

ENTITY No. 04-3009002
OPE ID No. 032353-00
DUNS No. 195-39-1784

**MASSACHUSETTS SCHOOL OF LAW AT ANDOVER, INC.
D/B/A MASSACHUSETTS SCHOOL OF LAW**

**AUDITED FINANCIAL STATEMENTS & REPORTS
REQUIRED FOR AUDITS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM GUIDANCE
JULY 31, 2020 AND 2019**

MASSACHUSETTS SCHOOL OF LAW
JULY 31, 2020 AND 2019
AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Massachusetts School of Law
500 Federal Street
Andover, Massachusetts 01810

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Massachusetts School of Law at Andover, Inc. (hereafter referred to as "Massachusetts School of Law"), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and statements of functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts School of Law as of July 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying note 13 on related party transactions is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying footnote 14 on the Institution's composite score is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not part of the financial statements.

As discussed in Note 1 to the financial statements, on July 31, 2019 the Institution adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which constitutes a change in accounting principle. Our audit report is not modified with respect to this matter.

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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 9, 2021 on our consideration of Massachusetts School of Law'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Massachusetts School of Law's internal control over financial reporting and compliance.

David A Levy CPA PC
Needham, Massachusetts
February 9, 2021

**MASSACHUSETTS SCHOOL OF LAW
STATEMENTS OF FINANCIAL POSITION
AS OF JULY 31, 2020 AND 2019**

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 990,464	\$ 374,280
Accounts Receivable		
-Students	224,849	124,980
-Other	-	17,149
Investments	6,817,300	5,955,563
Bookstore Inventory	58,998	105,774
Prepaid Expenses	30,845	3,440
Deposit	100,000	-
TOTAL CURRENT ASSETS	8,222,456	6,581,186
PROPERTY, EQUIPMENT AND LIBRARY BOOKS, NET	2,149,103	2,415,361
TOTAL ASSETS	\$ 10,371,559	\$ 8,996,547
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,251	\$ -
Deferred Tuition	30,890	52,135
TOTAL CURRENT LIABILITIES	35,141	52,135
LONG TERM LIABILITIES		
Notes Payable, Net of Current Portion	654,068	-
TOTAL LIABILITIES	689,209	52,135
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Assets without Donor Restrictions	5,897,318	6,294,140
Net Investment in Property and Equipment	2,592,172	2,650,272
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	8,489,490	8,944,412
Net Assets with Donor Restrictions	-	-
Gain on Sale of Land	1,192,860	-
TOTAL NET ASSETS	9,682,350	8,944,412
TOTAL LIABILITIES & NET ASSETS	\$ 10,371,559	\$ 8,996,547

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

MASSACHUSETTS SCHOOL OF LAW
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

OPERATING

REVENUE	Without Donor Restrictions	With Donor Restrictions	<u>2020</u>	<u>2019</u>
Earned Tuition and Fees	\$ 5,278,041	\$ -	\$ 5,278,041	\$ 5,389,360
Net Investment Income	360,168	-	360,168	385,896
Bookstore Sales	175,442	-	175,442	176,988
Fundraising/Other	5,774	-	5,774	8,773
TOTAL OPERATING REVENUES	<u>5,819,425</u>	<u>-</u>	<u>5,819,425</u>	<u>5,961,017</u>
EXPENSES				
Program Services:				
Educational	3,131,373	-	3,131,373	3,373,197
Management and General:				
Supporting Services	3,142,974	-	3,142,974	2,553,573
TOTAL OPERATING EXPENSES	<u>6,274,347</u>	<u>-</u>	<u>6,274,347</u>	<u>5,926,770</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(454,922)	-	(454,922)	34,247
NONOPERATING		-	-	-
Gain on Sale of Land	1,192,860	-	1,192,860	-
CHANGE IN NET ASSETS	<u>\$ 737,938</u>	<u>\$ -</u>	<u>\$ 737,938</u>	<u>\$ 34,247</u>

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

**MASSACHUSETTS SCHOOL OF LAW
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
NET ASSETS BEGINNING OF YEAR	\$ 8,944,412	-	8,944,412	\$ 8,910,165	-	8,910,165
CHANGE IN NET ASSETS FOR THE PERIOD	737,938	-	737,938	34,247	-	34,247
NET ASSETS END OF YEAR	<u>\$ 9,682,350</u>	<u>-</u>	<u>9,682,350</u>	<u>\$ 8,944,412</u>	<u>-</u>	<u>8,944,412</u>

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

**MASSACHUSETTS SCHOOL OF LAW
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020 AND 2019**

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2020</u>	<u>2019</u>
Increase/(Decrease) in Net Assets	\$ (454,922)	\$ 34,247
Adjustments to reconcile Net Increase/(Decrease) in Net Assets to net cash provided by operating activities:		
Depreciation	121,589	124,489
Amortization	83,669	83,669
Accounts Receivable		
-Students	(99,869)	95,389
-Other	17,149	(17,149)
Bookstore Inventory	46,776	(62,472)
Prepaid Expenses	(27,405)	432
Accounts Payable and Accrued Expenses	4,251	(3,872)
Deferred Tuition	(21,245)	25,915
Deposit	(100,000)	-
Cash Provided (Used) by Operating Activities	<u>(430,007)</u>	<u>280,648</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Leasehold Improvements	(164,000)	-
Purchase of Investments	(861,737)	(361,876)
Cash Used by Investing Activities	<u>(1,025,737)</u>	<u>(361,876)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in Debt - Paycheck Protection Program funds	654,068	-
Proceeds from sale of Land	1,417,860	-
Cash Provided by Financing Activities	<u>2,071,928</u>	<u>-</u>
Change in Cash and Cash Equivalents	616,184	(81,228)
BEGINNING CASH BALANCE	374,280	455,508
 ENDING CASH BALANCE	 \$ <u>990,464</u>	 \$ <u>374,280</u>
 Supplementary Information:		
<u>Cash Paid For:</u>		
Income Taxes	\$ -	\$ -
Interest Expenses	\$ -	\$ -

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

MASSACHUSETTS SCHOOL OF LAW
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020

Description	Program Services						Management & General Expenses	2020 Grand Total
	Academic Instruction	Bookstore Operations	Library Library Operation & & Maintenance	Plant Library Operation & & Maintenance	Student Services	Total		
Salaries and wages	1,600,440	-	138,794	77,897	356,166	2,173,297	1,423,895	3,597,192
Fringe benefits	-	-	-	-	-	-	812,742	812,742
Advertsing and recruiting costs	-	-	-	-	-	-	466,099	466,099
Utilities	-	-	-	220,450	-	220,450	-	220,450
Provision for bad debts	-	-	-	-	-	-	220,057	220,057
Depreciation and amortization	-	-	121,589	83,669	-	205,258	-	205,258
Bookstore operations	-	157,800	-	-	-	157,800	-	157,800
Office supplies and expense	-	-	-	-	-	-	123,924	123,924
Insurance	-	-	-	87,262	-	87,262	-	87,262
Update and upkeep costs	-	-	58,353	16,360	-	74,713	-	74,713
Repairs and maintenance	-	-	-	73,921	-	73,921	-	73,921
Professional fees	-	-	-	-	-	-	53,412	53,412
Contract cleaning services	-	-	-	40,802	-	40,802	-	40,802
Bar Course Expenses	-	-	-	-	25,708	25,708	-	25,708
Classroom supplies	22,274	-	636	-	-	22,910	-	22,910
Trial team	-	-	-	-	22,283	22,283	-	22,283
Telephone	-	-	-	-	-	-	18,830	18,830
Supplies	-	-	-	13,312	-	13,312	-	13,312
Commencement	-	-	-	-	-	-	8,938	8,938
Postage	-	-	-	-	-	-	7,094	7,094
Professional development	5,600	-	-	-	-	5,600	-	5,600
Security services	-	-	-	5,237	-	5,237	-	5,237
Equipment rental	-	-	-	-	-	-	4,357	4,357
Bank Fees	-	-	-	-	-	-	3,541	3,541
Common area assessments	-	-	-	2,820	-	2,820	-	2,820
Taxes and filing fees	-	-	-	-	-	-	85	85
Grand Total	\$ 1,628,314	157,800	319,372	621,730	404,157	3,131,373	3,142,974	6,274,347

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

**MASSACHUSETTS SCHOOL OF LAW
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2019**

Description	Program Services						Management & General Expenses	2019 Grand Total
	Academic Instruction	Bookstore Operations	Library Library Operation & & Maintenance	Plant Library Operation & & Maintenance	Student Services	Total		
Salaries and wages	1,558,819	-	137,036	71,554	249,089	2,016,498	1,431,019	3,447,517
Fringe benefits	366,112	-	32,185	16,806	58,502	473,605	336,097	809,702
Advertsing and recruiting costs	-	-	-	-	-	-	430,159	430,159
Utilities	-	-	-	274,358	-	274,358	-	274,358
Depreciation and amortization	-	-	124,489	83,669	-	208,158	-	208,158
Office supplies and expense	-	-	-	-	-	-	191,349	191,349
Provision for bad debts	-	-	-	-	-	-	75,072	75,072
Update and upkeep costs	-	-	68,448	15,680	-	84,128	-	84,128
Insurance	-	-	-	78,250	-	78,250	-	78,250
Repairs and maintenance	-	-	-	72,183	-	72,183	-	72,183
Bookstore operations	-	51,207	-	-	-	51,207	-	51,207
Contract cleaning services	-	-	-	53,295	-	53,295	-	53,295
Professional fees	-	-	-	-	-	-	52,160	52,160
Security services	-	-	-	16,229	-	16,229	-	16,229
Common area assessments	-	-	-	14,250	-	14,250	-	14,250
Commencement	-	-	-	-	-	-	13,357	13,357
Bar course expenses	-	-	-	-	10,715	10,715	-	10,715
Trial team	-	-	-	-	9,979	9,979	-	9,979
Postage	-	-	-	-	-	-	6,652	6,652
Telephone	-	-	-	-	-	-	5,303	5,303
Bank fees	-	-	-	-	-	-	5,193	5,193
Seminars	-	-	-	-	-	-	-	-
Classroom supplies	4,178	-	232	-	-	4,410	-	4,410
Shadow Fund Expenses	-	-	-	-	-	-	-	-
Professional development	2,906	-	1,456	-	-	4,362	-	4,362
Publication costs	-	-	-	-	-	-	-	-
Meeting expense	-	-	-	-	-	-	3,736	3,736
Equipment rental	-	-	-	-	-	-	3,382	3,382
Supplies	-	-	-	1,570	-	1,570	-	1,570
Taxes and filing fees	-	-	-	-	-	-	94	94
Grand Total	\$ 1,932,015	51,207	363,846	697,844	328,285	3,373,197	2,553,573	5,926,770

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

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Incorporation

Massachusetts School of Law at Andover, Inc., (the Institution) was organized on April 25, 1988, pursuant to the incorporation laws of the Commonwealth of Massachusetts to establish and operate a law school as a non-profit organization under section 501(c)(3) of the Internal Revenue Code of 1986. The School began its first academic semester on August 22, 1988.

Educational Programs

The Institution has a fall semester that begins in August, a spring semester that begins in January, and two summer sessions that occur in June and July. All revenues and expenditures are reported totally within the fiscal year in which the sessions are predominantly conducted.

Licenses and Accreditation

The Massachusetts School of Law is currently accredited by the New England Commission of Higher Education (NECHE). The Institution is also accredited by the Massachusetts Board of Regents as of May 1990 to grant the degree of Juris Doctor. This permits graduates of the Massachusetts School of Law to take the bar examination and be admitted to practice law in the Commonwealth of Massachusetts. Other states, including California, Connecticut, Maine, New Hampshire, Vermont, West Virginia, and Wisconsin, permit graduates of the Massachusetts School of Law to take their bar examination and practice law in those states.

Change in Accounting Principle

Effective July 31, 2019, the Institution adopted accounting standards update (ASU) 2016-14, *Not-for-Profit Entities (Topic958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources as follows:

ASU 2016-14	Financial Statement Audits Prior to July 31, 2019	Financial Statement Audits as of July 31, 2019 and Thereafter
Net Asset Segregation	Three Categories: Unrestricted Net Assets, Temporarily Restricted Net Assets, Permanently Restricted Net Assets	Two Categories: Net Assets with Donor Restriction, Net Assets Without Donor Restriction
Qualitative and Quantitative Information	None required beyond basic financial reporting and disclosures	Management of liquidity, investment return, expense allocation

A) Form of Presentation

The Financial Statements are prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles. Revenues and gains are recognized when earned, and expenditures and losses are recognized when incurred.

B) Classification and Reporting of Net Assets

The Institution reports two classes of net assets and the changes in those net assets in the statements of financial position and statements of activities respectively. The two classes of net assets are as follows:

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Net Assets Without Donor Restriction

Net assets that are not restricted by donor-imposed stipulation. This includes all resources over which the Board of Directors has discretionary control. The board may elect to designate such resources for specific purpose. This designation may be removed at the board's discretion. As of July 31, 2020 and 2019, all net assets were without donor restriction.

2) Net Assets With Donor Restriction

Net Assets subject to donor-imposed restrictions that permit the Institution to use or expend the donated assets as specified. This represents resources accumulated through donations or grants for specific operating or capital purposes. Restrictions on such resources will cease when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time. As of July 31, 2020 and 2019 the Institution did not have any Net Assets With Donor Restriction.

C) Contributions, Gains and Other Support

Contributions are recognized when received from the donor. Unrestricted contributions are reported as increases in unrestricted net assets in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Institution records interest and dividends on its marketable securities when earned. Gains or losses are recorded when realized. Unrealized gains or losses are recorded based upon changes in the fair value of investments held.

D) Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include highly liquid assets with an original maturity of three months or less. Cash and Cash Equivalents consist of cash on hand, checking, and money market accounts.

E) Functional Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in these financial statements. Accordingly, certain costs have been allocated between program services and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the expenditure classification. All other indirect costs require allocation on a reasonable basis that is consistently applied. This allocation is based off of total revenue attributable to each program and support function.

F) Inventory Bookstore

Inventory consists of books purchased primarily for resale to the students. It is stated at the historical cost determined on a First-In-First-Out (FIFO) basis.

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G) Property and Equipment

Property and Equipment are stated at cost, net of accumulated depreciation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation and amortization are computed on the straight-line method over the estimated useful asset lives.

H) Advertising Costs

Advertising costs, except for direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are to be received. There were no direct-response advertising costs for the current fiscal year. Total advertising expenses for the fiscal years ended July 31, 2020 and 2019 were \$466,099 and \$430,159, respectively.

I) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

J) Concentration of Economic Dependency

The Institution derives a significant portion of its revenue from student financial assistance originating from the U.S. Department of Education's Title IV Higher Education Act of 1965. For the students to receive financial assistance at the Institution, it must maintain eligibility requirements established by the U.S. Department of Education.

K) Uncertain Tax Positions

The Institution accounts for uncertain tax positions in accordance with FASB ASC 740.

L) Donated Services

Donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition in accordance with GAAP.

M) Revenue and Cost Recognition

The Institution bills tuition throughout the period of enrollment and recognizes the revenue on a pro rata basis over the period of instruction. As of the end of the fiscal year, the Institution had tuition from academic periods where the associated revenue has not yet been earned in accordance with GAAP. Accordingly, these amounts have been recorded as unearned tuition in the accompanying balance sheets. If a student withdraws from the Institution, the standards of the U.S.

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M) Revenue and Cost Recognition

Department of Education, the state education authority, the accrediting commission that accredits the Institution and the Institution’s own internal policies (collectively, “Refund Policies”) limit a student’s obligation for tuition and fees to the school depending on when the student withdraws during the period of enrollment. The greater the portion of the enrollment period that has elapsed at the time the student withdraws, the greater the student’s obligation to the school. The Institution records revenue after applying all applicable refund policies.

N) Fair Value Measurement

The Institution reports its qualified assets and liabilities in accordance with the Fair Value Measurements and Disclosure Standards and accounting principles generally accepted in the United States. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a Fair Value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value hierarchy and a description of the valuation techniques used for instruments measured at fair value are as follows:

- Level 1- Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2- Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3- Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management’s best estimate of fair value.

A qualifying asset or liability’s level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Institution’s qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

The reported values of assets measured at fair value on a recurring basis are categorized as follows at July 31, 2020.

	Totals	Fair value measurements using:		
		Quoted prices in Active Markets Identical Assets	Significant Other Observable Inputs	Significant Unobservab le Inputs
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 418,000	\$ 418,000	\$ -	\$ -
Common Fund Multi				
-Strategy Equity Fund	3,926,768	3,926,768	-	-
-Strategy Bond Fund	2,460,187	2,460,187	-	-
Totals	\$ 6,804,955	\$ 6,804,955	\$ -	\$ -

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O) Reclassification

The presentation of certain prior year balances have been reclassified to conform to the current year presentation.

P) Subsequent Events

The Institution evaluates subsequent events through February 9, 2021, the date of this report. No material subsequent events have occurred that require recognition or disclosure in these financial statements.

NOTE 2: ACCOUNTS RECEIVABLE, ALLOWANCE FOR BAD DEBTS AND DEFERRED TUITION

Accounts Receivable at the balance sheet date consist of amounts related to revenue from current or former students for classes that have been completed, or obligations of current students for tuition in progress for which payment has not been received in accordance with GAAP. If a student withdraws from the Institution, the standards of the U.S. Department of Education, the state education authority, the accrediting commission that accredits the Institution, and the Institution's own internal policies (collectively, "Refund Policies") limit a student's obligation for tuition and fees to the school depending on when the student withdraws during the period of enrollment. The greater the portion of the enrollment period that has elapsed at the time the student withdraws, the greater the student's obligation to the school. The Institution records revenue after applying all applicable refund policies.

Allowance for Doubtful Accounts

The Institution maintains an allowance for doubtful accounts and has established a reserve based on the likelihood of collection. Bad debts are written off using an allowance account. As of July 31, 2020 and 2019, the allowance account was \$113,122 and \$288,087, respectively.

Accounts Receivable & Deferred Tuition

Upon student admission, the contract price is recorded in a subsidiary ledger. As the student progresses through the program, the institution earns the contract tuition ratably. Accounts receivable represent balances owed to the school for education provided but not yet paid for. Deferred tuition represents payments paid on account in excess of amounts earned for tuition.

As of July 31, 2020 and 2019, the students' accounts receivables and deferred tuition balances were as follows:

	2020	2019
Deferred Tuition	\$ 30,890	\$ 52,135
Accounts Receivable	337,971	413,067
Less: Allowance for Doubtful Account	(113,122)	(288,087)
Accounts Receivable, Net	<u>\$ 224,849</u>	<u>\$ 124,980</u>

MASSACHUSETTS SCHOOL OF LAW
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 3: BOOKSTORE INVENTORY

As of July 31, 2020 and 2019 the Institution has bookstore inventory balance of \$58,998 and \$105,774, respectively.

NOTE 4: PREPAID EXPENSES AND DEPOSITS

As of July 31, 2020 and 2019 the Institution has a prepaid expenses balance of \$30,845 and \$3,440, respectively. The Institution also had a \$100,000 deposit on record with a contractor for work not yet started.

NOTE 5: INVESTMENTS

Investments, exclusive of physical plant, are recorded at fair value; investments received by gift are recorded at market value. Estimated fair values of the Institution's financial instruments (all of which are held for non-trading purposes) are as follows:

	2020 Fair Market Value	2019 Fair Market Value
Certificates of deposits	\$ 418,000	\$ 60,000
Equities	6,386,955	5,895,563
Total Investments	6,804,955	5,955,563
Cash and cash equivalents	\$ 990,464	\$ 374,280

Amortized costs approximate fair value of cash and cash equivalents. Fair values of other investments are based upon quoted market prices.

Net investment income consists of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Interest, Dividend income and capital gain distributions	92,398	143,302
Realized gain (loss) on sale of investments	-	-
Unrealized gain (loss) on investments	289,106	262,601
Investment advisory fees	(21,336)	(20,007)
Total	\$ 360,168	\$ 385,896

MASSACHUSETTS SCHOOL OF LAW
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 6: PROPERTY, EQUIPMENT AND LIBRARY BOOKS

Physical plant, equipment, and library books are stated on the balance sheet at cost at date of acquisition or, in the case of gifts, fair market value at date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

The major classification of property, plant, equipment, and library books as of July 31, 2020 and 2019 is as follows:

Assets	Estimated Life	2020	2019
Real Estate	39 Years	\$ 5,247,942	\$ 5,472,942
Library Books & Microforms (Net of Amortization)	10 Years	502,016	585,685
Computer and Office Equipment	5 Years	272,870	272,870
Furniture, Fixtures and Equipment	5-7 Years	146,977	146,977
Leasehold Improvements	15 Years	210,072	46,072
Maintenance Equipment	5 Years	1,864	1,864
Property & Equipment, Gross		6,381,741	6,526,410
Less: Accumulated Depreciation & Amortization		(4,232,638)	(4,111,049)
Property & Equipment, Net		<u>\$ 2,149,103</u>	<u>\$ 2,415,361</u>
Amortization		83,669	83,669
Depreciation		<u>121,589</u>	<u>124,489</u>
		<u>\$ 205,258</u>	<u>\$ 208,158</u>

Expenditures for maintenance and repairs are charged to expenses, whereas major betterments are capitalized.

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses balances as of July 31, 2020 and 2019 consisted of wages payable and were \$4,251 and \$0.

NOTE 8: PENSION PLAN

The School sponsors a defined contribution pension plan that covers substantially all full-time employees. The plan qualifies under Internal Revenue Code Section 403(b)(1) as a tax deferred annuity plan. Contributions are made at a rate of 5% of an eligible employee's base salary. Contributions were \$152,275 and \$176,988 for the years ended July 31, 2020 and 2019, respectively.

NOTE 9: REFUNDS AND REPAYMENTS TO THE U.S. DEPARTMENT OF EDUCATION

As of July 31, 2020 and 2019, there were \$0 and \$0 unpaid refunds to the U.S. Department of Education or to lenders who issued SFA loans. Accordingly, no part of the current liabilities consists of repayment obligations. The Institution processes and posts students' refunds within 45 days of the date a student withdraws or is terminated from the Institution.

NOTE 10: CONCENTRATION OF CREDIT RISK

The Institution maintains many banks accounts with large regional banks. The balances of these accounts may exceed the Federal Deposit Insurance Corporation insured \$250,000 limit. It is the Institution's policy to try to ensure that the balance in any bank does not exceed \$250,000 at any time. It is, however, not practicable for an Institution of this size to maintain cash balance below \$250,000 at all times, due to the ongoing cash needs of the Institution.

Concentration of credit risk with respect to accounts receivables are limited due to the large number of customers comprising the Institution's customer base.

NOTE 11: INCOME TAXES

The Institution is a non-profit entity formed for charitable purposes and is exempt from Federal and State Income Taxes under Section 501(c)(3). As such, no income tax is due from the Institution. Donors may deduct contributions made to the Intuition within Internal Revenue Code Regulations. The Institution is subject to a tax on any unrelated business income. The Institution's policy is to classify income tax related interest and penalties in interest expenses.

NOTE 12: RELATED PARTY TRANSACTIONS

Massachusetts School of Law derives a substantial portion of its revenues from Student Financial Aid (SFA) received by its students under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). Massachusetts School of Law must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. As of July 31, 2020 and 2019, the Institution has no related party transactions.

This information is required by the U.S. Department and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NOTE 13: FINANCIAL RESPONSIBILITY COMPOSITE SCORE

The U.S. Department of Education determines an Institution to be financially responsible if the Institution has a composite score of at least 1.5, the Institution has sufficient cash reserves to make the required refunds, including the return of Title IV funds (these requirements are known as the *refund reserve standards*), the Institution is current in its debt payments, and the Institution is meeting all of its financial obligations, including making required refunds, including the return of Title IV funds and making repayments to cover FSA program debts and liabilities. For an Institution to participate in any Title IV, HEA program, the Institution must be financially responsible (34 C.F.R. § 668.171(a)). An Institution that is not financially responsible because its composite score is between 1.0 and 1.4 but meets all other standards of financial responsibility may participate in the Title IV programs under the Zone Alternative, as described in 34 C.F.R. § 668.175(d). In general, Institutions participating under the Zone Alternative receive a letter from ED notifying the Institution of this condition of its participation. These Institutions are required to use the cash monitoring or reimbursement payment method of funding (34 C.F.R. § 668.175(d)(2)(i)).

Composite Score

The composite score standard combines different measures of fundamental elements of financial responsibility to yield a single measure of a school's overall financial responsibility. This score, which has not been calculated by the U.S. Department of Education, is currently 3.0, see financial responsibility supplemental schedule for detail.

Type	Ratio	Weight	Weighted Ratio
Primary Reserve	3.0000	40%	1.2000
Equity	3.0000	40%	1.2000
Net Income	3.0000	20%	0.6000
Composite Score			<u>3.0</u>

This ratio as of fiscal year ended July 31, 2019 was 2.7. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NOTE 14: AVAILABILITY OF RESOURCES AND LIQUIDITY

The Institution monitors the liquidity required to meet its operating needs. Financial assets without donor restrictions that are available for general operating use within one year of the Statements of Financial Position date are as follows as of July 31, 2020 and 2019:

Financial Assets Without Donor Restriction Available for General Operating Use	2019	2019
Cash and Cash Equivalents	\$ 990,464	\$ 374,280
Accounts Receivable	224,849	124,980
Investments	6,817,300	5,955,563
	<u>\$ 8,032,613</u>	<u>\$ 6,454,823</u>
 Cash Runway Given Assets Available as of July 31,		
Financial Assets Available	8,032,613	6,454,823
Total Operating Expenses	6,274,347	5,926,770
 Months of Operating Net Assets Without Donor Restriction to Cover Operating Expenses		
	16	14
 Current Ratio		
Total Current Assets	8,222,456	6,581,186
Total Current Liabilities	35,141	52,135
Current Ratio	<u>233.98:1</u>	<u>126.23:1</u>

NOTE 15: GUARANTEED PAYMENTS

The Institution has an employment agreement effective as of August 1, 1999 with the Institution's former dean, Lawrence R. Velvel. The agreement stipulates that if Mr. Velvel ceases to be Dean of the Institution for any reason whatsoever, unless he has ceased to be Dean because of just cause, he shall have the right to continue to serve on the Institution's full-time faculty as a tenured full professor. As such tenured full professor, he shall receive a salary, fringe benefits, vacation and sick leave equal to his highest compensation as Dean, and shall receive a percentage increase in annual salary each subsequent year for the remainder of the term of this agreement. Mr. Velvel retired from his position as the dean of the Institution as of July 31, 2015, and this employment agreement was in full effect and expired on July 31, 2020.

MASSACHUSETTS SCHOOL OF LAW
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020 AND 2019

NOTE 16: PROFITABILITY, ACID TEST RATIO, TANGIBLE NET WORTH

CHANGES IN NET ASSETS

The Institution's profitability for the current and previous two years are as follows:

Description	2020	2019	2018
Unrestricted Revenues	\$ 7,012,285	5,961,017	\$ 6,211,787
Release from Temp Restricted Funds	-	-	-
Total Expenses (excluding Taxes)	<u>(6,274,347)</u>	<u>(5,926,770)</u>	<u>(6,379,035)</u>
Change in Net Assets	737,938	34,247	(167,248)
Tax Expenses	-	-	-
Net Change in Net Assets after tax	<u>\$ 737,938</u>	<u>34,247</u>	<u>\$ (167,248)</u>

ACID TEST RATIO

The Institution's acid test ratio as of July 31, 2019 and 2018 was as follows:

Description	2020	2019
Current Assets	\$ 8,222,456	6,581,186
Current Liabilities	<u>35,141</u>	<u>52,135</u>
Acid Test Ratio	<u>233.98:1</u>	<u>126.23:1</u>

TANGIBLE NET WORTH

The tangible net assets of the Institution as of July 31, 2019 and 2018:

Description	2020	2019
Total Assets	\$ 10,371,559	8,996,547
Less: Total Liabilities	(689,209)	(52,135)
Net Assets Unrestricted	9,682,350	8,944,412
Less: Intangible Assets	-	-
Tangible Net Assets	<u>\$ 9,682,350</u>	<u>8,944,412</u>

This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NOTE 17: NOTE PAYABLE

The Institution applied for and received funding under the Paycheck Protection Program. The Institution anticipates the entire amount of \$654,068 received in May of 2020 will be forgiven. In the case that it is not, the ineligible amount will become payable beginning seven months after receipt, under a 24-month term, with interest accruing at 1%. As the expectation is this debt will be forgiven, the entire amount of this debt is excluded from the composite score calculation as detailed in the financial responsibility supplemental schedule of this report.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(NO MATERIAL WEAKNESSES IDENTIFIED, NO SIGNIFICANT DEFICIENCIES IDENTIFIED, NO REPORTABLE INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS IDENTIFIED)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Massachusetts School of Law
500 Federal Street
Andover, Massachusetts 01810

We have audited, in accordance with the 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 financial statements of Massachusetts School of Law, which comprise the balance sheet as of July 31, 2020 and 2019 and the related statement of activities and changes in net assets, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered Massachusetts School of Law'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Massachusetts School of Law's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Massachusetts School of Law's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of Massachusetts School of Law'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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Massachusetts School of Law'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 audits, 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* or the Uniform Guidance.

PURPOSE OF THIS REPORT

The purpose of this 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 the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

David A Levy CPA PC
Needham, Massachusetts
February 9, 2021



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REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM, ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (*Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified*)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Massachusetts School of Law at Andover, Inc.
d/b/a Massachusetts School of Law
500 Federal Street
Andover, Massachusetts 01810

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Massachusetts School of Law's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Massachusetts School of Law's major federal program for the year ended July 31, 2020. Massachusetts School of Law's major federal program is identified in the summary of auditor's results section of the schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for Massachusetts School of Law's major federal program 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 (CFR) 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 Massachusetts School of Law'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 the major federal program. However, our audit does not provide a legal determination of Massachusetts School of Law's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Massachusetts School of Law 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 programs for the year ended July 31, 2020.

OTHER MATTERS

The results of our auditing procedures identified no instances of noncompliance during the current period. Prior period instances of noncompliance are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Auditor's Comments on Resolution Matters Relating to the SFA Program as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

Massachusetts School of Law's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan and schedule of findings and questioned costs. Massachusetts School of Law'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 Massachusetts School of Law is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Massachusetts School of Law'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 audit 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 Massachusetts School of Law'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 compliance requirement applicable to SFA programs 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 a material noncompliance with a compliance requirement applicable to SFA programs will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance requirements of applicable SFA programs 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

Massachusetts School of Law's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of questioned costs and corrective action plan. Massachusetts School of Law's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

PURPOSE OF REPORT

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 Guide. Accordingly, this report is not suitable for any other purpose.

David A Levy CPA PC
Needham, Massachusetts
February 9, 2021

**MASSACHUSETTS SCHOOL OF LAW
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR PERIOD ENDED JULY 31, 2020**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S Department of Education:		
<u>Student Financial Assistance Cluster</u>		
Federal Direct Student Loans	84.268	\$ 5,068,549
<u>Total Student Financial Assistance Cluster</u>		\$ 5,068,549
Total Expenditures of U.S. Department of Education		\$ 5,068,549
Total Expenditure of Federal Awards		<u>\$ 5,068,549</u>

MASSACHUSETTS SCHOOL OF LAW
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR PERIOD ENDED JULY 31, 2020

PURPOSE OF SCHEDULE

Office of Management and Budget Uniform Guidance requires a schedule of Expenditures of Federal awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity-The accompanying schedule includes all federal award programs for the fiscal year ended July 31, 2020. The reporting entity is defined in Notes to Financial Statements as of July 31, 2020.

B. Basis of presentation-The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Massachusetts School of Law, it is not intended to and does not present the financial position, changes in net assets or cash flows of Massachusetts School of Law.

1. Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

2. Major Programs- The Uniform Guidance establishes the levels of expenditure or expenses to be used in defining major federal financial award programs. Major programs for the school have been identified in the attached Schedule of Findings and Questioned costs.

C. Basis of Accounting-The information presented in the schedule of expenditures of federal awards is presented on the accrual basis of accounting, which is consistent with the reporting in the Institution's financial statements.

D. Indirect Cost Rate - The school has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

E. Subrecipients – There were no funds passed through to subrecipients.

**MASSACHUSETTS SCHOOL OF LAW
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR PERIOD ENDED JULY 31, 2020**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified _____ Yes X No
- Significant weaknesses identified _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal awards

Internal control over major program:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None Reported

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

- Any Audit Findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.268	Federal Direct Loan Program

Dollar Threshold used to distinguish between
Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

II. FINANCIAL STATEMENT FINDINGS

A. Internal control- None

B. Compliance Findings- None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control-No

B. Compliance Findings- No

**MASSACHUSETTS SCHOOL OF LAW
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE ONE YEAR PERIOD ENDED JULY 31, 2020**

CURRENT AUDIT

There were no instances of noncompliance notes within the sample population during the current audit.

MASSACHUSETTS SCHOOL OF LAW
AUDITOR'S COMMENTS ON RESOLUTION MATTERS RELATING TO THE SFA PROGRAM

The office of David A Levy CPA PC performed the Student Financial Aid Audit for the year ended July 31, 2019. There was one instance of noncompliance noted within the sample population as follows.

Finding 2019-001: NSLDS Status Reporting Error

Criteria : In accordance with 34 CFR 682.610 (c), Institutions are to report the enrollment status of students who received Title IV aid to NSLDS. This enrollment information is updated in NSLDS and, as appropriate, is reported to guarantors, lenders, and servicers of federal student loans. A student's enrollment status determines eligibility for in-school status, deferment and grace periods as well as for the Department's payment of interest subsidies to loan holders. SSCR/Enrollment Reporting is not only critical for effective administration of the Title IV student loan programs, but is also required so that the Department can engage in budgetary and policy analysis.

Description : In 3 instances out of 79 files reviewed, of which NSLDS data for 37 students was reviewed, the students' enrollment status changes were not reported to NSLDS in a correct manner. In each instance the effective date of the withdrawal was reported incorrectly as shown below:

NSLDS Reporting Error				
Student Sample Number	Status	Official		
		Graduation/ Withdrawn Date	Date Reported to NSLDS	Reported Incorrectly?
64	Withdrawn	9/11/2018	12/1/2018	Yes
66	Withdrawn	5/24/2019	8/20/2019	Yes
76	Withdrawn	5/24/2019	5/24/2018	Yes

Questioned Costs		No. of Students			FDLP		Total	
	Universe	596	5,618,301	5,618,301				
	Sample Size	37	602,160	602,160				
	Instances of Non Compliance	3	34,791	34,791				
	Level of Materiality	Material						

Cause : The Institution did not have the administrative capabilities to ensure that NSLDS enrollment reporting was consistently submitted correctly.

Effect : The USDOE does not have timely and accurate information pertaining to student's enrollment status which can affect loan deferments among other things.

Recommendation : We recommend that the Institution enact stronger controls to ensure that all future enrollment reporting is submitted both correctly and timely.

ENTITY'S RESPONSE TO NONCOMPLIANCE FINDINGS AND INTERNAL CONTROL OVER COMPLIANCE FINDINGS

Massachusetts School of Law's responses to the findings identified in our audit are addressed in the accompanying corrective action plan.

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**CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JULY 31, 2020**

Audit Firm: David A Levy CPA PC

Audit Period: August 1, 2019 - July 31, 2020

Signed Corrective Action Plan from the Institution is attached via the eZ-Audit system under a separate attachment.

**MASSACHUSETTS SCHOOL OF LAW
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
FOR THE YEAR PERIOD ENDED JULY 31, 2020**

Lines		Primary Reserve Ratio:		
		Expendable Net Assets:		
24	Statement of Financial Position - Net assets without donor restrictions	Net Assets without donor restrictions		10,336,418
30	Statement of Financial Position - Net assets with donor restrictions	Net Assets with donor restrictions		-
4	Statement of Financial Position - Realted party receivable and Related party note disclosure*	Secured and Unsecured related party receivable	-	
4	Statement of Financial Position - Realted party receivable and Related party note disclosure*	Unsecured related party receivable		-
8	Statement of Financial Position - Property, plant and equipment, net	Property, plant and equipment, net (Includes Construction in progress)	2,149,103	
FS Note line 8A	Note of the Financial Statements - Statement of Financial Position - Property, Plant and Equipment - pre-implementation*	Property, plant and equipment - pre-implementation		1,985,103
FS Note line 8D	Note of the Financial Statements - Statement of Financial Position - Property, Plant and Equipment - post-implementation with outstanding debt for original purchase*	Property, Plant and Equipment - post-implementation with outstanding debt for original purchase		164,000
FS Note line 8C	Note of the Financial Statements - Statement of Financial Position - Construction in process	Construction in process		-
9	Statement of Financial Position - Lease right-of-use-assets, net**	Lease right-of-use-assets, net		-

MASSACHUSETTS SCHOOL OF LAW
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
FOR THE YEAR PERIOD ENDED JULY 31, 2020

Excluded Line 9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use asset pre- implementation	Lease right-of-use assets pre-implementation		-
M9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use asset post- implementation	Lease right-of-use assets post-implementation		-
10	Statement of Financial Position - Goodwill	Intangible Assets		-
17	Statement of Financial Position - Post-employment and pension liabilities	Post-employment and pension liabilities		-
14, 20, 22	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes		-
M24, 20, 22, Note Debt A	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes pre- implementation		-
M24, 20, 22, Note Debt B	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Long-term debt - for long term purposes post- implementation		-
M24, 20, 22, Note Debt C	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in process	Line of Credit for Construction in process		-
21	Statement of Financial Position - Lease right-of-use of asset liability**	Lease right-of-use of asset liability	-	
Excluded Line 21 Note Leases	Statement of Financial Position - Lease right-of-use of asset liability pre-implementation	Pre-implementation right-of- use leases		-
Line 21 Note Leases	Statement of Financial Position - Lease right-of-use of asset liability pre-implementation	Post-implementation right-of- use leases		-
25	Statement of Financial Position - Annuities*	Annuities with donor restrictions		-
26	Statement of Financial Position - Term Endowments*	Term endowments with donor restrictions		-
27	Statement of Financial Position - Life Income Funds*	Life income funds with donor restrictions		-

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FOR THE YEAR PERIOD ENDED JULY 31, 2020

29	Statement of Financial Position - Perpetual Funds	Net assets with donor restrictions: restricted in perpetuity		-
		Total Expenses and Losses:		
43	Statement of Activities - Total Operating Expenses, (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities		6,274,347
(35), 45, 46, 47, 48, 49	Statement of Activities_Non-Operating (Investment return appropriated for spending), Investments, net of annual spending gain (loss), Other components of net periodic pension costs, Pension-related changes other than net periodic pension, Change in value of split-interest agreements and Other gains (loss)-(Total from Statement of Activities prior to adjustments)	Non-Operating and Net Investment (loss)		1,192,860
(35), 45	Statement of Activities - (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Net Investment losses		-
47	Statement of Activities - Pension-related changes other than periodic pension	Pension-related changes other than net periodic costs		-
		Equity Ratio:		
		Modified Net Assets:		
24	Statement of Financial Position - Net Assets without Donor Restriction	Net assets without donor restrictions		10,336,418
30	Statement of Financial Position - Total Net Assets with Donor Restriction	Net assets with donor restrictions		-
10	Statement of Financial Position - Goodwill	Intangible assets		-
4	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	-	
4	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivables		-
		Modified Assets:		
12	Statement of Financial Position - Total Assets	Total assets		10,371,559
Excluded Line 9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use assets pre-implementation		-
Excluded Line 21 Note Leases	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		-
10	Statement of Financial Position - Goodwill	Intangible Assets		-
4	Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	-	
4	Statement of Financial Position - Related party receivable and Related party note disclosure	Unsecured related party receivables		-
		Net Income Ratio:		
51	Statement of Activities - Change in Net Assets Without Donor Restrictions	Change in Net Assets Without Donor Restrictions		737,938
38, (35), 50	Statement of Activities - (Net assets released from restriction), Total Operating Revenue and Other Additiona and Sale of Fixed Assets, gains (losses)	Total Revenues and Gains		5,819,425

**MASSACHUSETTS SCHOOL OF LAW
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
FOR THE YEAR PERIOD ENDED JULY 31, 2020**

Statement of Financial Position			Statement of Activities		
Line			Line		
1	Cash and cash equivalents	990,464		Change in Net Assets Without Donor Restrictions	
2	Accounts receivable, net	224,849		Operating Revenue and Other Additions:	
3	Prepaid expenses, Inventory	189,843	33	Tuition and fees, net	5,819,425
4	Related party receivable	-	34	Contributions	-
5	Contributions receivable, net	-	35	Investment return appropriated for spending	-
6	Student loans receivable, net	-	36	Auxiliary enterprises	-
7	Investments	6,817,300	37	Net assets released from restriction	-
	Property, plant and equipment, net	2,149,103	38	Total Operating Revenue and Other Additions	5,819,425
9	Lease right-of-use asset, net	-	39	Operating Expenses and Other Deductions:	
10	Goodwill	-	40	Education and research expenses	6,069,089
11	Deposits	-	41	Depreciation and Amortization	205,258
12	Total Assets	10,371,559	42	Interest Expense	-
			43	Auxiliary expenses	-
13	Line of credit - short term	-	44	Total Operating Expenses	6,274,347
14	Line of credit - short term for CIP	-		Change in Net Assets from Operations	(454,922)
15	Accrued expenses/Accounts payable	4,251		Non-Operating Changes	
16	Deferred revenue	30,890	45	Investments, net of annual spending, gain (loss)	-
17	Post-employment and pension liability	-	46	Other components of net periodic pension costs	-
18	Line of credit - operating	-	47	Pension-related changes other than net periodic pension costs	-
19	Other liabilities	-	48	Change in value of split-interest agreements	-
20	Notes payable	-	49	Other gains (losses)	1,192,860
21	Lease right-of-use asset liability	-	50	Sale of fixed assets, gains (losses)	-
22	Line of credit for long term purposes	-		Total Non-Operating Changes	1,192,860
23	Total Liabilities	35,141	51	Change in Net Assets Without Donor Restrictions	737,938
24	Net Assets without Donor Restrictions	10,336,418		Change in Net Assets With Donor Restrictions	
	Net Assets with Donor Restrictions		52	Contributions	-
25	Annuities	-	53	Net assets released from restriction	-
26	Term endowments	-	54	Change in Net Assets With Donor Restrictions	-
27	Life income funds	-	55	Change in Net Assets	737,938
28	Other restricted by purpose and time	-	56	Net Assets, Beginning of Year	8,944,412
29	Restricted in perpetuity	-	31	Net Assets, End of Year	9,682,350
30	Total Net Assets with Donor Restrictions	-			
31	Total Net Assets	10,336,418			
32	Total Liabilities and Net Assets	10,371,559			

Calculating the Composite Score

	Lines		
	24+30-29-(25+26+27)-10-		
Primary Reserve Ratio = Expendable Net Assets	(8+9)+17+(M14+M20+M21+M22)-4	8,187,315	1.0964
/ Total Expenses and Losses Without Donor Restrictions	43+46+48+49	7,467,207	
Equity Ratio = Modified Net Assets	24+30-10-4	10,336,418	0.9966
/ Modified assets	12-10-4	10,371,559	
Net Income Ratio = Change in Net Assets Without Donor Restrictions	51	731,438	0.1257
/ Total Revenues and Gains Without Donor Restrictions	38-35+50	5,819,425	

Ratio	Ratio	Strength Factor	Weight	Composite Scores	
Primary Reserve Ratio	1.0964	10	3.0000	40%	1.2000
Equity Ratio	0.9966	6	3.0000	40%	1.2000
Net Income Ratio	0.1257	1	3.0000	20%	0.6000
					3.0000

TOTAL Composite Score - Rounded **3.0**

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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
FOR THE YEAR PERIOD ENDED JULY 31, 2020**

Note for Line 8 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		1,985,103
B.	Post-Implementation Property, Plant and Equipment		-
	Vehicles	-	
	Furniture	-	
	Computers	-	
C.	Construction in progress		-
D.	Post-Implementation Property, Plant and Equipment		164,000
	Total		2,149,103

- A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations -- Less any depreciation or disposals
- B. This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt
- C. Asset value of the Construction in progress
- D. Post-Implementation Property, Plant and Equipment with no outstanding debt.

Notes for Line 14, 20 and 24 - Long-term debt for long term purposes

A.	Pre-Implementation Long-term debt		-
B.	Allowable Post-Implementation Long-term Debt		-
	Vehicles	-	
	Furniture	-	
	Computers	-	
C.	Construction in progress - debt		-
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		-
	Total		-

- A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations -- Less any depreciation or disposals
- B. This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt
- C. Asset value of the Construction in progress
- D. Post-Implementation Property, Plant and Equipment with no outstanding debt.