Science Financial Assistance Program	81.049			387,941	124,534
Renewable Energy Research and Development	81.087			35,036	-
<b>Department of Education</b>					
<b>Institute of Education Sciences</b>					
Education Research, Development and Dissemination	84.305			581,041	333,459
<b>Department of Health and Human Services</b>					
<b>Administration for Community Living</b>					
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			57,430	-
<b>National Institutes of Health</b>					
Oral Diseases and Disorders Research	93.121			267,388	-
Mental Health Research Grants	93.242			1,533,980	23,104
Drug Abuse and Addiction Research Programs	93.279			124,977	-
Minority Health and Health Disparities Research	93.307			401,852	94,064
Trans-NIH Research Support	93.310			4,970,319	4,485,295
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			2,260	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			575,591	177,448
Allergy and Infectious Diseases Research	93.855			3,243,920	1,016,742
Biomedical Research and Research Training	93.859			3,257,492	132,597
Child Health and Human Development Extramural Research	93.865			271,358	105,112
Aging Research	93.866			104,717	-
National Heart, Lung and Blood	93.RD			38,852	-
<b>Agency for Healthcare Research and Quality</b>					
Research on Healthcare Costs, Quality and Outcomes	93.226			160,751	68,944
<b>Substance Abuse and Mental Health Services Administration</b>					
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243			256,529	-
<b>Centers for Disease Control and Prevention</b>					
Occupational Safety and Health Program	93.262			93,612	-
<b>Health Resources and Services Administration</b>					
Nurse Education, Practice Quality and Retention Grants	93.359			25,275	12,135
<b>Administration for Children and Families</b>					
Head Start	93.600			39,585	-
<b>Social Security Administration</b>					
Social Security Research and Demonstration	96.007			2,212,808	741,219
<b>Research and Development Cluster Direct Programs Subtotal</b>				<b>27,419,334</b>	<b>7,725,052</b>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

# Boston College

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
<b>Research and Development Cluster</b>					
<b>Pass-through Programs</b>					
<b>Department of Defense</b>					
<b>Department of the Navy, Office of the Chief of Naval Research</b>					
Basic and Applied Scientific Research	12.300	University of Texas at Austin	UTA16-000557	205,930	-
<b>Department of the Air Force, Materiel Command</b>					
Air Force Defense Research Sciences Program	12.800	Ohio State University	60028686	19	-
Air Force Defense Research Sciences Program	12.800	Colorado State University	G-00535-1	14,972	-
<b>Department of the Air Force</b>					
Air Force Research Laboratories	12.RD	Pacific Defense Solutions, LLC	N/A	38,636	-
Air Force Research Laboratories	12.RD	Systems & Technology Research	2015-1082	733,837	-
Air Force Research Laboratories	12.RD	Systems & Technology Research	2016-1108	79,702	-
Air Force Office of Scientific Research	12.RD	Lowell Digisonde International, LLC	LDI20140813-1	7,410	-
<b>Department of Justice</b>					
<b>Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking</b>					
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.203	Fairleigh Dickinson University	DOJ0003-02	6,687	-
<b>Department of Justice</b>					
Juvenile Justice and Delinquency Prevention	16.RD	Impact Justice	N/A	19,977	-
<b>Department of Labor</b>					
Employee Benefits Security Administration, Office of Policy and Research	17.RD	IMPAQ International	N/A	68,836	-
Chief Evaluation Office	17.RD	Summit Consulting, LLC	CRR-DOL-2016	178,818	-
<b>National Aeronautics and Space Administration</b>					
<b>NASA Research Announcements/Research Opportunities in Space and Earth Sciences</b>					
Science	43.001	University of Central Florida	66016031-2	2,349	-
Science	43.001	Cornell University	73921-10523	19,341	-
USRA/SOFIA	43.RD	Universities Space Research Association	SOF 03-0079	7,160	-
<b>National Science Foundation</b>					
Engineering Grants	47.041	Ohio State University	60046373	72,603	-
Mathematical and Physical Sciences	47.049	Princeton University	00002126	10,108	-
Mathematical and Physical Sciences	47.049	American Educational Research Association	N/A	10,057	-
Geosciences	47.050	Massachusetts Institute of Technology	5710004035	50,376	-
Education and Human Resources	47.076	University of California, Berkeley	00007716	68,594	-
Education and Human Resources	47.076	Technical Education Research Centers	4104	119,165	-
Education and Human Resources	47.076	Technical Education Research Centers	4074	13,607	-
Education and Human Resources	47.076	Massachusetts Bay Community College	1501451	56,702	-
Education and Human Resources	47.076	Education Development Center, Inc.	12074	33,441	-
Office of Integrative Activities	47.083	Boise State University	6800-D	40,418	-
<b>Department of Energy</b>					
Office of Science Financial Assistance Program	81.049	Massachusetts Institute of Technology	5710003751	94,443	-
National Nuclear Security Administration	81.RD	Los Alamos National Laboratory	387918	24,877	-

The accompanying notes are an integral part of the schedule of expenditures of federal awards.



# Boston College

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
<b>Research and Development Cluster</b>					
<b>Pass-through Programs, continued</b>					
<b>Department of Education</b>					
Progress in International Reading Literacy Study	84.RD	International Association for the Evaluation of Educational Achievement	IEA/BC 18	9,389	-
Trends in International Mathematics and Science Study	84.RD	International Association for the Evaluation of Educational Achievement	IEA/BC 19	16,082	-
<b>Office of Elementary and Secondary Education</b>					
Comprehensive Centers	84.283	Education Northwest	N/A	127,755	-
<b>Office of Special Education and Rehabilitative Services</b>					
Special Education--Educational Technology, Media, and Materials for Individuals with Disabilities Program	84.327	CAST Inc.	BC0913-16	37,372	-
<b>Office of Federal Student Aid</b>					
Postsecondary Education Scholarships for Veteran's Dependents	84.408	Harvard University	108129-5076415	24,801	-
<b>Department of Health and Human Services</b>					
<b>National Institutes of Health</b>					
Oral Diseases and Disorders Research	93.121	Giner, Inc.	N/A	49,787	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Auburn University	16-CVM-201300-BC	74,510	-
Allergy and Infectious Diseases Research	93.855	Boston University Medical Center	4500001917	90,466	-
Microbiology and Infectious Diseases Research	93.856	Massachusetts General Hospital	224838	105,088	-
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	5710004064	248,037	-
Biomedical Research and Research Training	93.859	University of Massachusetts - Worcester	WA00228174/RFS201506	49,122	-
Biomedical Research and Research Training	93.859	National Bureau of Economic Research, Inc.	NB16005	4,788	-
Child Health and Human Development Extramural Research	93.865	University of Michigan	3002628871	28,592	-
Child Health and Human Development Extramural Research	93.865	University of Chicago	FP049758	14,192	-
Child Health and Human Development Extramural Research	93.865	University of Washington	UWSC8151	78,009	-
Ageing Research	93.866	Brandeis University	402461	23,268	-
<b>Human Services Administration for Community Living</b>					
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	University of Illinois	2015-01151-06-00 AS	69,660	-
<b>Research and Development Cluster Pass-through Programs Subtotal</b>				<b>3,028,983</b>	<b>-</b>
<b>Total Research and Development Cluster</b>				<b>30,448,317</b>	<b>7,725,052</b>
<b>Student Financial Assistance Cluster</b>					
<b>Department of Education</b>					
<b>Office of Federal Student Aid</b>					
Federal Supplemental Educational Opportunity Grants	84.007			1,452,243	-
Federal Work-Study Program	84.033			2,568,878	-
<b>Federal Perkins Loan</b>					
Outstanding loans as of June 1, 2016	84.038			27,539,420	-
New loans issued during FY2017	84.038			1,293,441	-
Administrative Cost Allowance	84.038			268,300	-
Federal Pell Grant Program	84.063			5,231,726	-
Federal Direct Student Loan	84.268			76,769,256	-
Teacher Education Assistance for College and Higher Education Grants	84.379			23,294	-

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

# Boston College

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
<b>Student Financial Assistance Cluster, continued</b>					
<b>Department of Health and Human Services</b>					
<b>Health Resources and Services Administration</b>					
Nursing Student Loans					
Outstanding loans as of June 1, 2016	93.364			1,431,696	-
New loans issued during FY2017	93.364			305,500	-
<b>Total Student Financial Assistance Cluster</b>				<b>116,883,754</b>	<b>-</b>
<b>TRIO Cluster</b>					
<b>TRIO Direct Programs</b>					
<b>Department of Education</b>					
<b>Office of Postsecondary Education</b>					
TRIO-Student Support Services	84.042			288,053	-
TRIO-McNair Post-Baccalaureate Achievement	84.217			236,812	-
<b>Total TRIO Cluster</b>				<b>524,865</b>	<b>-</b>
<b>Child Care and Development Fund ("CCDF") Cluster</b>					
<b>CCDF Direct Programs</b>					
<b>Department of Health and Human Services</b>					
<b>Administration for Children and Families</b>					
Child Care and Development Block Grant	93.575			139,704	-
<b>Total CCDF Cluster</b>				<b>139,704</b>	<b>-</b>
<b>Other Programs</b>					
<b>Direct Programs</b>					
<b>Department of Defense</b>					
<b>Department of Air Force</b>					
Air Force Defense Research Sciences Program	12.800			6,384	-
<b>Department of State</b>					
<b>Under Secretary for Public Diplomacy and Public Affairs</b>					
Public Diplomacy Programs	19.040			30,071	-
<b>National Aeronautics and Space Administration</b>					
<b>NASA Research Announcements/Research Opportunities in Space and Earth Sciences</b>					
Science	43.001			11,356	-
<b>National Endowment for the Humanities</b>					
Promotion of the Humanities Professional Development	45.163			16,423	-
<b>Department of Education</b>					
Bonds Payable to U.S. Department of Education					
Par value at June 1, 2016	84.U00			5,002,778	-
<b>Total Other Direct Programs</b>				<b>5,067,012</b>	<b>-</b>
<b>Total Federal Award Expenditures</b>				<b>\$ 153,063,652</b>	<b>\$ 7,725,052</b>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

# **Boston College**

## **Notes to Schedule of Expenditures of Federal Awards**

### **May 31, 2017**

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#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of the University under programs of the federal government for the year ended May 31, 2017. Because the Schedule presents only the federal award activity of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University. Negative amounts, if present on the Schedule, represent adjustments to expenditures reported in the prior year. Full CFDA numbers and pass-through numbers are provided when available.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

#### **2. Summary of Significant Accounting Policies for Federal Awards**

The Schedule has been prepared using the accrual basis of accounting.

Expenditures for federal student financial aid programs are recognized as incurred and include such items as Federal Pell Grants to students, the federal share of the Supplemental Educational Opportunity Grants, Federal Work-Study program earnings and administrative cost allowances where applicable. Expenditures for research and other federal award programs are determined using the cost accounting principles and procedures set forth in Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures for awards (other than student financial aid) include facilities and administrative cost recoveries ("F&A"), relating primarily to facilities operation and maintenance, facilities and equipment depreciation and general departmental administration services, which are allocated to direct costs based on negotiated rates. F&A costs allocated to such awards for the year ended May 31, 2017 were based on predetermined fixed rates the University negotiated with the Department of Health and Human Services ("DHHS") Division of Cost Allocation. The University's current F&A rate agreement runs through May 31, 2018. Recoveries of F&A costs under sponsored programs are classified as unrestricted revenues in the University's consolidated financial statements. The University elected not to use the 10% de minimis F&A rate as allowed by Uniform Guidance. The University has a negotiated F&A rate agreement established with DHHS, its cognizant agency, as such there is no requirement for the University to use the 10% de minimis F&A rate.

**Boston College**  
**Notes to Schedule of Expenditures of Federal Awards**  
**May 31, 2017**

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**3. Federal Student Loan Programs**

The Federal Perkins and Nursing Student Loans programs are administered directly by the University and balances and transactions relating to these programs are included in the University's consolidated financial statements. The balances of loans outstanding at May 31, 2017 consist of:

Federal Perkins Loan Program	\$ 23,239,236
Nursing Student Loans	
Undergraduate	1,083,147
Graduate	<u>307,799</u>
Total campus-based loans	<u>\$ 24,630,182</u>

**4. Loan Programs**

As of May 31, 2017, the University had \$4,236,553 in debt payable to the Department of Education (CFDA #84.U00). Details of the debt balances outstanding, maturity dates and other related information is included in Note G to the consolidated financial statements.

## **Part II**

### **Reports on Internal Control and Compliance**



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Trustees of Boston College:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boston College and its subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities for the year ended May 31, 2017 and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts

September 29, 2017



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with the Uniform Guidance**

To the Trustees of Boston College:

**Report on Compliance for Each Major Federal Program**

We have audited Boston College and its subsidiaries (“the University”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended May 31, 2017. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors’ Responsibility***

Our responsibility is to express an opinion on compliance for each of the University’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.





The University's response to the noncompliance finding identified in our audit is described in the accompanying management's views and corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts

November 17, 2017

### **Part III**

## **Audit Findings and Questioned Costs**

**Boston College**  
**Schedule of Findings and Questioned Costs**  
**Year Ended May 31, 2017**

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**I. Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- ◆ Material weakness(es) identified?  Yes  No
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
- ◆ Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

- ◆ Material weakness(es) identified?  Yes  No
- ◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?  Yes  No

# **Boston College**

## **Schedule of Findings and Questioned Costs**

### **Year Ended May 31, 2017**

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#### **II. Findings Related to the Financial Statements**

None noted.

#### **III. Federal Awards Findings and Questioned Costs**

##### **2017-001 Return of Title IV Funds**

###### **Award Information**

Cluster: Student Financial Aid

Grantor: Department of Education

Award Name: Federal Direct Student Loan Program

Award year: 2016-2017 academic year

CFDA: 84.268

###### **Criteria**

The Code of Federal Regulations Title 34 Section 668.21(b) states "The institution must return those funds for which it is responsible under paragraph (a) of this section to the respective title IV, HEA (Title IV of the Higher Education Act of 1965) program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance."

###### **Condition**

Of the seven students tested for compliance with timely return of Title IV funds from a total population of seventy students who withdrew before beginning attendance, we noted one student who withdrew between the Fall and Spring terms whose \$8,485 of Title IV funds were not returned within the thirty day limit. The funds were returned to the Department of Education sixty-eight days following the University identifying the student as not having begun attendance.

###### **Cause**

The funds were not returned within the thirty day time limit since there was not a secondary independent review of students who did not begin attendance to ensure that all funds related to these students were returned in accordance with Federal Regulations. Although the student was initially identified as having withdrawn, the student's final decision not to attend for the given semester was not communicated through normal channels from the Dean's Office to the Financial Aid Office.

###### **Effect**

The effect of this finding was that Title IV funds were not returned to the Federal Direct Student Loan Program within the timeline as prescribed by CFR Title 34 Section 668.21(b).

###### **Questioned Cost**

There were no questioned costs as a result of this finding.

###### **Recommendation**

The University should implement an independent secondary review in addition to the student's financial aid counselor to monitor students who either withdraw during the term or will not or have not begun attendance and ensure that any Title IV HEA funds are returned to the applicable program as outlined in CFR Title 34 Section 668.21(b).

###### **Management's Views and Corrective Action Plan**

See Management's Views and Corrective Action Plan at the end of this report.

**Boston College**  
**Schedule of Status of Prior Audit Findings**  
**Year Ended May 31, 2017**

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**Prior Year Findings and Questioned Costs for Federal Awards**

There are no findings from prior years that require an update in this report.



## BOSTON COLLEGE

OFFICE OF THE CONTROLLER

### Management's Views and Corrective Action Plan for Audit Finding For the year ended May 31, 2017

#### Current Year Findings and Questioned Costs for Federal Awards

##### 2017-001 - Return of Title IV Funds

##### Student Financial Aid Cluster

CFDA #	Agency	Award Year	Award Name
84.268	Department of Education	2016-2017 academic year	Federal Direct Student Loan Program

#### Management's View and Corrective Action Plan

The University believes this to be an isolated incident. The student was initially identified during the Financial Aid Office's review of its weekly withdrawal report for the Spring academic term. The Financial Aid Office contacted the Dean's Office which was working with the student and believed that the student would enroll for the Spring term. However, when the student finally decided to leave the University the communication of that decision by the Dean's Office to the Financial Aid Office did not go through the normal channels and as a result the funds were not returned within the appropriate time limit. The University agrees that a secondary independent review could have prevented this incident. Therefore, beginning in December 2017, the Financial Aid Office will now generate a monthly edit report listing students who have withdrawn but who show aid as having been disbursed. The report will first be reviewed by a newly created position of Financial Aid Compliance Officer and a secondary review will be performed by the Director of Financial Aid.

#### University Contacts

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