

Boston College

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

May 31, 2018

EIN: 04-2103545

Boston College
Report on Federal Awards in Accordance with the Uniform Guidance
Index
May 31, 2018

	Page(s)
Part I – Consolidated Financial Statements and Schedule of Expenditures of Federal Awards	
Report of Independent Auditors	1–2
Consolidated Financial Statements	3–17
Schedule of Expenditures of Federal Awards.....	18–22
Notes to Schedule of Expenditures of Federal Awards	23–24
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 <i>Government Auditing Standards</i>	25–26
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.....	27–28
Part III – Audit Findings and Questioned Costs	
Schedule of Findings and Questioned Costs.....	29–30
Summary of Prior Audit Findings and Status	31
Management’s Views and Corrective Action Plan	32

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, 2018 and 2017, and the related consolidated statements of activities for the year ended May 31, 2018 and of cash flows for the years ended May 31, 2018 and 2017, 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, 2018 and 2017 and the changes in their net assets for the year ended May 31, 2018 and their cash flows for the years ended May 31, 2018 and 2017 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, 2017, 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 29, 2017, 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, 2017 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, 2018 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 28, 2018 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, 2018. 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 28, 2018

Boston College
Consolidated Statements of Financial Position
As of May 31, 2018 and 2017

<i>(in thousands)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 9,227	\$ 11,686
Accounts receivable, net (Note B)	38,426	40,104
Contributions receivable, net (Note C)	174,517	203,002
Notes and other receivables, net (Note B)	42,279	48,978
Investments (Note D)	2,969,984	2,887,969
Funds held by trustees (Note D)	5,802	6,311
Other assets	7,134	6,964
Property, plant and equipment, net (Note F)	1,604,149	1,488,709
Total assets	<u>\$ 4,851,518</u>	<u>\$ 4,693,723</u>
Liabilities		
Accounts payable	\$ 5,745	\$ 6,848
Accrued liabilities	242,452	207,123
Deposits payable and deferred revenues	32,276	30,733
Bonds and mortgages payable, net (Note G)	1,092,504	1,122,171
U.S. Government loan advances	19,152	36,520
Total liabilities	<u>1,392,129</u>	<u>1,403,395</u>
Net Assets		
Unrestricted (Note H)	1,672,187	1,581,067
Temporarily restricted (Note H)	762,304	707,466
Permanently restricted (Note H)	1,024,898	1,001,795
Total net assets	<u>3,459,389</u>	<u>3,290,328</u>
Total liabilities and net assets	<u>\$ 4,851,518</u>	<u>\$ 4,693,723</u>

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

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2018
(With Summarized Financial Information for the Year Ended May 31, 2017)

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Operating					
Revenues and other support					
Tuition and fees before student aid	\$ 641,241	\$ -	\$ -	\$ 641,241	\$ 612,647
Auxiliary enterprises before student aid	175,824	-	-	175,824	167,696
Sponsored research and other programs	52,524	-	-	52,524	52,261
Government financial aid programs	4,709	-	-	4,709	5,109
Sales and services	5,125	-	-	5,125	5,070
Other revenues	14,275	-	-	14,275	11,921
Nonoperating assets utilized or released from restrictions for operations	140,971	-	-	140,971	126,459
Total revenues and other support before student aid	1,034,669	-	-	1,034,669	981,163
Student aid applicable to tuition and fees	(192,692)	-	-	(192,692)	(175,789)
Student aid applicable to auxiliary enterprises	(6,345)	-	-	(6,345)	(6,406)
Net revenues	835,632	-	-	835,632	798,968
Expenses					
Instruction	322,070	-	-	322,070	308,687
Academic support	81,679	-	-	81,679	72,388
Research	43,960	-	-	43,960	43,474
Student services	64,630	-	-	64,630	65,604
Public service	4,466	-	-	4,466	4,548
General administration	130,718	-	-	130,718	128,014
Auxiliary enterprises	187,967	-	-	187,967	176,116
Total expenses	835,490	-	-	835,490	798,831
Increase in net assets from operating activities	142	-	-	142	137
Nonoperating					
Contributions	5,708	56,431	22,790	84,929	121,311
Realized and unrealized investment gains, net	95,268	149,951	611	245,830	278,203
Investment income, net	9,003	1,419	(32)	10,390	6,843
Other losses, net	(28,705)	(1,651)	(903)	(31,259)	(914)
Nonoperating assets utilized or released from restrictions for operations	(37,978)	(102,993)	-	(140,971)	(126,459)
Net assets reclassified or released from restrictions	47,682	(48,319)	637	-	-
Increase in net assets from nonoperating activities	90,978	54,838	23,103	168,919	278,984
Total increase in net assets	91,120	54,838	23,103	169,061	279,121
Net assets					
Beginning of year	1,581,067	707,466	1,001,795	3,290,328	3,011,207
End of year	\$ 1,672,187	\$ 762,304	\$ 1,024,898	\$ 3,459,389	\$ 3,290,328

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

Boston College
Consolidated Statements of Cash Flows
Years Ended May 31, 2018 and 2017

<i>(in thousands)</i>	2018	2017
Cash flows from operating activities		
Total increase in net assets	\$ 169,061	\$ 279,121
Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities		
Depreciation, amortization and accretion	95,446	66,846
Allowance for uncollectible contributions	(165)	(210)
Discount on contributions	(3,390)	(4,120)
Net loss (gain) on retirement or disposal of property, plant and equipment	355	(8,210)
Loss on recognition of asset retirement obligation	178	638
Contributions of property and equipment	(1,307)	(1,289)
Loan cancellations	903	908
Contributed securities	(12,231)	(22,935)
Proceeds from sale of contributed securities	3,659	3,514
Realized and unrealized investment gains, net	(246,128)	(277,526)
Loss on debt extinguishment	-	1,272
Changes in assets and liabilities		
Accounts receivable, net	1,678	(13)
Notes and other receivables	385	366
Contributions receivable	32,040	8,210
Accounts payable and accrued liabilities	21,836	(4,166)
Deposits payable and deferred revenue	1,543	1,500
Other assets	(170)	677
Contributions to be used for long-term investment	(64,526)	(77,309)
Net cash and cash equivalents used in operating activities	<u>(833)</u>	<u>(32,726)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,046,667	1,012,060
Purchases of investments	(1,881,078)	(1,202,505)
Student loans granted	(876)	(2,442)
Student loans collected	6,287	6,718
Purchases of property, plant and equipment	(200,127)	(98,394)
Proceeds from sale of property, plant and equipment	105	5,106
Change in funds held by trustees	509	2,145
Net cash and cash equivalents used in investing activities	<u>(28,513)</u>	<u>(277,312)</u>
Cash flows from financing activities		
Proceeds from issuance of debt	-	245,000
Payment of bonds and mortgages payable	(27,367)	(26,256)
Change in U.S. Government loan advances	(17,368)	267
Payments to beneficiaries of split interest agreements	(1,476)	(2,072)
Proceeds from sale of contributed securities	8,572	19,421
Contributions to be used for long-term investment	64,526	77,309
Net cash and cash equivalents provided by financing activities	<u>26,887</u>	<u>313,669</u>
Net (decrease) increase in cash and cash equivalents	(2,459)	3,631
Cash and cash equivalents		
Beginning of year	11,686	8,055
End of year	<u>\$ 9,227</u>	<u>\$ 11,686</u>
Supplemental data		
Interest paid, net of amounts capitalized	\$ 44,254	\$ 38,745
Change in asset retirement obligations recognized	62	(3,818)
Net fixed asset retirement related to asset retirement obligation	(223)	(27)
Contributed securities	12,231	22,935
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, 2018 and 2017

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 consists primarily of contributions, unfulfilled promises to give, life income adjustments, realized and unrealized gains and losses on investments, investment income, and other gains and losses on: 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, 2018 and 2017

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 \$25,027,000 and \$23,341,000 for the years ended May 31, 2018 and 2017, 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 \$36,059,000 and \$35,425,000 as of May 31, 2018 and 2017, 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 \$13,192,000 and \$14,031,000 as of May 31, 2018 and 2017, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions.

Boston College

Notes to Consolidated Financial Statements

May 31, 2018 and 2017

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.

The Tax Cuts and Jobs Act (the “Act”) was enacted on December 22, 2017. The full impact of the Act will not be known until further regulatory guidance is provided. The University continues to evaluate the impact of tax reform on the organization.

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, 2017, from which the summarized information was derived.

Subsequent Events

The University has assessed the impact of subsequent events through September 28, 2018, 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 the University’s 2019 fiscal year.

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 2020 fiscal year.

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 the University’s 2019 fiscal year.

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU amends the new revenue recognition standard and long-standing contribution accounting guidance and is expected to shift the majority of grants from an exchange to a nonexchange recognition model. The ASU is effective for the University's 2019 fiscal year.

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

B. Accounts, Notes and Other Receivables

Accounts receivable and notes receivable are stated net of allowances for doubtful accounts. As of May 31, 2018 and 2017, the allowance related to accounts receivable is \$3,335,000 and \$4,271,000, 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, 2018 and 2017, the amount due under the loan programs is \$27,338,000 and \$33,651,000, 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, 2018 and 2017, 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>	2018	2017
Unconditional promises scheduled to be collected in		
Less than one year	\$ 91,226	\$ 92,734
Between one year and five years	101,876	131,858
More than five years	18,475	19,025
Less: Discount and allowance for unfulfilled promises to give	<u>(37,060)</u>	<u>(40,615)</u>
Contributions receivable, net	<u>\$ 174,517</u>	<u>\$ 203,002</u>

A present value discount of \$13,811,000 and \$17,201,000 as of May 31, 2018 and 2017, 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 2018 and 2017 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$71,923,000 and \$75,635,000 as of May 31, 2018 and 2017, respectively, are not recorded in the consolidated financial statements.

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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, 2018 and 2017, 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>	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,441,835	\$ 2,160,432	\$ 1,365,754	\$ 1,968,394
Fixed income	664,064	683,784	751,542	788,292
Real assets	135,220	131,570	129,012	137,594
	<u>\$ 2,241,119</u>	<u>\$ 2,975,786</u>	<u>\$ 2,246,308</u>	<u>\$ 2,894,280</u>

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, 2018, the University's investments include \$992,139,000 of Level I equities, \$570,286,000 of Level I fixed income securities, \$10,013,000 of Level II fixed income securities and \$4,278,000 of Level III fixed income securities. Excluded from the fair value hierarchy at May 31, 2018 are \$1,168,293,000 of equities, \$99,207,000 of fixed income and \$98,356,000 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, 2018 are \$33,214,000 of real estate investments valued at cost.

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.

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

As of May 31, 2018, \$21,768,000, \$10,013,000 and \$4,278,000 of split interest agreements are included in Level I, Level II and Level III, respectively. 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.

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>	2018			
	Equities	Fixed Income	Real Assets	Total
Redemption terms				
Within 30 days	\$ 271,617	\$ 70,169	\$ -	\$ 341,786
Quarterly				
30-90 days prior written notice	100,836	-	-	100,836
Semi-annually, annually				
30-180 days prior written notice	429,192	29,038	-	458,230
1-5 years	239,116	-	46,265	285,381
6-10 years	127,532	-	52,091	179,623
	<u>1,168,293</u>	<u>99,207</u>	<u>98,356</u>	<u>1,365,856</u>
Level I securities	992,139	570,286	-	1,562,425
Other investments	-	14,291	33,214	47,505
Total investments	<u>\$ 2,160,432</u>	<u>\$ 683,784</u>	<u>\$ 131,570</u>	<u>\$ 2,975,786</u>
	2017			
<i>(in thousands)</i>	Equities	Fixed Income	Real Assets	Total
Redemption terms				
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>

The University is committed to invest up to an additional amount of \$370,600,000 and \$252,700,000 as of May 31, 2018 and 2017, respectively.

The University recognized net realized and unrealized gains of \$245,830,000 and \$278,203,000 and investment income of \$10,390,000 and \$6,843,000, net of investment advisory fees of \$21,639,000 and \$20,660,000, for the years ended May 31, 2018 and 2017, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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, 2018 and 2017, there were no endowment funds with a market value less than historical value.

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>	2018	2017
Land and improvements	\$ 322,520	\$ 287,091
Buildings	1,638,549	1,573,993
Equipment	237,548	246,883
Library books	213,959	205,268
Rare book and art collections	27,639	26,528
Purchase options	2,855	2,855
Plant under construction	146,540	58,702
Property, plant and equipment, gross	2,589,610	2,401,320
Accumulated depreciation	(985,461)	(912,611)
Property, plant and equipment, net	\$ 1,604,149	\$ 1,488,709

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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, 2018 and 2017 amounted to \$97,000,000 and \$68,101,000, 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 \$24,599,000 and \$20,528,000 in gross plant assets for the years ended May 31, 2018 and 2017, respectively.

Property, plant and equipment additions of \$25,919,000 and \$14,249,000 are included in accrued liabilities for the years ended May 31, 2018 and 2017, respectively.

The University recognized \$658,000 and \$821,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended May 31, 2018 and 2017, respectively. Conditional asset retirement obligations of \$13,711,000 and \$12,991,000 as of May 31, 2018 and 2017, respectively, are included in accrued liabilities.

The University has commitments of \$110,734,000 to complete various capital projects as of May 31, 2018.

G. Bonds and Mortgages Payable

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

<i>(in thousands)</i>	2018	2017
Massachusetts Health and Educational Facilities Authority (MHEFA)		
Boston College Issues (fixed rate)		
Series M, 5.00 - 5.50%, due 2023 - 2035	\$ 134,285	\$ 134,285
Massachusetts Development Finance Agency (MDFA)		
Boston College Issues (fixed rate)		
Series Q, 4.25 - 5.00%, due 2018-2029	61,565	66,855
Series R, 4.00 - 5.00%, due 2018-2040	154,010	160,235
Series S, 4.12 - 5.00%, due 2018-2038	113,640	123,030
Series T, 3.37 - 5.00%, due 2033-2042	129,305	129,305
Trustees of Boston College (fixed rate)		
Taxable bonds, Series 2013, 2.28 - 5.09%, due 2018-2043	165,365	171,035
Taxable bonds, Series 2017, 1.70 - 3.99%, due 2019-2047	287,110	287,110
Department of Education (fixed rate)		
Library building bonds, 3.41%, due 2018 - 2022	3,445	4,055
Secured note, 3.00%	-	182
Bonds and mortgages payable, par	<u>1,048,725</u>	<u>1,076,092</u>
Unamortized original bond issue premium	49,580	52,148
Unamortized issuance cost on bonds	<u>(5,801)</u>	<u>(6,069)</u>
Bonds and mortgages payable, net	<u>\$ 1,092,504</u>	<u>\$ 1,122,171</u>

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

As of May 31, 2018, principal payments due on all long-term bonds and mortgages payable are as follows; 2019 - \$28,580,000; 2020 - \$30,475,000; 2021 - \$31,535,000; 2022 - \$32,845,000; 2023 - \$34,240,000 and thereafter - \$891,050,000.

Interest expense for the years ended May 31, 2018 and 2017 amounted to \$42,577,000 and \$38,617,000, respectively. The University capitalized interest of \$2,991,000 and \$2,983,000 for the years ended May 31, 2018 and 2017, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2018 and 2017, there was no balance outstanding on the line of credit.

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). Series T was issued with an original issue premium of \$11,898,000 which is being 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, are being 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 are being amortized over the life of the bonds. The University recognized a net loss on debt extinguishment of \$1,272,000 in the year ended May 31, 2017.

H. Net Assets

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Unrestricted		Donor Restricted			
			Temporarily Restricted		Permanently Restricted	
	2018	2017	2018	2017	2018	2017
Endowment net assets, beginning of year						
Board designated	\$ 900,875	\$ 832,826	\$ -	\$ -	\$ -	\$ -
Donor restricted	-	-	497,804	391,811	1,001,795	971,028
Contributions, net of allowance	-	-	6,071	4,524	22,790	29,091
Investment return:						
Investment income, net	611	(150)	1,340	(22)	(32)	(34)
Gains, net	96,376	111,051	149,951	169,994	611	619
Total investment return	96,987	110,901	151,291	169,972	579	585
Appropriation of endowed assets or expenditure	(44,852)	(43,692)	(69,617)	(66,045)	-	-
Net assets reclassified or released from restrictions	6,646	967	(2,149)	(804)	637	2,158
Other losses, net	(116)	(127)	(431)	(1,654)	(903)	(1,067)
Endowment net assets, end of year						
Board designated	959,540	900,875	-	-	-	-
Donor restricted	-	-	582,969	497,804	1,024,898	1,001,795
Designated for specific purposes	122,214	193,863	-	-	-	-
Net investment in plant	590,433	486,329	-	-	-	-
Program support	-	-	60,557	67,990	-	-
Contributions for plant assets	-	-	117,894	140,727	-	-
Student loans	-	-	884	945	-	-
Total net assets	\$ 1,672,187	\$ 1,581,067	\$ 762,304	\$ 707,466	\$ 1,024,898	\$ 1,001,795

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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, 2018 and 2017, the University's contributions to the retirement program were \$26,802,000 and \$26,080,000, 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 unrestricted net assets were determined as follows for the years ended May 31:

<i>(in thousands)</i>	2018	2017
Service cost	\$ 3,355	\$ 3,301
Interest cost	4,105	3,751
Amortization of prior service cost	(210)	(534)
Amortization of loss	1,106	869
Net periodic postretirement benefit cost	<u>8,356</u>	<u>7,387</u>
Actuarial loss (gain)	10,495	(396)
Amortization of prior service cost	210	534
Amortization of loss	(1,106)	(869)
Other changes in plan assets and benefit obligation	<u>9,599</u>	<u>(731)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 17,955</u>	<u>\$ 6,656</u>

In fiscal 2019, the prior service cost credit of \$69,000 and unrecognized net loss of \$1,300,000 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, 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. The assumed annual rates of increase for measuring the obligation at May 31, 2018 and the cost for the year ending May 31, 2019 were: 6.00% in the per capita cost of covered health care benefits for post-65 benefits and 7.50% 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, 2018 and 2017

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	\$ 1,009	\$ (826)
Effect on postretirement benefit obligation	14,571	(12,138)

The discount rate used to determine the accumulated benefit obligation is 4.25% as of May 31, 2018 and 2017. The discount rate used to determine the net periodic postretirement benefit cost is 4.25% as of May 31, 2018 and 2017.

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

<i>(in thousands)</i>	2018	2017
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	\$ 91,324	\$ 86,973
Service cost	3,355	3,301
Interest cost	4,105	3,751
Plan participant contributions	926	855
Benefits paid	(3,677)	(3,160)
Actuarial loss (gain)	10,495	(396)
Benefit obligation, end of year	<u>\$ 106,528</u>	<u>\$ 91,324</u>
Amounts not yet recognized as a component of net periodic benefit cost		
Prior service cost	\$ (69)	\$ (280)
Net actuarial loss	22,840	13,451
	<u>\$ 22,771</u>	<u>\$ 13,171</u>

As of May 31, 2018 and 2017, 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: 2019 - \$3,440,000; 2020 - \$3,690,000; 2021 - \$4,010,000; 2022 - \$4,410,000; 2023 - \$4,810,000 and the five fiscal years thereafter - \$30,490,000.

J. Related Party

The University has mortgages, loans and notes due from various related parties of \$23,377,000 and \$24,030,000 as of May 31, 2018 and 2017, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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, 2018

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 Agriculture					
Agriculture Research Service					
National Institute of Food and Agriculture	10.226			\$ 95,168	\$ 19,768
Department of Defense					
Department of the Navy, Office of the Chief of Naval Research					
Basic and Applied Scientific Research	12.300			94,733	-
U.S. Army Medical Research Acquisition Activity					
Military Medical Research and Development	12.420			5,735	-
Department of Army Material Command					
Basic Scientific Research	12.431			95,714	-
Department of Air Force, Material Command					
Air Force Defense Research Sciences Program	12.800			1,675,507	14,143
National Security Agency					
Mathematical Sciences Grant Program	12.901			20,926	-
Defense Advanced Research Projects Agency					
Research and Technology Development	12.910			135,687	-
Department of Justice					
Office on Violence Against Women					
Office on Violence Against Women Research and Evaluation Program	16.026			31,615	9,454
Department of Transportation					
Federal Aviation Administration	20.RD			117,807	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			206,995	-
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			9,128	-
National Endowment for the Humanities					
Promotion of the Humanities Professional Development	45.163			2,362	-
National Science Foundation					
Engineering Grants	47.041			233,009	-
Mathematical and Physical Sciences	47.049			2,282,630	35,617
Mathematical and Physical Sciences	47.049			7,123	-
Geosciences	47.050			206,611	122,352
Geosciences	47.050			763,540	53,038
Geosciences	47.050			13,100	-
Computer and Information Science and Engineering	47.070			155,551	-
Biological Sciences	47.074			287,793	-
Biological Sciences	47.074			89,593	-
Social, Behavioral, and Economic Sciences	47.075			547,306	44,916

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, 2018

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					
Education and Human Resources	47.076			482,236	-
Education and Human Resources	47.076			774,020	189,313
Education and Human Resources	47.076			88,559	-
NSF IPA	47.RD			23,820	-
Department of Veterans Affairs					
Veteran-Directed Home & Community Based Services	64.RD			52,453	-
Department of Energy					
Office of Science Financial Assistance Program	81.049			480,553	160,086
Department of Education					
Institute of Education Sciences					
Education Research, Development and Dissemination	84.305			468,537	125,576
Department of Health and Human Services					
National Institutes of Health					
Oral Diseases and Disorders Research	93.121			264,097	-
Research Related to Deafness and Communication Disorders	93.173			4,695	-
Mental Health Research Grants	93.242			1,485,688	26,454
Mental Health Research Grants	93.242			27,414	-
Drug Abuse and Addiction Research Programs	93.279			169,360	-
Minority Health and Health Disparities Research	93.307			956,925	334,329
Trans-NIH Research Support	93.310			4,049,269	3,602,815
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			385,938	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			447,029	178,296
Allergy and Infectious Diseases Research	93.855			3,723,567	1,228,367
Biomedical Research and Research Training	93.859			3,888,462	34,341
Child Health and Human Development Extramural Research	93.865			331,002	34,485
Aging Research	93.866			345,245	107,974
International Research and Research Training	93.989			34,852	-
Agency for Healthcare Research and Quality					
Research on Healthcare Costs, Quality and Outcomes	93.226			28,099	3,499
Substance Abuse and Mental Health Services Administration					
Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243			13,472	-
Centers for Disease Control and Prevention					
Occupational Safety and Health Program	93.262			77,055	-
Administration for Children and Families					
Head Start	93.600			36,873	-
Social Security Administration					
Social Security Research and Demonstration	96.007			2,521,410	784,426
U.S. Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			238,248	54,447
Research and Development Cluster Direct Programs Subtotal				28,476,511	7,163,696

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, 2018

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 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	209,193	-
Department of the Air Force					
Air Force Research Laboratories	12.RD	Systems & Technology Research	2015-1082	788,060	-
Air Force Research Laboratories	12.RD	Systems & Technology Research	2016-1108	64,645	-
Department of Justice					
Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking					
Promoting Evidence Integration in Sex Offender Management					
Discretionary Grant Program	16.203	Fairleigh Dickinson University	DOJ0003-02	4,688	-
Recovery Act - Internet Crimes against Children Task Force Program	16.800	National Crittenton Foundation	N/A	811	-
Department of Labor					
Employee Benefits Security Administration, Office of Policy and Research	17.RD	IMPAQ International	N/A	1,042	-
Chief Evaluation Office	17.RD	Summit Consulting, LLC	CRR-DOL-2016	61,366	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001	University of Central Florida	66016031-2	27,021	-
Science	43.001	Cornell University	73921-10523	51,230	-
National Science Foundation					
Engineering Grants	47.041	Ohio State University	60046373	119,680	-
Mathematical and Physical Sciences	47.049	University of Illinois	057930-16498	19,999	-
Mathematical and Physical Sciences	47.049	American Educational Research Association	N/A	7,543	-
Geosciences	47.050	Massachusetts Institute of Technology	5710004035	55,004	-
Biological Sciences	47.074	University of Vermont & State Agricultural College	31418SUB52251	6,114	-
Education and Human Resources	47.076	University of California, Berkeley	00007716	14,468	-
Education and Human Resources	47.076	Technical Education Research Centers	4104	118,773	-
Education and Human Resources	47.076	Technical Education Research Centers	4074	50,465	-
Education and Human Resources	47.076	Massachusetts Bay Community College	1501451	48,664	-
Education and Human Resources	47.076	Education Development Center, Inc.	12074	88,369	-
Education and Human Resources	47.076	The Concord Consortium	305-01	11,290	-
Office of Integrative Activities	47.083	Boise State University	6800-D	106,758	-
Department of Energy					
Office of Science Financial Assistance Program	81.049	Massachusetts Institute of Technology	5710003751	100,860	-
Renewable Energy Research and Development Program	81.087	University of Michigan	3004665442	22,909	-
Department of Education					
Office of Elementary and Secondary Education					
Comprehensive Centers	84.283	Education Northwest	N/A	58,991	-

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, 2018

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 Education, continued					
Office of Federal Student Aid					
Postsecondary Education Scholarships for Veteran's Dependents	84.408	Harvard University	108129-5076415	13,998	-
Department of Health and Human Services					
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	6,560	-
Centers for Disease Control and Prevention					
Occupational Safety and Health Program	93.262	Harvard University	114960-5097782	9,277	-
Occupational Safety and Health Program	93.262	Harvard University	114960-5097862	20,617	-
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	124,837	-
National Institutes of Health					
Cardiovascular Diseases Research	93.837	Wayne State University	WSU17106	11,173	-
Cardiovascular Diseases Research	93.837	Northeastern University	500537-78051	19,049	-
Cardiovascular Diseases Research	93.837	Brigham and Women's Hospital	115074	9,924	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Auburn University	16-CVM-201300-BC	66,259	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Florida	UFDSP00011964	43	-
Allergy and Infectious Diseases Research	93.855	Boston University Medical Center	4500001917	27,182	-
Allergy and Infectious Diseases Research	93.855	Harvard University	160505-1359	9,642	-
Microbiology and Infectious Diseases Research	93.856	Massachusetts General Hospital	224838	102,480	-
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	5710004064	242,783	-
Biomedical Research and Research Training	93.859	Pennsylvania State University	5604-BC-DHHS-1907	36,053	-
Aging Research	93.866	Brandeis University	402461	24,739	-
Aging Research	93.866	Rutgers University	0241	57,835	-
Research and Development Cluster Pass-through Programs Subtotal				2,820,394	-
Total Research and Development Cluster				31,296,905	7,163,696
Student Financial Assistance Cluster					
Department of Education					
Office of Federal Student Aid					
Federal Supplemental Educational Opportunity Grants	84.007			1,451,405	-
Federal Work-Study Program	84.033			2,231,457	-
Federal Perkins Loan					
Outstanding loans as of June 1, 2017	84.038			23,239,237	-
New loans issued during FY2018	84.038			158,110	-
Administrative Cost Allowance	84.038			249,152	-
Federal Pell Grant Program	84.063			6,254,752	-
Federal Direct Student Loan	84.268			79,684,625	-
Teacher Education Assistance for College and Higher Education Grants	84.379			41,096	-

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, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
Student Financial Assistance Cluster, continued					
Department of Health and Human Services					
Health Resources and Services Administration					
Nursing Student Loans					
Outstanding loans as of June 1, 2017	93.364			1,390,946	-
New loans issued during FY2018	93.364			373,300	-
Total Student Financial Assistance Cluster				115,074,080	-
TRIO Cluster					
TRIO Direct Programs					
Department of Education					
Office of Postsecondary Education					
TRIO-Student Support Services	84.042			281,414	-
TRIO-McNair Post-Baccalaureate Achievement	84.217			159,723	-
Total TRIO Cluster				441,137	-
Child Care and Development Fund ("CCDF") Cluster					
CCDF Direct Programs					
Department of Health and Human Services					
Administration for Children and Families					
Child Care and Development Block Grant	93.575			5,477	-
Total CCDF Cluster				5,477	-
Other Programs					
Direct Programs					
Department of State					
Under Secretary for Public Diplomacy and Public Affairs					
Public Diplomacy Programs	19.040			125,114	-
Criminal Justice Systems	19.703			174,608	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			113,903	-
National Endowment for the Humanities					
Promotion of the Humanities Professional Development	45.163			3,955	-
Department of Education					
Bonds Payable to U.S. Department of Education					
Par value at June 1, 2017	84.U00			4,236,553	-
Total Other Direct Programs				4,654,133	-
Total Federal Award Expenditures				\$ 151,471,732	\$ 7,163,696

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, 2018

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, 2018. 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, 2018 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, 2018

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, 2018 consist of:

Federal Perkins Loan Program	\$ 18,322,727
Nursing Student Loans	
Undergraduate	1,154,283
Graduate	<u>258,932</u>
Total campus-based loans	<u>\$ 19,735,942</u>

4. Loan Programs

As of May 31, 2018, the University had \$3,445,000 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 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, 2018, 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 28, 2018.

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 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.

RiceWaterhouseCoopers LLP

Boston, Massachusetts

September 28, 2018



**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, 2018. 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, 2018.

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 2018-001. 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.

RiceWaterhouseCoopers LLP

Boston, Massachusetts
November 16, 2018

Part III

Audit Findings and Questioned Costs

Boston College
Schedule of Findings and Questioned Costs
Year Ended May 31, 2018

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
84.U00	Bonds Payable to U.S. Department of Education

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, 2018

II. Findings Related to the Financial Statements

None noted.

III. Federal Awards Findings and Questioned Costs

2018–001 Direct Loan Reconciliation

Award Information

Cluster: Student Financial Assistance

Grantor: Department of Education

Award Name: Federal Direct Student Loan Program

Award year: 2017-2018 academic year

CFDA: 84.268

Criteria

The Code of Federal Regulations Title 34 Section 685.300(b)(5) states "On a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary."

Condition

The University did not perform the required monthly reconciliation over direct loans received from June 2017 through April 2018, and the May 2018 reconciliation was not completed until October 2018. The University became aware when notified by the Department of Education ("DoED") in June 2018 that the direct loan funds received by the University exceeded the disbursement records accepted by the Secretary. The University determined that there were unreconciled direct loans of \$591,000 for 64 students as of May 31, 2018. The University refunded the estimated amount of unreconciled student accounts promptly to the DoED in June 2018.

Cause

The monthly reconciliations were not performed due to turnover in the Student Financial Services department by the position that normally completes the reconciliation. As a result, the responsibilities were reassigned to another member of the department, who was also assigned to a system implementation project. The supervisor who reviews the reconciliations, or the Bursar who performs the drawdowns, did not follow up to ensure that the reconciliations were being performed.

Effect

The University could have disbursed direct loans that would not have been accepted by the Secretary.

Recommendation

We recommend that the University's Offices of Financial Aid and the Bursar meet on a regular basis to discuss compliance with all DoED and Uniform Guidance requirements. The roles and responsibilities should be clearly outlined for each group, including but not limited to ensuring that all student financial assistance programs are reconciled timely.

Management's Views and Corrective Action Plan

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

Boston College
Summary Schedule of Prior Audit Findings and Status
Year Ended May 31, 2018

Prior Year Findings and Questioned Costs for Federal Awards

2017-001 Return of Title IV Funds

Award Information

Cluster: Student Financial Assistance

Grantor: Department of Education

Award Name: Federal Direct Student Loan Program

Award year: 2016-2017 academic year

CFDA: 84.268

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, PwC 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.

Current Year Update

Beginning in December of 2017, the Office of Student Financial Services has implemented a monthly report listing all students who have withdrawn and who have had federal aid disbursed. The report is then reviewed by the Financial Aid Compliance Officer and the Director of Financial Aid to ensure that all aid is returned within applicable Uniform Guidance guidelines.



BOSTON COLLEGE

OFFICE OF THE CONTROLLER

Management's Views and Corrective Action Plan for Audit Finding For the year ended May 31, 2018

Current Year Findings and Questioned Costs for Federal Awards

2018-001 - Direct Loan Reconciliation

Student Financial Aid Cluster

CFDA #	Agency	Award Year	Award Name
84.268	Department of Education	2017-2018 academic year	Federal Direct Student Loan Program

Management's View and Corrective Action Plan

The University concurs with this finding. The monthly reconciliation of institutional records with Direct Loan (DL) funds received from the Secretary and DL disbursement records submitted to and accepted by the Secretary was not performed for the period June 2017 through April 2018. The reconciliation has been performed for May 2018 and for each month-to-date of the 2018-2019 academic year. The University has developed a new monthly report which compares the amounts disbursed per the financial aid office records with the amounts entered in the student account records. This report is then reconciled with the Direct Loan information in the Common Origination and Disbursement system (COD) via an existing DL reconciliation job generated from the financial aid system, as well as, the funds disbursed through G5. The responsibility to prepare the monthly reconciliation will be with the newly re-instated position of Direct Loan/Collections Specialist within the Bursar's Office with oversight by a COD team comprised of representatives from the Bursar's Office and the Financial Aid Office. The COD team will meet weekly to review the various DL and COD reports and will meet monthly with the Director of Financial Aid and the Bursar to review the reconciliations and ensure that any potential issues have been properly addressed and resolved.

University Contacts

Christopher Cordella
Bursar
Student Services
617-552-8645

Mary S. McGranahan
Director, Financial Aid
Student Services
617-552-3325