

Boston College

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

May 31, 2019

EIN: 04-2103545

Boston College
Report on Federal Awards in Accordance with the Uniform Guidance
Index
May 31, 2019

	Page(s)
Part I – Consolidated Financial Statements and Schedule of Expenditures of Federal Awards	
Report of Independent Auditors	1–2
Consolidated Financial Statements	3–19
Schedule of Expenditures of Federal Awards.....	20–25
Notes to Schedule of Expenditures of Federal Awards	26–27
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>	28–29
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.....	30–31
Part III – Audit Findings and Questioned Costs	
Schedule of Findings and Questioned Costs.....	32–33
Summary of Prior Audit Findings and Status	34

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, 2019 and 2018, and the related consolidated statements of activities for the year ended May 31, 2019 and of cash flows for the years ended May 31, 2019 and 2018, 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, 2019 and 2018 and the changes in their net assets for the year ended May 31, 2019 and their cash flows for the years ended May 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note A to the consolidated financial statements, the University changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019. Our opinion is not modified with respect to this matter.

Other Matters

We previously audited 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 (the statement of activities is not presented herein), and in our report dated September 28, 2018, 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, 2018 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, 2019 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 27, 2019 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, 2019. 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 27, 2019

Boston College
Consolidated Statements of Financial Position
As of May 31, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 10,558	\$ 9,227
Accounts receivable, net (Note B)	41,407	38,426
Contributions receivable, net (Note C)	157,993	174,517
Notes and other receivables, net (Note B)	36,261	42,279
Investments (Note E)	2,795,575	2,969,984
Funds held by trustees (Note E)	5,918	5,802
Other assets	8,036	7,134
Property, plant and equipment, net (Note G)	<u>1,716,085</u>	<u>1,604,149</u>
Total assets	<u>\$ 4,771,833</u>	<u>\$ 4,851,518</u>
Liabilities		
Accounts payable	\$ 6,825	\$ 5,745
Accrued liabilities	236,061	242,452
Deposits payable and deferred revenues	30,501	32,276
Bonds and mortgages payable, net (Note H)	1,061,623	1,092,504
U.S. Government loan advances	<u>18,823</u>	<u>19,152</u>
Total liabilities	<u>1,353,833</u>	<u>1,392,129</u>
Net Assets		
Without donor restrictions (Note I)	1,679,424	1,672,187
With donor restrictions (Note I)	<u>1,738,576</u>	<u>1,787,202</u>
Total net assets	<u>3,418,000</u>	<u>3,459,389</u>
Total liabilities and net assets	<u>\$ 4,771,833</u>	<u>\$ 4,851,518</u>

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

Boston College
Consolidated Statement of Activities
Year Ended May 31, 2019
(With Summarized Financial Information for the Year Ended May 31, 2018)

<i>(in thousands)</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Operating				
Revenues and other support				
Tuition and fees, net	\$ 464,261	\$ -	\$ 464,261	\$ 448,549
Auxiliary enterprises, net	172,788	-	172,788	169,479
Sponsored research and other programs	57,074	-	57,074	52,524
Government financial aid programs	4,422	-	4,422	4,709
Sales and services	5,380	-	5,380	5,125
Other revenues	12,351	-	12,351	14,275
Nonoperating assets utilized or released from restrictions for operations	149,208	-	149,208	140,971
Net revenues and other support	<u>865,484</u>	<u>-</u>	<u>865,484</u>	<u>835,632</u>
Expenses				
Instruction	315,140	-	315,140	310,006
Academic support	99,781	-	99,781	93,743
Research	47,221	-	47,221	43,960
Student services	65,845	-	65,845	64,630
Public service	4,997	-	4,997	4,466
General administration	138,874	-	138,874	130,718
Auxiliary enterprises	193,478	-	193,478	187,967
Total expenses	<u>865,336</u>	<u>-</u>	<u>865,336</u>	<u>835,490</u>
Increase in net assets from operating activities	<u>148</u>	<u>-</u>	<u>148</u>	<u>142</u>
Nonoperating				
Contributions	4,997	104,552	109,549	84,929
Investment return, net	3,516	(12,105)	(8,589)	256,220
Other gains (losses), net	9,406	(2,695)	6,711	(31,259)
Nonoperating assets utilized or released from restrictions for operations	(44,668)	(104,540)	(149,208)	(140,971)
Net assets reclassified or released from restrictions	<u>33,838</u>	<u>(33,838)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets from nonoperating activities	<u>7,089</u>	<u>(48,626)</u>	<u>(41,537)</u>	<u>168,919</u>
Total increase (decrease) in net assets	<u>7,237</u>	<u>(48,626)</u>	<u>(41,389)</u>	<u>169,061</u>
Net assets				
Beginning of year	<u>1,672,187</u>	<u>1,787,202</u>	<u>3,459,389</u>	<u>3,290,328</u>
End of year	<u>\$ 1,679,424</u>	<u>\$ 1,738,576</u>	<u>\$ 3,418,000</u>	<u>\$ 3,459,389</u>

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

Boston College
Consolidated Statements of Cash Flows
Years Ended May 31, 2019 and 2018

<i>(in thousands)</i>	2019	2018
Cash flows from operating activities		
Total (decrease) increase in net assets	\$ (41,389)	\$ 169,061
Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities		
Depreciation, amortization and accretion	83,196	95,446
Allowance for uncollectible contributions	277	(165)
Discount on contributions	1,124	(3,390)
Net (gain) loss on retirement or disposal of property, plant and equipment	(647)	355
Loss on recognition of asset retirement obligation	1,231	178
Contributions of property and equipment	(2,621)	(1,307)
Loan cancellations	933	903
Contributed securities	(20,639)	(12,231)
Proceeds from sale of contributed securities	4,649	3,659
Realized and unrealized investment losses (gains), net	23,509	(246,128)
Changes in assets and liabilities		
Accounts receivable, net	(2,981)	1,678
Notes and other receivables	404	385
Contributions receivable	15,123	32,040
Accounts payable and accrued liabilities	(2,760)	21,836
Deposits payable and deferred revenue	(1,775)	1,543
Other assets	(902)	(170)
Contributions to be used for long-term investment	(74,288)	(64,526)
Net cash and cash equivalents used in operating activities	<u>(17,556)</u>	<u>(833)</u>
Cash flows from investing activities		
Proceeds from sales of investments	1,830,876	2,046,667
Purchases of investments	(1,678,135)	(1,881,078)
Student loans granted	(619)	(876)
Student loans collected	5,300	6,287
Purchases of property, plant and equipment	(198,007)	(200,127)
Proceeds from sale of property, plant and equipment	60	105
Change in funds held by trustees	(116)	509
Net cash and cash equivalents used in investing activities	<u>(40,641)</u>	<u>(28,513)</u>
Cash flows from financing activities		
Payment of bonds and mortgages payable	(28,580)	(27,367)
Change in U.S. Government loan advances	(329)	(17,368)
Payments to beneficiaries of split interest agreements	(1,841)	(1,476)
Proceeds from sale of contributed securities	15,990	8,572
Contributions to be used for long-term investment	74,288	64,526
Net cash and cash equivalents provided by financing activities	<u>59,528</u>	<u>26,887</u>
Net increase (decrease) in cash and cash equivalents	1,331	(2,459)
Cash and cash equivalents		
Beginning of year	<u>9,227</u>	<u>11,686</u>
End of year	<u>\$ 10,558</u>	<u>\$ 9,227</u>
Supplemental data		
Interest paid, net of amounts capitalized	\$ 42,007	\$ 44,254
Change in asset retirement obligations recognized	584	(161)

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

Boston College

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

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, 2019 and 2018

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 \$204,069,000 and \$192,692,000 was applied against published tuition and fees rates in the years ended May 31, 2019 and 2018, respectively. Student aid of \$6,403,000 and \$6,345,000 was applied against auxiliary revenues in the years ended May 31, 2019 and 2018, respectively.

Revenues associated with non-exchange 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 restriction.

Conditional promises related to sponsored research of \$82,311,000 as of May 31, 2019 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, 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.

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.

Boston College

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

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 are recorded as revenues without donor restriction.

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 \$32,739,000 and \$36,059,000 as of May 31, 2019 and 2018, 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 \$13,953,000 and \$13,192,000 as of May 31, 2019 and 2018, respectively, is adjusted during the term of the agreements for changes in actuarial assumptions.

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, 2018, from which the summarized information was derived.

Subsequent Events

The University has assessed the impact of subsequent events through September 27, 2019, 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.

Boston College

Notes to Consolidated Financial Statements

May 31, 2019 and 2018

Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

Recent Accounting Pronouncements

In May 2014, the 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 University adopted ASU No. 2014-09 in fiscal 2019 using the modified retrospective approach. There was no material impact to the financial statements as a result of adoption.

In August 2016, the FASB issued ASU No. 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 presentation of two classes of net assets versus the previously required three and expanded disclosure requirements concerning functional and natural expense classifications and liquidity. The University retrospectively adopted ASU 2016-14 in fiscal 2019.

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 shifted the majority of grants from an exchange to a nonexchange recognition model. The University adopted ASU No. 2018-08 in fiscal 2019 using the modified prospective approach. There was no material impact to the financial statements as a result of adoption.

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. The University is evaluating the impact of ASU No. 2016-02 on the consolidated financial statements.

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 ASU is effective for the University’s 2020 fiscal year. The University is evaluating the impact of ASU No. 2017-07 on the 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, 2019 and 2018, the allowance related to accounts receivable is \$3,322,000 and \$3,335,000, respectively.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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, 2019 and 2018, the amount due under the loan programs is \$21,724,000 and \$27,338,000, 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, 2019 and 2018, 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>	2019	2018
Unconditional promises scheduled to be collected in		
Less than one year	\$ 85,467	\$ 91,226
Between one year and five years	86,383	101,876
More than five years	24,604	18,475
Less: Discount and allowance for unfulfilled promises to give	<u>(38,461)</u>	<u>(37,060)</u>
Contributions receivable, net	<u>\$ 157,993</u>	<u>\$ 174,517</u>

A present value discount of \$14,935,000 and \$13,811,000 as of May 31, 2019 and 2018, 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 2019 and 2018 at fair value as determined in accordance with fair value accounting guidance.

Conditional promises of \$68,696,000 and \$71,923,000 as of May 31, 2019 and 2018, respectively, are not recorded in the consolidated financial statements.

D. Financial Assets and Liquidity Resources

As of May 31, 2019, financial assets and liquidity resources available within one year are as follows:

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

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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, 2019 and 2018, 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>	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,481,572	\$ 2,059,994	\$ 1,441,835	\$ 2,160,432
Fixed income	599,343	601,045	664,064	683,784
Real assets	140,083	140,454	135,220	131,570
	<u>\$ 2,220,998</u>	<u>\$ 2,801,493</u>	<u>\$ 2,241,119</u>	<u>\$ 2,975,786</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, 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.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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 securities, 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, 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. 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.

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>	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>
	2018			
<i>(in thousands)</i>	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
Greater than 1 year	366,648	-	98,356	465,004
	<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>

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

The University is committed to invest up to an additional amount of \$333,200,000 and \$370,600,000 as of May 31, 2019 and 2018, 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 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.

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, 2019 and 2018, there are no endowment funds with a market value less than historical value.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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>	2019	2018
Land and improvements	\$ 337,309	\$ 322,520
Buildings	1,733,906	1,638,549
Equipment	246,434	237,548
Library books	222,950	213,959
Rare book and art collections	30,146	27,639
Purchase options	2,855	2,855
Plant under construction	<u>199,133</u>	<u>146,540</u>
Property, plant and equipment, gross	2,772,733	2,589,610
Accumulated depreciation	<u>(1,056,648)</u>	<u>(985,461)</u>
Property, plant and equipment, net	<u>\$ 1,716,085</u>	<u>\$ 1,604,149</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, 2019 and 2018 amounted to \$84,910,000 and \$97,000,000, 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 \$13,771,000 and \$24,599,000 in gross plant assets for the years ended May 31, 2019 and 2018, respectively.

Property, plant and equipment additions of \$22,136,000 and \$25,919,000 are included in accrued liabilities on the consolidated statements of financial position for the years ended May 31, 2019 and 2018, respectively.

The University recognized \$695,000 and \$658,000 of operating expenses relating to the accretion of liabilities associated with the retirement of long-lived assets for the years ended May 31, 2019 and 2018, respectively. Conditional asset retirement obligations of \$14,943,000 and \$13,711,000 as of May 31, 2019 and 2018, respectively, are included in accrued liabilities.

The University has commitments of \$51,838,000 to complete various capital projects as of May 31, 2019.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

H. Bonds and Mortgages Payable

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

<i>(in thousands)</i>	2019	2018
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 2019-2029	55,205	61,565
Series R, 4.00 - 5.00%, due 2019-2040	147,805	154,010
Series S, 4.12 - 5.00%, due 2019-2038	104,290	113,640
Series T, 3.37 - 5.00%, due 2033-2042	129,305	129,305
Trustees of Boston College (fixed rate)		
Taxable bonds, Series 2013, 2.82 - 5.09%, due 2019-2043	159,335	165,365
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 2019 - 2022	<u>2,810</u>	<u>3,445</u>
Bonds and mortgages payable, par	1,020,145	1,048,725
Unamortized original bond issue premium	47,011	49,580
Unamortized issuance cost on bonds	<u>(5,533)</u>	<u>(5,801)</u>
Bonds and mortgages payable, net	<u>\$ 1,061,623</u>	<u>\$ 1,092,504</u>

As of May 31, 2019, principal payments due on all long-term bonds and mortgages payable are as follows; 2020 - \$30,475,000; 2021 - \$31,535,000; 2022 - \$32,845,000; 2023 - \$34,240,000; 2024 - \$35,745,000; and thereafter - \$855,305,000.

Interest expense for the years ended May 31, 2019 and 2018 amounted to \$38,904,000 and \$42,577,000, respectively. The University capitalized interest of \$5,372,000 and \$2,991,000 for the years ended May 31, 2019 and 2018, respectively.

The University has an agreement for a \$75,000,000 unsecured line of credit. As of May 31, 2019 and 2018, there was no balance outstanding on the line of credit.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

I. Net Assets

Net assets consist of the following as of May 31:

<i>(in thousands)</i>	Without Donor Restrictions		With Donor Restrictions	
	2019	2018	2019	2018
Endowment net assets, beginning of year				
Board designated	\$ 959,540	\$ 900,875	\$ -	\$ -
Donor restricted	-	-	1,607,867	1,499,599
Contributions	-	-	41,383	28,861
Investment return, net	(7,751)	96,987	(12,187)	151,870
Appropriation of endowed assets for expenditure	(45,715)	(44,852)	(72,989)	(69,617)
Net assets reclassified or released from restrictions	6,706	6,646	(979)	(1,512)
Other losses	(316)	(116)	(1,426)	(1,334)
Endowment net assets, end of year				
Board designated	912,464	959,540		
Donor restricted			1,561,669	1,607,867
Designated for specific purposes	100,385	122,214	-	-
Net investment in plant	666,575	590,433	-	-
Program support	-	-	67,577	60,557
Contributions for plant assets	-	-	108,496	117,894
Student loans	-	-	834	884
Total net assets	\$ 1,679,424	\$ 1,672,187	\$ 1,738,576	\$ 1,787,202

Included in net assets with donor restrictions on the statement of financial position as of May 31, 2019 and 2018 are \$1,055,013,000 and \$1,024,897,000 of perpetually restricted funds, and \$683,563,000 and \$762,305,000 of funds restricted for time or purpose, respectively.

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

<i>(in thousands)</i>	2019	2018
Scholarships and fellowships	\$ 732,508	\$ 745,612
Educational purposes	582,191	599,265
Professorships	265,884	267,808
Contributions receivable, net	157,993	174,517
Total	\$ 1,738,576	\$ 1,787,202

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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:

	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 administrative	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)	-
2019 Total	<u>\$ 546,616</u>	<u>\$ 194,638</u>	<u>\$ 85,178</u>	<u>\$ 38,904</u>	<u>\$ -</u>	<u>\$ 865,336</u>
2018 Total	<u>\$ 526,631</u>	<u>\$ 187,317</u>	<u>\$ 78,965</u>	<u>\$ 42,577</u>	<u>\$ -</u>	<u>\$ 835,490</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 \$28,173,000 and \$25,027,000 for the years ended May 31, 2019 and 2018, respectively.

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, 2019 and 2018, the University's contributions to the retirement program are \$27,642,000 and \$26,802,000, 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.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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>	2019	2018
Service cost	\$ 3,170	\$ 3,355
Interest cost	3,759	4,105
Amortization of prior service cost	(69)	(210)
Amortization of loss	-	1,106
Net periodic postretirement benefit cost	<u>6,860</u>	<u>8,356</u>
Actuarial (gain) loss	(11,188)	10,495
Amortization of prior service cost	69	210
Amortization of loss	-	(1,106)
Other changes in plan assets and benefit obligation	<u>(11,119)</u>	<u>9,599</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (4,259)</u>	<u>\$ 17,955</u>

In fiscal 2020, an unrecognized net loss of \$190,000 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, 2018 and the cost for the year ending May 31, 2019 are: 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. The assumed annual rates of increase for measuring the obligation at May 31, 2019 and the cost for the year ending May 31, 2020 are: 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.

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	\$ 777	\$ (537)
Effect on postretirement benefit obligation	12,000	(10,009)

The discount rate used to determine the accumulated benefit obligation is 4.00% as of May 31, 2019 and 4.25% as of May 31, 2018. The discount rate used to determine the net periodic postretirement benefit cost is 4.25% as of May 31, 2019 and 4.25% as of May 31, 2018.

Boston College
Notes to Consolidated Financial Statements
May 31, 2019 and 2018

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

<i>(in thousands)</i>	2019	2018
Reconciliation of accumulated postretirement benefit obligation		
Benefit obligation, beginning of year	\$ 106,528	\$ 91,324
Service cost	3,170	3,355
Interest cost	3,759	4,105
Plan participant contributions	1,083	926
Benefits paid	(4,012)	(3,677)
Actuarial (gain) loss	<u>(11,188)</u>	<u>10,495</u>
Benefit obligation, end of year	<u>\$ 99,340</u>	<u>\$ 106,528</u>
Amounts not yet recognized as a component of net periodic benefit cost		
Prior service cost	\$ -	\$ (69)
Net actuarial loss	<u>11,652</u>	<u>22,840</u>
	<u>\$ 11,652</u>	<u>\$ 22,771</u>

As of May 31, 2019 and 2018, 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: \$3,230,000 in 2020, \$3,470,000 in 2021, \$3,840,000 in 2022, \$4,190,000 in 2023, \$4,540,000 in 2024, and the five fiscal years thereafter \$288,500,000.

L. Related Party

The University has mortgages, loans and notes due from various related parties of \$23,587,000 and \$23,377,000 as of May 31, 2019 and 2018, 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, 2019

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			\$ 30,627	\$ 19,577
Department of Defense					
Department of the Navy, Office of the Chief of Naval Research					
Basic and Applied Scientific Research	12.300			161,992	-
U.S. Army Medical Research Acquisition Activity					
Military Medical Research and Development	12.420			349,943	-
Department of Army Material Command					
Basic Scientific Research	12.431			143,954	-
Department of Air Force, Material Command					
Air Force Defense Research Sciences Program	12.800			982	627
Air Force Defense Research Sciences Program	12.800			55,256	14,459
Air Force Defense Research Sciences Program	12.800			1,630,747	-
National Security Agency					
Mathematical Sciences Grant Program	12.901			2,605	-
Defense Advanced Research Projects Agency					
Research and Technology Development	12.910			230,876	-
Department of Justice					
Office on Violence Against Women					
Office on Violence Against Women Research and Evaluation Program	16.026			150,966	7,050
Department of Transportation					
Federal Aviation Administration	20.RD			29,423	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			245,690	-
National Endowment for the Arts					
Promotion of the Arts Grants to Organizations and Individuals	45.024			1,342	-
National Science Foundation					
Engineering Grants	47.041			241,639	-
Mathematical and Physical Sciences	47.049			111,627	25,527
Mathematical and Physical Sciences	47.049			155,379	54,722
Mathematical and Physical Sciences	47.049			2,046,457	-
Geosciences	47.050			94,470	43,889

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, 2019

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					
Geosciences	47.050			445,005	-
Computer and Information Science and Engineering	47.070			208,993	-
Biological Sciences	47.074			422,806	-
Social, Behavioral, and Economic Sciences	47.075			43,810	9,306
Social, Behavioral, and Economic Sciences	47.075			612,690	-
Education and Human Resources	47.076			65,620	3,505
Education and Human Resources	47.076			322,290	139,193
Education and Human Resources	47.076			396,765	88,723
Education and Human Resources	47.076			277,824	75,662
Education and Human Resources	47.076			92,971	12,725
Education and Human Resources	47.076			472,928	-
Department of Veterans Affairs					
Veteran-Directed Home & Community Based Services	64.RD			19,174	-
Department of Energy					
Office of Science Financial Assistance Program	81.049			25,451	18,652
Office of Science Financial Assistance Program	81.049			263,871	202,755
Office of Science Financial Assistance Program	81.049			340,397	-
Department of Education					
Institute of Education Sciences					
Education Research, Development and Dissemination	84.305			13,624	1,807
Education Research, Development and Dissemination	84.305			467,884	-
Department of Health and Human Services					
National Institutes of Health					
Oral Diseases and Disorders Research	93.121			86,369	-
Research Related to Deafness and Communication Disorders	93.173			99,084	41,181
Research Related to Deafness and Communication Disorders	93.173			75,458	-
Mental Health Research Grants	93.242			295,225	13,904
Mental Health Research Grants	93.242			134,720	10,240
Mental Health Research Grants	93.242			56,181	53,846
Mental Health Research Grants	93.242			215,456	155,534
Mental Health Research Grants	93.242			7,878	7,878
Mental Health Research Grants	93.242			105,648	98,100
Mental Health Research Grants	93.242			1,272,178	-
Drug Abuse and Addiction Research Programs	93.279			97,624	-
Minority Health and Health Disparities Research	93.307			302,374	118,098
Minority Health and Health Disparities Research	93.307			611,193	452,710
Minority Health and Health Disparities Research	93.307			4,526	2,892
Minority Health and Health Disparities Research	93.307			591,677	244,628
Trans-NIH Research Support	93.310			1,106,885	1,057,913
Trans-NIH Research Support	93.310			2,535,568	2,331,749
National Heart, Lung, and Blood	93.840			32,165	-

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, 2019

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					
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			548,473	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			62,285	70,765
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			675,806	293,066
Allergy and Infectious Diseases Research	93.855			311,419	276,688
Allergy and Infectious Diseases Research	93.855			1,607,763	1,128,501
Allergy and Infectious Diseases Research	93.855			394,433	74,622
Allergy and Infectious Diseases Research	93.855			97,729	62,543
Allergy and Infectious Diseases Research	93.855			1,822,084	-
Biomedical Research and Research Training	93.859			274,916	41,806
Biomedical Research and Research Training	93.859			4,167,411	-
Child Health and Human Development Extramural Research	93.865			69,219	27,511
Child Health and Human Development Extramural Research	93.865			39,309	28,242
Child Health and Human Development Extramural Research	93.865			245,790	101,244
Aging Research	93.866			100,795	59,741
Aging Research	93.866			60,152	32,367
Aging Research	93.866			32,399	-
International Research and Research Training	93.989			87,083	35,009
International Research and Research Training	93.989			28,785	-
Centers for Disease Control and Prevention					
Occupational Safety and Health Program	93.262			11,028	-
Administration for Children and Families					
Head Start	93.600			7,103	-
Social Security Administration					
Social Security Research and Demonstration	96.007			116,714	104,159
Social Security Research and Demonstration	96.007			634,952	240,587
Social Security Research and Demonstration	96.007			948,606	46,881
U.S. Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001			201,877	59,928
Research and Development Cluster Direct Programs Subtotal				30,352,418	7,990,512
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	221,673	-
Department of the Air Force					
Air Force Research Laboratories	12.RD	Systems & Technology Research	2015-1082	112,013	-
U.S. Air Force	12.RD	Systems & Technology Research	2016-1108	136,239	-
U.S. Air Force	12.RD	Systems & Technology Research	2018-0046	47,964	-

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, 2019

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 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	4,687	-
Recovery Act - Internet Crimes against Children Task Force Program	16.800	National Crittenton Foundation	Not Available	67,179	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001	University of Central Florida	66016031-2	7,179	-
Science	43.001	Cornell University	73921-10523	31,658	-
National Science Foundation					
Engineering Grants	47.041	Ohio State University	60046373	91,069	-
Mathematical and Physical Sciences	47.049	American Educational Research Association	Not Available	1,599	-
Geosciences	47.050	Woods Hole Oceanographic Institution	A101422	31,054	-
Geosciences	47.050	Woods Hole Oceanographic Institution	A101416	39	-
Geosciences	47.050	University Corp for Atmospheric Research	SUBCON000413	123,132	-
Biological Sciences	47.074	University of Vermont & State Agricultural College	31418SUB52251	5,647	-
Education and Human Resources	47.076	Technical Education Research Centers	4104	68,666	-
Education and Human Resources	47.076	Technical Education Research Centers	4074	39,378	-
Education and Human Resources	47.076	Massachusetts Bay Community College	1501451	38,054	-
Education and Human Resources	47.076	Education Development Center, Inc.	12074	139,185	-
Education and Human Resources	47.076	Mosesian Center for the Arts	1811166-01	24,543	-
Office of Integrative Activities	47.083	Boise State University	6800-D	109,836	-
Department of Energy					
Office of Science Financial Assistance Program	81.049	Massachusetts Institute of Technology	5710003751	36,667	-
Renewable Energy Research and Development Program	81.087	University of Michigan	3004665442	37,698	-
Department of Education					
Office of Elementary and Secondary Education					
Comprehensive Centers	84.283	Education Northwest	Not Available	50,621	-
Office of Federal Student Aid					
Postsecondary Education Scholarships for Veteran's Dependents	84.408	Harvard University	108129-5076415	10,779	-
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	27,063	-

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, 2019

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					
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	12,968	-
Centers for Disease Control and Prevention					
Occupational Safety and Health Program	93.262	Harvard University	114960-5097782	10,343	-
Occupational Safety and Health Program	93.262	Harvard University	114960-5097862	31,444	-
National Institute on Nursing Research					
Nursing Research	93.361	Oregon Health & Science University	1006975_BOSTON	50,602	-
National Cancer Institute					
Cancer Detection and Diagnosis Research	93.394	Oregon Health & Science University	1012407_BOSTON	16,951	-
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	64,475	-
National Institutes of Health					
Cardiovascular Diseases Research	93.837	Wayne State University	WSU17106	17,305	-
Cardiovascular Diseases Research	93.837	Northeastern University	500537-78051	19,619	-
Cardiovascular Diseases Research	93.837	Brigham and Women's Hospital	115074	34,179	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Auburn University	16-CVM-201300-BC	57,926	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Florida	UFDSP00011964	129,461	-
Allergy and Infectious Diseases Research	93.855	Boston University Medical Center	4500001917	41,043	-
Allergy and Infectious Diseases Research	93.855	Harvard University	160505-1359	209	-
Microbiology and Infectious Diseases Research	93.856	Massachusetts General Hospital	224838	79,118	-
Biomedical Research and Research Training	93.859	Massachusetts Institute of Technology	5710004064	241,285	-
Biomedical Research and Research Training	93.859	Pennsylvania State University	5604-BC-DHHS-1907	28,785	-
Child Health and Human Development Extramural Research	93.865	University of Washington	UWSC8151	63,004	-
Aging Research	93.866	University of Massachusetts - Worcester	OSP2018106	19,529	-
Aging Research	93.866	Brandeis University	402461	34,319	-
Aging Research	93.866	Rutgers University	0241	138,440	-
Research and Development Cluster Pass-through Programs Subtotal				2,554,627	-
Total Research and Development Cluster				32,907,045	7,990,512
Student Financial Assistance Cluster					
Department of Education					
Office of Federal Student Aid					
Federal Supplemental Educational Opportunity Grants	84.007			1,456,191	-
Federal Work-Study Program	84.033			2,151,098	-

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, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identification Number	Federal Expenditures	Subrecipient Expenditures
Department of Education, continued					
Office of Federal Student Aid, continued					
Federal Perkins Loan					
Outstanding loans as of June 1, 2018	84.038			18,322,727	-
Administrative Cost Allowance	84.038			7,285	-
Federal Pell Grant Program	84.063			6,636,426	-
Federal Direct Student Loan	84.268			81,440,496	-
Teacher Education Assistance for College and Higher Education Grants	84.379			15,946	-
Department of Health and Human Services					
Health Resources and Services Administration					
Nursing Student Loans					
Outstanding loans as of June 1, 2018	93.364			1,413,215	-
New loans issued during FY2019	93.364			265,600	-
Total Student Financial Assistance Cluster				111,708,984	-
TRIO Cluster					
TRIO Direct Programs					
Department of Education					
Office of Postsecondary Education					
TRIO-Student Support Services	84.042			325,679	-
TRIO-McNair Post-Baccalaureate Achievement	84.217			176,409	-
Total TRIO Cluster				502,088	-
Other Programs					
Direct Programs					
Department of State					
Under Secretary for Public Diplomacy and Public Affairs					
Public Diplomacy Programs	19.040			49,676	-
Criminal Justice Systems	19.703			351,883	-
National Aeronautics and Space Administration					
NASA Research Announcements/Research Opportunities in Space and Earth Sciences					
Science	43.001			55,585	-
Department of Veterans Affairs					
Veteran-Directed Home & Community Based Services	64.U00			6,466	-
Veteran-Directed Home & Community Based Services	64.U01			5,754	-
National Institutes of Health					
International Research and Research Training	93.989			37,634	-
Department of Education					
Bonds Payable to U.S. Department of Education					
Par value at June 1, 2018	84.U00			3,445,000	-
Total Other Direct Programs				3,951,998	-
Total Federal Award Expenditures				\$ 149,070,115	\$ 7,990,512

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, 2019

1. Summary of Significant Accounting Policies for Federal Awards and Basis of Presentation

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

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, 2019. 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.

2. Facilities and Administrative Cost Recoveries

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, 2019 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, 2019

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, 2019 consist of:

Federal Perkins Loan Program	\$ 14,114,779
Nursing Student Loans	
Undergraduate	1,223,267
Graduate	<u>210,790</u>
Total campus-based loans	<u>\$ 15,548,836</u>

4. Loan Programs

As of May 31, 2019, the University had \$2,810,000 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, 2019, 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 27, 2019, which included an emphasis of matter paragraph related to the University changing the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019 as discussed in Note A.

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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
September 27, 2019



**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, 2019. 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, 2019.



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 15, 2019

Part III

Audit Findings and Questioned Costs

Boston College
Schedule of Findings and Questioned Costs
Year Ended May 31, 2019

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, 2019

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, 2019

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

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.

PwC recommended 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.

Current Year Update

The Office of Student Financial Services has implemented a 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 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 funds disbursed through G5 by the Direct Loan/Collections Specialist. The reconciliation is then reviewed by the COD team comprised of representatives from the Bursar’s Office and the Financial Aid Office, including the Director of Financial Aid and the Bursar to ensure any potential issues have been properly addressed and resolved.