

Boston College

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

May 31, 2020

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Boston College
Report on Federal Awards in Accordance with the Uniform Guidance
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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, 2020 and 2019, and the related consolidated statements of activities for the year ended May 31, 2020 and of cash flows for the years ended May 31, 2020 and 2019, 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 financial position of Boston College and its subsidiaries as of May 31, 2020 and 2019 and the changes in their net assets for the year ended May 31, 2020 and their cash flows for the years ended May 31, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.



Other Matters

We previously audited the consolidated statement of financial position as of May 31, 2019, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated September 27, 2019, 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, 2019 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, 2020 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. The 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 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, 2020. The purpose of that report is solely 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 the effectiveness of 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 25, 2020

Boston College
Consolidated Statements of Financial Position
As of May 31, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 21,412	\$ 10,558
Accounts receivable, net (Note B)	45,384	41,407
Contributions receivable, net (Note C)	159,946	157,993
Notes and other receivables, net (Note B)	31,145	36,261
Investments (Note E)	3,155,299	2,795,575
Funds held by trustees (Note E)	5,977	5,918
Other assets	7,406	8,036
Property, plant and equipment, net (Note G)	<u>1,774,703</u>	<u>1,716,085</u>
Total assets	<u>\$ 5,201,272</u>	<u>\$ 4,771,833</u>
Liabilities		
Accounts payable	\$ 4,732	\$ 6,825
Accrued liabilities	252,433	236,061
Deposits payable and deferred revenues	43,069	30,501
Bonds and mortgages payable, net (Note H)	1,313,937	1,061,623
U.S. Government loan advances	<u>12,301</u>	<u>18,823</u>
Total liabilities	<u>1,626,472</u>	<u>1,353,833</u>
Net Assets		
Without donor restrictions (Note I)	1,736,888	1,679,424
With donor restrictions (Note I)	<u>1,837,912</u>	<u>1,738,576</u>
Total net assets	<u>3,574,800</u>	<u>3,418,000</u>
Total liabilities and net assets	<u>\$ 5,201,272</u>	<u>\$ 4,771,833</u>

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

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2020
(With Summarized Financial Information for the Year Ended May 31, 2019)

<i>(in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating				
Revenues and other support				
Tuition and fees	\$ 484,272	\$ -	\$ 484,272	\$ 464,261
Auxiliary enterprises	149,823	-	149,823	172,788
Sponsored research and other programs	57,736	-	57,736	57,074
Government financial aid programs	4,362	-	4,362	4,422
Sales and services	5,028	-	5,028	5,380
Other revenues	13,258	-	13,258	12,351
Nonoperating assets utilized or released from restrictions for operations	155,414	-	155,414	149,208
Total revenues and other support	<u>869,893</u>	<u>-</u>	<u>869,893</u>	<u>865,484</u>
Expenses				
Instruction	314,540	-	314,540	315,140
Academic support	99,962	-	99,962	99,781
Research	47,758	-	47,758	47,221
Student services	72,522	-	72,522	65,845
Public service	4,358	-	4,358	4,997
General administration	134,159	-	134,159	138,874
Auxiliary enterprises	196,440	-	196,440	193,478
Total expenses	<u>869,739</u>	<u>-</u>	<u>869,739</u>	<u>865,336</u>
Increase in net assets from operating activities	<u>154</u>	<u>-</u>	<u>154</u>	<u>148</u>
Nonoperating				
Contributions	4,677	169,656	174,333	109,549
Investment return, net	61,279	75,910	137,189	(8,589)
Other gains (losses), net	2,171	(1,633)	538	6,711
Nonoperating assets utilized or released from restrictions for operations	(51,888)	(103,526)	(155,414)	(149,208)
Net assets reclassified or released from restrictions	41,071	(41,071)	-	-
Increase (decrease) in net assets from nonoperating activities	<u>57,310</u>	<u>99,336</u>	<u>156,646</u>	<u>(41,537)</u>
Total increase (decrease) in net assets	<u>57,464</u>	<u>99,336</u>	<u>156,800</u>	<u>(41,389)</u>
Net assets				
Beginning of year	1,679,424	1,738,576	3,418,000	3,459,389
End of year	<u>\$ 1,736,888</u>	<u>\$ 1,837,912</u>	<u>\$ 3,574,800</u>	<u>\$ 3,418,000</u>

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

Boston College

Consolidated Statements of Cash Flows

Years Ended May 31, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Cash flows from operating activities		
Total increase (decrease) in net assets	\$ 156,800	\$ (41,389)
Adjustments to reconcile change in net assets to cash, cash equivalents, and restricted cash used in operating activities		
Depreciation, amortization and accretion	88,514	83,196
Allowance for uncollectible contributions	3,477	277
Discount on contributions	(2,529)	1,124
Net loss on retirement or disposal of property, plant and equipment	(3,232)	(647)
(Gain) loss on recognition of asset retirement obligation	(794)	1,231
Contributions of property and equipment	(2,183)	(2,621)
Loan cancellations	776	933
Contributed securities	(44,960)	(20,639)
Proceeds from sale of contributed securities	6,414	4,649
Realized and unrealized investment (gains) losses, net	(121,018)	23,509
Gain from partial debt refunding	(15,498)	-
Changes in assets and liabilities		
Accounts receivable, net	(3,977)	(2,981)
Notes and other receivables	425	404
Contributions receivable	(2,901)	15,123
Accounts payable and accrued liabilities	23,402	(2,760)
Deposits payable and deferred revenue	12,568	(1,775)
Other assets	630	(902)
Contributions to be used for long-term investment	(120,573)	(74,288)
Net cash, cash equivalents, and restricted cash used in operating activities	<u>(24,659)</u>	<u>(17,556)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,968,211	1,830,876
Purchases of investments	(3,175,845)	(1,671,790)
Student loans granted	(334)	(619)
Student loans collected	4,249	5,300
Purchases of property, plant and equipment	(165,443)	(198,007)
Proceeds from sale of property, plant and equipment	15,238	60
Change in funds held by trustees	(59)	(116)
Net cash, cash equivalents, and restricted cash used in investing activities	<u>(353,983)</u>	<u>(34,296)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	298,446	-
Payment of bonds and mortgages payable	(30,475)	(28,580)
Change in U.S. Government loan advances	(6,522)	(329)
Payments to beneficiaries of split interest agreements	(1,531)	(1,841)
Proceeds from sale of contributed securities	38,546	15,990
Contributions to be used for long-term investment	120,573	74,288
Net cash, cash equivalents, and restricted cash provided by financing activities	<u>419,037</u>	<u>59,528</u>
Net increase in cash, cash equivalents, and restricted cash	40,395	7,676
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>24,963</u>	<u>17,287</u>
End of year	<u>\$ 65,358</u>	<u>\$ 24,963</u>
Supplemental data		
Interest paid, net of amounts capitalized	\$ 46,018	\$ 42,007
Change in asset retirement obligations recognized	(2,737)	584
Proceeds from issuance of debt	189,123	-
Use of proceeds to refund debt	(189,123)	-

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

Boston College

Notes to Consolidated Financial Statements

May 31, 2020 and 2019

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 two categories based on the existence or absence of externally imposed restrictions. The net assets of the University are classified and defined as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions

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.

Net assets with donor restrictions also 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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Operating expenses are reported as decreases in net assets without donor restrictions. Investment return, which includes realized and unrealized gains and losses on investments and investment income, net of investment fees, is reported as an increase or decrease in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law.

Revenue Recognition

The University recognizes revenue through the five-step model prescribed by the Financial Accounting Standards Board ("FASB") in the Accounting Standards Codification ("ASC"), *Revenue from Contracts with Customers*: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when a performance obligation is met. The University applies the practical expedient in ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The University's most significant operating revenue streams are tuition and fees, residential life, sponsored research, athletic, and dining services. Residential life, athletic, and dining services revenues are all captured within auxiliary enterprises on the consolidated statement of activities.

Boston College

Notes to Consolidated Financial Statements

May 31, 2020 and 2019

The University recognizes revenue as performance obligations are satisfied over time during the course of an academic semester or academic year, typically within one fiscal year. Tuition and fees, residential life, and dining are recognized ratably on straight-line basis over each academic semester.

The University's athletics revenue, which consists primarily of individual and season ticket sales as well as conference revenue sharing, is recognized as events occur over the course of each sports season or academic year.

The University reflects tuition and fees as well as auxiliary revenue net of student aid on the consolidated statement of activities. Student aid of \$214,633,000 and \$204,069,000 was applied against published tuition and fees rates in the years ended May 31, 2020 and 2019, respectively. Student aid of \$6,283,000 and \$6,403,000 was applied against auxiliary revenues in the years ended May 31, 2020 and 2019, respectively.

Revenues associated with nonexchange 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 revenue without donor restrictions.

Conditional promises related to sponsored research of \$68,577,000 and \$82,311,000 as of May 31, 2020 and May 31, 2019, respectively, are not recorded in the consolidated financial statements.

Nonoperating Activity

Nonoperating activity consists primarily of contributions, unfulfilled promises to give, life income adjustments, investment return, and other gains and losses on: postretirement healthcare benefits, foreign currency translation, sale or disposal of property, gains on partial debt refundings, and the recognition of asset retirement obligations. 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 time and purpose restrictions on net assets or other clarifications from donors are presented as net assets reclassified or released from restrictions.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the appropriate net asset category 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 revenues with donor restrictions, are released to net assets without donor restrictions when an expense is incurred that satisfies the restriction.

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Notes to Consolidated Financial Statements
May 31, 2020 and 2019

Contributions restricted for the purchase of property, plant and equipment are reported as nonoperating revenues with donor restrictions and are released to net assets without donor restrictions upon acquisition, 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 net assets with donor restrictions. 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.

Contribution and sponsored research revenue with donor restrictions for which the restriction is met in the same period as the contribution or grant is received is recorded as revenue without donor restrictions.

Cash and Cash Equivalents, Restricted Cash, and Investments

Cash and cash equivalents consists 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 short-term investments 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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sums to the amounts shown in the consolidated statements of cash flows.

<i>(in thousands)</i>	2020	2019
Cash and cash equivalents	\$ 21,412	\$ 10,558
Cash and restricted cash included in investments	<u>43,946</u>	<u>14,405</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 65,358</u>	<u>\$ 24,963</u>

Amounts included in cash and restricted cash included in investments relate to the endowment and student loans, respectively.

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 \$38,358,000 and \$32,739,000 as of May 31, 2020 and 2019, 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 9.6%. The liability of \$16,188,000 and \$13,953,000 as of May 31, 2020 and 2019, respectively, is adjusted during the term of the agreements for changes in actuarial assumptions.

Boston College

Notes to Consolidated Financial Statements

May 31, 2020 and 2019

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, 2019, from which the summarized information was derived.

Subsequent Events (unaudited)

In June 2020, the University entered into an Integration Agreement with Pine Manor College (“PMC”). Effective June 30, 2020, the University became the sole member of a reorganized and reconstituted PMC (the “New PMC”). As the sole corporate member, the University assumed responsibility for the management of New PMC and its assets and liabilities.

The University has assessed the impact of subsequent events through September 25, 2020, 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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new lease guidance establishes a model under which lessees record a right-of-use asset and a lease liability for all leases with terms longer than 12 months. The ASU is effective for the University’s 2021 fiscal year. The University is evaluating the impact of ASU No. 2016-02 on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This standard requires that the consolidated statement of cash flows explain the change during the period in total of cash, cash equivalents, and restricted cash. Additionally, a disclosure describing the nature of the restrictions and a reconciliation of cash, cash equivalents, and restricted cash to the amounts of cash and cash equivalents presented on the consolidated statements of financial position is required. The University adopted ASU No. 2016-18 in the University’s 2020 fiscal year using a retrospective approach. There was no material impact to the financial statements as a result of adoption.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

In March 2017, the FASB issued ASU No 2017-07, *Compensation- Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The guidance requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a component of employee benefit expenses. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of actuarially determined amounts, are required to be presented as a nonoperating change in net assets without restrictions. The University adopted ASU No. 2017-07 in the University's 2020 fiscal year using the retrospective approach. There was no material impact to the financial statements as a result of adoption.

B. Accounts, Notes and Other Receivables

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2020 and 2019, the allowance related to accounts receivable is \$3,293,000 and \$3,322,000, respectively.

Notes and other receivables consist of amounts due from students under U.S. Government and University sponsored loan programs and from the Weston Jesuit Community, Inc. under a ground lease agreement. As of May 31, 2020 and 2019, the amount due under the loan programs is \$17,033,000 and \$21,724,000, respectively. The notes receivable due from students under 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, 2020 and 2019, 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>	2020	2019
Unconditional promises scheduled to be collected in		
Less than one year	\$ 102,908	\$ 85,467
Between one year and five years	76,401	86,383
More than five years	20,047	24,604
Less: Discount and allowance for unfulfilled promises to give	<u>(39,410)</u>	<u>(38,461)</u>
Contributions receivable, net	<u>\$ 159,946</u>	<u>\$ 157,993</u>

A present value discount of \$12,406,000 and \$14,935,000 as of May 31, 2020 and 2019, 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 2020 and 2019 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$51,620,000 and \$68,696,000 as of May 31, 2020 and 2019, respectively, are not recorded in the consolidated financial statements.

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Notes to Consolidated Financial Statements
May 31, 2020 and 2019

D. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Financial assets		
Cash and cash equivalents	\$ 21,412	\$ 10,558
Accounts receivable, net	26,571	19,857
Contributions receivable	8,678	8,875
Short-term investments	585,231	312,830
Estimated endowment distribution	<u>119,592</u>	<u>119,865</u>
Total financial assets available within one year	761,484	471,985
Liquidity resources		
Line of credit	<u>75,000</u>	<u>75,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 836,484</u>	<u>\$ 546,985</u>

The University structures financial assets to be available as general expenditures and other obligations come due and invests cash in excess of daily requirements in short-term investments.

The University does not intend to spend from board-designated endowment funds (Note I) other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation process. Amounts from the board-designated endowment could be made available if necessary, subject to the lock-up provisions in Note E.

E. 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, 2020 and 2019, 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>	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,593,749	\$ 2,240,479	\$ 1,481,572	\$ 2,059,994
Fixed income	805,756	807,790	599,343	601,045
Real assets	<u>138,515</u>	<u>113,007</u>	<u>140,083</u>	<u>140,454</u>
	<u>\$ 2,538,020</u>	<u>\$ 3,161,276</u>	<u>\$ 2,220,998</u>	<u>\$ 2,801,493</u>

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

Equities include common stock, mutual funds, commingled funds, and limited partnership interests. Fixed income includes money market funds, commingled 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, 2020, the University's investments include \$659,732,000 of Level I equities, \$674,366,000 of Level I fixed income securities, \$8,379,000 of Level II fixed income securities and \$3,982,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2020 are \$1,580,747,000 of equities, \$121,063,000 of fixed income securities, and \$80,576,000 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, 2020 are \$32,431,000 of real estate investments valued at cost.

As of May 31, 2019, the University's investments include \$843,402,000 of Level I equities, \$513,950,000 of Level I fixed income securities, \$8,789,000 of Level II fixed income securities and \$3,938,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2019 are \$1,216,592,000 of equities, \$74,368,000 of fixed income securities, and \$107,572,000 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, 2019 are \$32,882,000 of real estate investments valued at cost.

As of May 31, 2020, \$25,997,000, \$8,379,000 and \$3,982,000 of split interest agreements are included in Level I, Level II, and Level III, respectively. As of May 31, 2019, \$20,011,000, \$8,789,000 and \$3,939,000 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:

<i>(in thousands)</i>	2020			
	Equities	Fixed Income	Real Assets	Total
Redemption terms				
Within 30 days	\$ 226,655	\$ 121,063	\$ -	\$ 347,718
Quarterly				
30-90 days prior written notice	258,325	-	-	258,325
Semi-annually, annually				
30-180 days prior written notice	389,887	-	-	389,887
Greater than 1 year	705,880	-	80,576	786,456
	<u>1,580,747</u>	<u>121,063</u>	<u>80,576</u>	<u>1,782,386</u>
Level I securities	659,732	674,366	-	1,334,098
Other investments	-	12,361	32,431	44,792
Total investments	<u>\$ 2,240,479</u>	<u>\$ 807,790</u>	<u>\$ 113,007</u>	<u>\$ 3,161,276</u>

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

<i>(in thousands)</i>	2019			
	Equities	Fixed Income	Real Assets	Total
Redemption terms				
Within 30 days	\$ 237,100	\$ 72,586	\$ -	\$ 309,686
Quarterly				
30-90 days prior written notice	133,995	-	-	133,995
Semi-annually, annually				
30-180 days prior written notice	372,889	1,782	-	374,671
Greater than 1 year	472,608	-	107,572	580,180
	<u>1,216,592</u>	<u>74,368</u>	<u>107,572</u>	<u>1,398,532</u>
Level I securities	843,402	513,950	-	1,357,352
Other investments	-	12,727	32,882	45,609
Total investments	<u>\$ 2,059,994</u>	<u>\$ 601,045</u>	<u>\$ 140,454</u>	<u>\$ 2,801,493</u>

The University is committed to invest up to an additional amount of \$328,700,000 and \$333,200,000 as of May 31, 2020 and 2019, respectively.

F. 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 without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include board-designated funds and any accumulated income and appreciation thereon. Net assets with donor restrictions include contributions not yet designated by donors and accumulated appreciation on funds classified as with donor restrictions. Net assets with donor restrictions also includes 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 is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2009 ("UPMIFA"), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the University in accordance with the standard of prudence prescribed by UPMIFA.

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.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

The University does not distribute from funds with market values less than historical value. To the extent that the fair value of a donor restricted endowment fund falls below its historic dollar value it is reported as a reduction of net assets with donor restrictions. As of May 31, 2020 and 2019, there are no endowment funds with a market value less than historical value.

G. 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>	2020	2019
Land and improvements	\$ 339,080	\$ 337,309
Buildings	1,924,796	1,733,906
Equipment	249,009	246,434
Library books	231,912	222,950
Rare book and art collections	32,504	30,146
Purchase options	2,855	2,855
Plant under construction	101,429	199,133
Property, plant and equipment, gross	<u>2,881,585</u>	<u>2,772,733</u>
Accumulated depreciation	<u>(1,106,882)</u>	<u>(1,056,648)</u>
Property, plant and equipment, net	<u>\$ 1,774,703</u>	<u>\$ 1,716,085</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, 2-15 years for equipment, and 10 or 50 years for library books. Rare book and art collections are reflected at historical cost and are not depreciated. Depreciation for the years ended May 31, 2020 and 2019 amounted to \$90,186,000 and \$84,910,000, respectively.

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 consolidated statement of activities. The University retired or disposed of \$53,093,000 and \$13,771,000 in gross plant assets for the years ended May 31, 2020 and 2019, respectively.

Property, plant and equipment additions of \$17,247,000 and \$22,136,000 are included in accrued liabilities on the consolidated statements of financial position for the years ended May 31, 2020 and 2019, respectively.

The University recognized \$760,000 and \$695,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets for the years ended May 31, 2020 and 2019, respectively. Conditional asset retirement obligations of \$12,965,000 and \$14,943,000 as of May 31, 2020 and 2019, respectively, are included in accrued liabilities.

The University has commitments of \$145,550,000 to complete various capital projects as of May 31, 2020.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

H. Bonds and Mortgages Payable

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

<i>(in thousands)</i>	2020	2019
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	\$ 129,360	\$ 134,285
Massachusetts Development Finance Agency (MDFA)		
Boston College Issues (fixed rate)		
Series Q, 4.25 - 5.00%, due 2020-2029	7,245	55,205
Series R, 4.00 - 5.00%, due 2020-2040	5,695	147,805
Series S, 4.12 - 5.00%, due 2020-2038	100,390	104,290
Series T, 3.37 - 5.00%, due 2033-2042	129,305	129,305
Series U, 5.00%, due 2021-2040	148,820	-
Trustees of Boston College (fixed rate)		
Taxable bonds, Series 2013, 2.82 - 5.09%, due 2020-2043	152,975	159,335
Taxable bonds, Series 2017, 1.70 - 3.99%, due 2020-2047	279,985	287,110
Taxable bonds, Series 2019, 3.13%, due 2049-2053	300,000	-
Department of Education (fixed rate)		
Library building bonds, 3.41%, due 2020-2022	2,150	2,810
Bonds and mortgages payable, par	1,255,925	1,020,145
Unamortized original bond issue premium	64,643	47,011
Unamortized issuance cost on bonds	(6,631)	(5,533)
Bonds and mortgages payable, net	<u>\$ 1,313,937</u>	<u>\$ 1,061,623</u>

As of May 31, 2020, principal payments due on all long-term bonds and mortgages payable are as follows: \$31,535,000 in 2021, \$30,690,000 in 2022, \$32,355,000 in 2023, \$33,750,000 in 2024, \$37,610,000 in 2025, and \$1,089,985,000 thereafter.

Interest expense for the years ended May 31, 2020 and 2019 amounted to \$43,644,000 and \$38,904,000, respectively. The University capitalized interest of \$4,263,000 and \$5,372,000 for the years ended May 31, 2020 and 2019, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2020 and 2019, there was no balance outstanding on the line of credit.

In October 2019, the University issued \$300,000,000 of Trustees of Boston College Taxable Bonds Series 2019 ("Series 2019"). The proceeds from Series 2019 will be used to finance certain capital needs including the construction, renovation, and improvement of University facilities. The University incurred costs of \$1,554,000 associated with this issue, which will be capitalized and amortized over the life of the bonds.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

In March 2020, the University issued \$148,820,000 of MDFA Series U Revenue Bonds (“Series U”). The Series U was issued with an original issue premium of \$38,645,000, which will be amortized over the life of the bonds. The entire net proceeds from Series U, \$186,408,000, were used to refund a portion of existing Series M, Series Q, and Series R bonds. The retirement of Series M was comprised of \$4,925,000 repayment of par value and \$105,000 interest prepayment. The retirement of Series Q was comprised of \$41,660,000 of par value and \$565,000 of interest prepayment. The retirement of Series R was comprised of \$135,980,000 of par value and \$3,361,000 of interest prepayment. The University incurred costs of \$1,162,000 associated with the issuance of Series U, which were capitalized and will be amortized over the life of the bonds, and recognized a net gain of \$15,498,000 on the partial refunding, which was recorded within other gains (losses), net in the consolidated statement of activities.

I. Net Assets

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Without Donor Restrictions		With Donor Restrictions	
	2020	2019	2020	2019
Endowment net assets, beginning of year				
Board designated	\$ 912,464	\$ 959,540	\$ -	\$ -
Donor restricted	-	-	1,561,669	1,607,867
Contributions	-	-	91,815	41,383
Investment return, net	45,629	(7,751)	75,855	(12,187)
Appropriation of endowed assets for expenditure	(43,345)	(45,715)	(71,088)	(72,989)
Net assets reclassified or released from restrictions	3,775	6,706	3,761	(979)
Other losses	(152)	(316)	(921)	(1,426)
Endowment net assets, end of year				
Board designated	918,371	912,464		
Donor restricted	-	-	1,661,091	1,561,669
Designated for specific purposes	233,490	100,385	-	-
Net investment in plant	585,027	666,575	-	-
Program support	-	-	80,996	67,577
Contributions for plant assets	-	-	95,018	108,496
Student loans	-	-	807	834
Total net assets	<u>\$ 1,736,888</u>	<u>\$ 1,679,424</u>	<u>\$ 1,837,912</u>	<u>\$ 1,738,576</u>

Included in net assets with donor restrictions on the consolidated statements of financial position as of May 31, 2020 and 2019 are \$1,139,915,000 and \$1,055,013,000 of perpetually restricted funds, and \$697,997,000 and \$683,563,000 of funds restricted for time or purpose, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

Net assets with donor restrictions consist of the following as of May 31:

<i>(in thousands)</i>	2020	2019
Scholarships and fellowships	\$ 763,586	\$ 732,508
Educational purposes	639,830	582,191
Professorships	274,550	265,884
Contributions receivable, net	<u>159,946</u>	<u>157,993</u>
Total	<u>\$ 1,837,912</u>	<u>\$ 1,738,576</u>

J. Classification of Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation expense is allocated based on square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Expenses associated with the operations and maintenance of facilities are allocated to the appropriate functional classifications based on square footage calculations and each functional area's corresponding use of those services.

Expenses by functional classification for the year ended May 31 consist of the following:

<i>(in thousands)</i>	2020					
	Salaries and Benefits	Operating Expenses	Depreciation/Amortization	Interest	Operations and Maintenance of Facilities	Total
Educational activities	\$ 291,269	\$ 49,394	\$ 34,419	\$ 13,591	\$ 30,187	\$ 418,860
Research	28,863	17,562	1,333	-	-	47,758
Student services	36,639	12,497	9,535	7,410	6,441	72,522
General administration	93,244	24,852	7,181	3,768	5,114	134,159
Auxiliary enterprises	60,780	54,703	35,485	17,440	28,032	196,440
Operations and maintenance of facilities	45,518	20,293	2,528	1,435	(69,774)	-
Total	<u>\$ 556,313</u>	<u>\$ 179,301</u>	<u>\$ 90,481</u>	<u>\$ 43,644</u>	<u>\$ -</u>	<u>\$ 869,739</u>

<i>(in thousands)</i>	2019					
	Salaries and Benefits	Operating Expenses	Depreciation/Amortization	Interest	Operations and Maintenance of Facilities	Total
Educational activities	\$ 286,142	\$ 54,203	\$ 35,214	\$ 14,367	\$ 29,992	\$ 419,918
Research	27,161	18,550	1,510	-	-	47,221
Student services	36,143	15,286	5,693	2,534	6,189	65,845
General administration	93,480	29,971	6,661	3,751	5,011	138,874
Auxiliary enterprises	58,914	57,192	34,237	17,163	25,972	193,478
Operations and maintenance of facilities	44,776	19,436	1,863	1,089	(67,164)	-
Total	<u>\$ 546,616</u>	<u>\$ 194,638</u>	<u>\$ 85,178</u>	<u>\$ 38,904</u>	<u>\$ -</u>	<u>\$ 865,336</u>

Included in the general administration expense category on the consolidated statement of activities are expenses incurred in carrying out the fundraising activities of the University, which amounted to \$26,869,000 and \$28,173,000 for the years ended May 31, 2020 and 2019, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

K. 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, 2020 and 2019, the University's contributions to the retirement program are \$28,170,000 and \$27,642,000, respectively.

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 net assets without donor restrictions are determined as follows for the years ended May 31:

<i>(in thousands)</i>	2020	2019
Service cost	\$ 3,258	\$ 3,170
Net periodic postretirement benefit cost	<u>3,258</u>	<u>3,170</u>
Net loss (gain)	11,802	(11,188)
Interest cost	<u>3,962</u>	<u>3,759</u>
Other changes in plan assets and benefit obligation	<u>15,764</u>	<u>(7,429)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 19,022</u>	<u>\$ (4,259)</u>

In Fiscal 2021, an unrecognized net loss of \$1,130,000 is 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, 2019 and the cost for the year ending May 31, 2020 were: 5.75% in the per capita cost of covered health care benefits for post-65 benefits and 7.00% in the per capita cost of covered health care benefits for pre-65 benefits. Rates were assumed to decrease gradually to 5.00% in 2027 for pre-65 benefits and to 5.00% in 2023 for post-65 benefits and remain at those levels thereafter. The assumed annual rates of increase for measuring the obligation at May 31, 2020 and the cost for the year ending May 31, 2021 were: 5.50% 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. Rates were assumed to decrease gradually to 5.00% in 2027 for pre-65 benefits and to 5.00% in 2023 for post-65 benefits and remain at those levels thereafter.

Boston College
Notes to Consolidated Financial Statements
May 31, 2020 and 2019

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

<i>(in thousands)</i>	Increase	Decrease
Effect on total of service and interest cost components	\$ 716	\$ (586)
Effect on postretirement benefit obligation	13,580	(11,342)

The discount rate used to determine the accumulated benefit obligation is 3.00% as of May 31, 2020 and 4.00% as of May 31, 2019. The discount rate used to determine the net periodic postretirement benefit cost is 4.00% as of May 31, 2020 and 4.25% as of May 31, 2019.

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

<i>(in thousands)</i>	2020	2019
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	\$ 99,340	\$ 106,528
Service cost	3,258	3,170
Interest cost	3,962	3,759
Plan participant contributions	1,193	1,083
Benefits paid	(4,031)	(4,012)
Actuarial loss (gain)	11,802	(11,188)
Benefit obligation, end of year	<u>\$ 115,524</u>	<u>\$ 99,340</u>
Amounts not yet recognized as a component of net periodic benefit cost		
Net actuarial loss	<u>\$ 23,140</u>	<u>\$ 11,652</u>
	<u>\$ 23,140</u>	<u>\$ 11,652</u>

As of May 31, 2020 and 2019, 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: \$3,370,000 in 2021, \$3,690,000 in 2022, \$4,010,000 in 2023, \$4,330,000 in 2024, \$4,710,000 in 2025, and \$29,610,000 the five fiscal years thereafter.

L. Related Party

The University has mortgages, loans and notes due from various related parties of \$23,906,000 and \$23,587,000 as of May 31, 2020 and 2019, respectively.

M. 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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
Research and Development ("R&D") Cluster					
Direct Programs					
Department of Defense					
Department of the Navy, Office of the Chief of Naval Research					
Basic and Applied Scientific Research	12.300			\$ 65,019	\$ -
U.S. Army Medical Research Acquisition Activity					
Military Medical Research and Development	12.420			179,252	-
Department of Army Material Command					
Basic Scientific Research	12.431			130,799	-
Department of Air Force, Material Command					
Air Force Defense Research Sciences Program	12.800			1,854,847	-
Air Force Defense Research Sciences Program	12.800			115,481	67,713
Defense Advanced Research Projects Agency					
Research and Technology Development	12.910			50,379	-
Department of Air Force					
Air Force Research Laboratory	12.RD			62,940	-
Air Force Research Laboratory	12.RD			434,313	220,288
Department of Interior					
U.S. Geological Survey					
Earthquake Hazards Research Grants	15.807			68,027	-
Department of Justice					
Office on Violence Against Women					
Office on Violence Against Women Research and Evaluation Program	16.026			90,045	15,518
Department of State					
Under Secretary for Public Diplomacy and Public Affairs					
Public Diplomacy Programs	19.040			3,991	-
Department of Transportation					
Federal Aviation Administration	20.RD			159,845	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			43,135	-
National Science Foundation					
Engineering Grants	47.041			131,029	-
Engineering Grants	47.041			77,209	59,866
Mathematical and Physical Sciences	47.049			2,153,462	-
Mathematical and Physical Sciences	47.049			142,462	27,718
Mathematical and Physical Sciences	47.049			126,742	51,708
Geosciences	47.050			516,232	-

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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
R&D Cluster Direct Programs, continued					
National Science Foundation, continued					
Computer and Information Science and Engineering	47.070			247,267	-
Biological Sciences	47.074			493,242	-
Social, Behavioral, and Economic Sciences	47.075			707,665	-
Social, Behavioral, and Economic Sciences	47.075			541	541
Education and Human Resources	47.076			557,063	-
Education and Human Resources	47.076			79,087	9,386
Education and Human Resources	47.076			63,442	49,769
Education and Human Resources	47.076			250,108	85,864
Education and Human Resources	47.076			379,320	178,662
Education and Human Resources	47.076			513,096	207,693
Department of Veterans Affairs					
Veteran-Directed Home & Community Based Services	64.RD			6,829	-
Department of Energy					
Office of Science Financial Assistance Program	81.049			528,069	-
Office of Science Financial Assistance Program	81.049			24,657	13,076
Department of Education					
Institute of Education Sciences					
Graduate Assistance in Areas of National Need	84.200			27,200	-
Education Research, Development and Dissemination	84.305			596,119	-
Education Research, Development and Dissemination	84.305			129,408	27,979
Department of Health and Human Services					
National Institutes of Health					
Oral Diseases and Disorders Research	93.121			2,032	-
Research Related to Deafness and Communication Disorders	93.173			74,924	-
Research Related to Deafness and Communication Disorders	93.173			134,857	68,743
Mental Health Research Grants	93.242			1,465,315	-
Mental Health Research Grants	93.242			12,645	12,645
Mental Health Research Grants	93.242			129,290	17,713
Mental Health Research Grants	93.242			123,849	17,828
Mental Health Research Grants	93.242			62,151	62,151
Mental Health Research Grants	93.242			148,385	139,300
Mental Health Research Grants	93.242			701,876	168,831
Mental Health Research Grants	93.242			385,219	364,327
Minority Health and Health Disparities Research	93.307			180,714	62,855
Minority Health and Health Disparities Research	93.307			566,533	267,683
Minority Health and Health Disparities Research	93.307			745,935	601,509
Trans-NIH Research Support	93.310			(933)	(933)
Trans-NIH Research Support	93.310			982,735	940,813
Trans-NIH Research Support	93.310			197,849	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			516,893	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			197,719	40,298
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			599,214	287,515
Allergy and Infectious Diseases Research	93.855			1,951,878	-
Allergy and Infectious Diseases Research	93.855			33,327	16,984
Allergy and Infectious Diseases Research	93.855			1,198,358	764,441

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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
R&D Cluster Direct Programs, continued					
Department of Health and Human Services, continued					
National Institutes of Health, continued					
Biomedical Research and Research Training	93.859			4,013,261	-
Biomedical Research and Research Training	93.859			232,718	33,482
Child Health and Human Development Extramural Research	93.865			19,533	17,820
Child Health and Human Development Extramural Research	93.865			211,632	55,049
Child Health and Human Development Extramural Research	93.865			438,393	217,272
Aging Research	93.866			78,200	-
Aging Research	93.866			291	291
Aging Research	93.866			72,553	3,668
International Research and Research Training	93.989			3,564	-
International Research and Research Training	93.989			53,841	13,450
Social Security Administration					
Social Security Research and Demonstration	96.007			938,645	45,413
Social Security Research and Demonstration	96.007			1,007,931	532,675
Social Security Research and Demonstration	96.007			171,214	87,039
U.S. Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			203,662	54,663
Research and Development Cluster Direct Programs Subtotal				28,864,525	5,909,306
Research and Development Cluster					
Pass-through Programs					
Department of Defense					
Department of the Navy, Office of the Chief of Naval Research					
Basic and Applied Scientific Research	12.300	University of Texas at Austin	UTA16-000557	224,044	-
Department of the Air Force					
U.S. Air Force	12.RD	Systems & Technology Research	2016-1108	111,901	-
U.S. Air Force	12.RD	Systems & Technology Research	2018-0046	(1,062)	-
Defense Advanced Research Projects Agency	12.RD	Triton Systems, Inc.	TSI-2604-19-109021	61,866	-
U.S. Air Force	12.RD	Creare LLC	S650	22,922	-
Air Force Research Laboratories	12.RD	Atmospheric & Environmental Research Inc	P2247-06	6,693	-
Air Force Research Laboratories	12.RD	Earth Resources Technology, Inc. (ERT)	3643-SUB01	66,143	-
Department of Interior					
U.S. Geological Survey					
Earthquake Hazards Research Grants	15.807	University of Southern California	118057917	14,787	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001	University of Central Florida	66016031-2	12,491	-
Science	43.001	Cornell University	73921-10523	36,835	-
Science	43.001	Embry Riddle Aeronautical University	61559-1	20,225	-
Science	43.001	Space Telescope Science Institute	51399	109,383	-
Science	43.001	Analytical Mechanics Associates, Inc.	PO number T3-0352FY1	48,472	-
Science	43.001	Universities Space Research Association	SOF 07-0039	13,706	-

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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
R&D Cluster Pass-through Programs, continued					
National Science Foundation					
Geosciences	47.050	Woods Hole Oceanographic Institution	A101422	310	-
Geosciences	47.050	Woods Hole Oceanographic Institution	A101416	19,455	-
Geosciences	47.050	University Corp for Atmospheric Research	SUBCON000413	40,256	-
Biological Sciences	47.074	University of Vermont & State Agricultural College	31418SUB52251	654	-
Education and Human Resources	47.076	Education Development Center, Inc.	12074	193,538	-
Education and Human Resources	47.076	Mosesian Center for the Arts	1811166-01	19,927	-
Education and Human Resources	47.076	Massachusetts Institute of Technology	S5033	6,738	-
Office of Integrative Activities	47.083	Boise State University	6800-D	66,304	-
Department of Energy					
Renewable Energy Research and Development Program	81.087	University of Michigan	3004665442	66,556	-
Department of Education					
Office of Elementary and Secondary Education					
Title I Grants to Local Education Agencies	84.010	Jamestown City School District	Not Available	34,984	-
Comprehensive Centers	84.283	Education Northwest	Not Available	45,314	-
Institute of Education Sciences					
Education Research, Development and Dissemination	84.305A	Educational Testing Service	BC-ED-305A	44,253	-
Department of Health and Human Services					
National Institute on Deafness and Other Communication Disorders					
Research Related to Deafness and Communication Disorders	93.173	Oregon Health & Science University	1007001_BOSTON	28,225	-
Substance Abuse and Mental Health Services Administration					
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	Boston Children's Hospital	GENFD0001400646	11,491	-
Centers for Disease Control and Prevention					
Occupational Safety and Health Program	93.262	Harvard University	114960-5097782	10,629	-
Occupational Safety and Health Program	93.262	Harvard University	114960-5097862	32,580	-
National Institute on Nursing Research					
Nursing Research	93.361	Oregon Health & Science University	1006975_BOSTON	12,805	-
Nursing Research	93.361	Oregon Health & Science University	5115364	73,301	-
National Cancer Institute					
Cancer Detection and Diagnosis Research	93.394	Oregon Health & Science University	1012407_BOSTON	17,403	-
Human Services Administration for Community Living					
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	University of Illinois	2015-01151-06-00 AS	76,982	-
National Institutes of Health					
Cardiovascular Diseases Research	93.837	Brigham and Women's Hospital	115074	24,734	-
Cardiovascular Diseases Research	93.837	Northeastern University	500537-78051	19,915	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Massachusetts General Hospital	227074	84,396	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Auburn University	16-CVM-201300-BC	63,608	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Florida	UFDSP00011964	124,072	-
Allergy and Infectious Diseases Research	93.855	Harvard University	160505-1359	14,871	-
Microbiology and Infectious Diseases Research	93.856	Massachusetts General Hospital	224838	73,790	-

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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
R&D Cluster Pass-through Programs, continued					
Department of Health and Human Services, continued					
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	5710004064	275,196	-
Biomedical Research and Research Training	93.859	Pennsylvania State University	5604-BC-DHHS-1907	36,416	-
Aging Research	93.866	University of Massachusetts - Worcester	OSP2018106	27,411	-
Aging Research	93.866	Brandeis University	402461	14,506	-
Aging Research	93.866	Brandeis University	403800	3,141	-
Aging Research	93.866	Rutgers University	0241	164,661	-
Aging Research	93.866	Massachusetts General Hospital	300325	45,827	-
International Research and Research Training	93.989	The Washington University	WU-20-273	6,414	-
Research and Development Cluster Pass-through Programs Subtotal				2,529,069	-
Total Research and Development Cluster				31,393,594	5,909,306
Student Financial Assistance Cluster					
Department of Education					
Office of Federal Student Aid					
Federal Supplemental Educational Opportunity Grants	84.007			1,458,996	-
Federal Work-Study Program	84.033			2,091,852	-
Federal Perkins Loan					
Outstanding loans as of June 1, 2019	84.038			14,114,779	-
New loans issued during FY2020	84.038			-	-
Administrative cost allowance	84.038			-	-
Federal Pell Grant Program	84.063			6,608,219	-
Federal Direct Student Loan	84.268			84,062,528	-
Teacher Education Assistance for College and Higher Education Grants	84.379			25,867	-
Postsecondary Education Scholarships for Veteran's Dependents	84.408	Harvard University	108129-5076415	20,464	-
Department of Health and Human Services					
Health Resources and Services Administration					
Nursing Student Loans					
Outstanding loans as of June 1, 2019	93.364			1,434,057	-
New loans issued during FY2020	93.364			298,050	-
Total Student Financial Assistance Cluster				110,114,812	-
TRIO Cluster					
TRIO Direct Programs					
Department of Education					
Office of Postsecondary Education					
TRIO-Student Support Services	84.042			285,784	-
TRIO-McNair Post-Baccalaureate Achievement	84.217			319,162	-
Total TRIO Cluster				604,946	-

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, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
Other Programs					
Direct Programs					
Department of State					
Under Secretary for Public Diplomacy and Public Affairs					
Criminal Justice Systems	19.703			3,460	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			41,632	-
National Science Foundation					
Mathematical and Physical Sciences	47.049			3,071	-
Department of Veterans Affairs					
Veteran-Directed Home & Community Based Services	64.U00			2,067	-
Department of Education					
Bonds Payable to U.S. Department of Education					
Par value at June 1, 2019	84.U00			2,810,000	-
Total Other Direct Programs				2,860,230	-
Pass-Through Programs					
Department of Health and Human Services					
National Institutes of Health					
Cancer Manpower Grants	93.398	Dana-Farber Cancer Institute	1178006	7,919	-
Total Other Pass-Through Programs				7,919	-
Total Other Programs				2,868,149	-
Total Federal Award Expenditures				\$ 144,981,501	\$ 5,909,306

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, 2020

1. Summary of Significant Accounting Policies for Federal Awards and 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, 2020. 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.

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.

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

2. De Minimis F&A Rate

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, 2020 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, 2022. 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, 2020

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, 2020 consist of:

Federal Perkins Loan Program	\$ 10,682,758
Nursing Student Loans	
Undergraduate	1,175,962
Graduate	<u>237,947</u>
Total campus-based loans	<u>\$ 12,096,667</u>

4. Loan Programs

As of May 31, 2020, the University had \$2,150,000 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 H 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, 2020, and the related consolidated statements of activities 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 25, 2020.

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") as a basis for designing 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Boston, Massachusetts
September 25, 2020



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, 2020. The University's major federal programs are identified in the summary of auditors' 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, 2020.

Other Matter

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N,



Special Tests and Provisions, Section 10 “Gramm-Leach-Bliley Act-Student Information Security.” This section includes three suggested audit procedures with respect to verification that the institution (1) designated an individual to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management’s documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

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 12, 2020

Part III

Audit Findings and Questioned Costs

Boston College
Schedule of Findings and Questioned Costs
Year Ended May 31, 2020

I. Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of auditors' 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 auditors' 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, 2020

II. Findings Related to the Financial Statements

None noted.

III. Federal Awards Findings and Questioned Costs

None noted.

Boston College
Schedule of Status of Prior Audit Findings
Year Ended May 31, 2020

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