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**MASSACHUSETTS SCHOOL OF LAW AT ANDOVER, INC.**  
**DBA**  
**MASSACHUSETTS SCHOOL OF LAW**

**AUDITED FINANCIAL STATEMENTS & REPORTS**  
**REQUIRED FOR AUDITS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING**  
**STANDARDS AND THE UNIFORM GUIDANCE**  
**JULY 31, 2021 AND 2020**

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**MASSACHUSETTS SCHOOL OF LAW**  
**JULY 31, 2021 AND 2020**  
**AUDITED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Massachusetts School of Law at Andover, Inc.  
dba 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. dba Massachusetts School of Law (hereafter referred to as "Massachusetts School of Law", or the "Institution"), which comprise the statements of financial position as of July 31, 2021 and 2020, 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, 2021 and 2020, 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 14 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 note 15 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 January 24, 2022 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.

A handwritten signature in black ink that reads "David A. Levy CPA PC". The signature is written in a cursive, flowing style.

David A Levy CPA PC  
Needham, Massachusetts  
January 24, 2022

**MASSACHUSETTS SCHOOL OF LAW  
STATEMENTS OF FINANCIAL POSITION  
AS OF JULY 31, 2021 AND 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash and Cash Equivalents	\$ 708,549	\$ 990,464
Accounts Receivable		
-Students	293,924	224,849
Investments	8,829,481	6,817,300
Bookstore Inventory	42,467	58,998
Prepaid Expenses	-	30,845
Deposit	-	100,000
<b>TOTAL CURRENT ASSETS</b>	<b>9,874,421</b>	<b>8,222,456</b>
PROPERTY, EQUIPMENT AND LIBRARY BOOKS, NET	2,071,469	2,149,103
<b>TOTAL ASSETS</b>	<b>\$ 11,945,890</b>	<b>\$ 10,371,559</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 5,586	\$ 4,251
Deferred Tuition	29,291	30,890
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,877</b>	<b>35,141</b>
<b>LONG TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	-	654,068
<b>TOTAL LIABILITIES</b>	<b>34,877</b>	<b>689,209</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Net Assets without Donor Restrictions	9,130,217	5,897,318
Net Investment in Property and Equipment	2,780,796	2,592,172
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>11,911,013</b>	<b>8,489,490</b>
Net Assets with Donor Restrictions	-	-
Gain on Sale of Land	-	1,192,860
<b>TOTAL NET ASSETS</b>	<b>11,911,013</b>	<b>9,682,350</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 11,945,890</b>	<b>\$ 10,371,559</b>

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

**MASSACHUSETTS SCHOOL OF LAW  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**OPERATING**

REVENUE	Without Donor Restrictions	With Donor Restrictions	<u>2021</u>	<u>2020</u>
Earned Tuition and Fees	\$ 5,684,707	\$ -	\$ 5,684,707	\$ 5,278,041
Net Investment Income	1,298,495	-	1,298,495	360,168
Bookstore Sales	115,258	-	115,258	175,442
Fundraising/Other	61,246	-	61,246	5,774
<b>TOTAL OPERATING REVENUES</b>	<u>7,159,706</u>	<u>-</u>	<u>7,159,706</u>	<u>5,819,425</u>
<b>EXPENSES</b>				
Program Services:				
Educational	3,206,523	-	3,206,523	3,131,373
Management and General:				
Supporting Services	2,378,588	-	2,378,588	3,142,974
<b>TOTAL OPERATING EXPENSES</b>	<u>5,585,111</u>	<u>-</u>	<u>5,585,111</u>	<u>6,274,347</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>1,574,595</b>	<b>-</b>	<b>1,574,595</b>	<b>(454,922)</b>
<b>NONOPERATING</b>				
Gain on Sale of Land	-	-	-	1,192,860
Debt Extinguishment	654,068	-	654,068	-
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,228,663</u>	<u>\$ -</u>	<u>\$ 2,228,663</u>	<u>\$ 737,938</u>
<b>NET ASSETS- BEGINNING OF YEAR</b>	<b>9,682,350</b>		<b>9,682,350</b>	<b>8,944,412</b>
<b>NET ASSETS- END OF YEAR</b>	<u>\$ 11,911,013</u>	<u>\$ -</u>	<u>\$ 11,911,013</u>	<u>\$ 9,682,350</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, 2021 AND 2020**

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	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
NET ASSETS BEGINNING OF YEAR	\$ 9,682,350	-	9,682,350	\$ 8,944,412	-	8,944,412
CHANGE IN NET ASSETS FOR THE PERIOD	2,228,663	-	2,228,663	737,938	-	737,938
NET ASSETS END OF YEAR	<u>\$ 11,911,013</u>	<u>-</u>	<u>11,911,013</u>	<u>\$ 9,682,350</u>	<u>-</u>	<u>9,682,350</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, 2021 AND 2020**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Increase/(Decrease) in Net Assets	\$ 2,228,663	\$ (454,922)
Adjustments to reconcile Net Increase/(Decrease) in Net Assets to net cash provided by operating activities:		
Depreciation	129,214	121,589
Amortization	83,669	83,669
Debt Extinguishment	(654,068)	-
Accounts Receivable		
-Students	(69,075)	(99,869)
-Other	-	17,149
Bookstore Inventory	16,532	46,776
Prepaid Expenses	30,845	(27,405)
Accounts Payable and Accrued Expenses	1,335	4,251
Deferred Tuition	(1,599)	(21,245)
Deposit	100,000	(100,000)
Cash Provided (Used) by Operating Activities	<u>1,865,516</u>	<u>(430,007)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Acquisition of Leasehold Improvements	(135,250)	(164,000)
Investments	(2,012,181)	(861,737)
Cash Used by Investing Activities	<u>(2,147,431)</u>	<u>(1,025,737)</u>
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase in Debt - Paycheck Protection Program funds	-	654,068
Proceeds from sale of Land	-	1,417,860
Cash Provided by Financing Activities	<u>-</u>	<u>2,071,928</u>
Change in Cash and Cash Equivalents	(281,915)	616,184
BEGINNING CASH BALANCE	990,464	374,280
 <b>ENDING CASH BALANCE</b>	 <b>\$ <u>708,549</u></b>	 <b>\$ <u>990,464</u></b>
Supplementary Information:		
<u>Cash Paid For:</u>		
Income Taxes	\$ -	\$ -

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, 2021**

Description	Program Services						Management & General Expenses	2021 Grand Total
			Library	Plant				
	Academic Instruction	Bookstore Operations	Library Operation & & Maintenance	Library Operation & & Maintenance	Student Services	Total		
Salaries and wages	1,484,282	4,033	144,370	72,900	356,183	2,061,768	1,028,535	3,090,303
Fringe benefits	340,873	926	33,155	16,742	81,799	473,496	236,209	709,705
Advertising and recruiting costs	-	-	-	-	-	-	435,333	435,333
Utilities	-	-	-	-	-	-	168,803	168,803
Provision for bad debts	-	-	-	-	-	-	261,286	261,286
Depreciation and amortization	-	-	83,669	129,214	-	212,883	-	212,883
Office supplies and expense	-	-	-	-	-	-	50,089	50,089
Insurance	-	-	-	87,779	-	87,779	-	87,779
Update and upkeep costs	-	-	-	-	-	-	73,470	73,470
Repairs and maintenance	-	-	-	109,421	-	109,421	-	109,421
Professional fees	-	-	-	-	-	-	61,937	61,937
Janitorial & Cleaning Services	-	-	-	124,410	-	124,410	-	124,410
Bar Course Expenses	29,756	-	-	-	-	29,756	-	29,756
Classroom supplies	-	-	-	-	-	-	-	-
Trial team	-	-	-	-	-	-	300	300
Telephone	-	-	-	-	-	-	21,572	21,572
Supplies	-	-	-	4,220	-	4,220	-	4,220
Commencement	-	-	-	-	-	-	317	317
Postage	-	-	-	-	-	-	11,589	11,589
Professional development	-	-	-	-	-	-	2,517	2,517
Security services	-	-	-	-	-	-	10,953	10,953
Equipment rental	-	-	-	-	-	-	6,736	6,736
Bank Fees	-	-	-	-	-	-	926	926
Other	-	-	-	-	-	-	7,431	7,431
Computer Supplies	102,790	-	-	-	-	102,790	-	102,790
Taxes and filing fees	-	-	-	-	-	-	585	585
<b>Grand Total</b>	<b>\$ 1,957,701</b>	<b>4,959</b>	<b>261,194</b>	<b>544,686</b>	<b>437,982</b>	<b>3,206,523</b>	<b>2,378,588</b>	<b>5,585,111</b>

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
			Library	Plant				
	Academic Instruction	Bookstore Operations	Library Operation & & Maintenance	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
Advertising 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
<b>Grand Total</b>	<b>\$ 1,628,314</b>	<b>157,800</b>	<b>319,372</b>	<b>621,730</b>	<b>404,157</b>	<b>3,131,373</b>	<b>3,142,974</b>	<b>6,274,347</b>

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:

<b>ASU 2016-14</b>	<b>Financial Statement Audits Prior to July 31, 2019</b>	<b>Financial Statement Audits as of July 31, 2019 and Thereafter</b>
<b>Net Asset Segregation</b>	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
<b>Qualitative and Quantitative Information</b>	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, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020 were \$435,333 and \$466,099, 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, 2021.

	Totals	Fair value measurements using:		
		Quoted prices in Active Markets Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 1,351,412	\$ 1,351,412	\$ -	\$ -
Common Fund Multi -Strategy Bond Fund	7,465,330	7,465,330	-	-
Other	12,739	12,739		
<b>Totals</b>	<b>\$ 8,829,481</b>	<b>\$ 8,829,481</b>	<b>\$ -</b>	<b>\$ -</b>

**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.

**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, 2021 and 2020, the allowance account was \$194,899 and \$113,122, 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, 2021 and 2020, the students’ accounts receivables and deferred tuition balances were as follows:

	<u>2021</u>	<u>2020</u>
Deferred Tuition	\$ 29,291	\$ 30,890
Accounts Receivable	488,823	337,971
Less: Allowance for Doubtful Account	<u>(194,899)</u>	<u>(113,122)</u>
Accounts Receivable, Net	<u>\$ 293,924</u>	<u>\$ 224,849</u>

**NOTE 3: SUBSEQUENT EVENTS**

The Institution evaluates subsequent events through January 24, 2022, the date of this report. No material subsequent events have occurred that require recognition or disclosure in these financial statements.



**NOTE 4: BOOKSTORE INVENTORY**

As of July 31, 2021 and 2020 the Institution has bookstore inventory balance of \$42,467 and \$58,998, respectively.

**NOTE 5: PREPAID EXPENSES AND DEPOSITS**

As of July 31, 2021 and 2020 the Institution has a prepaid expenses balance of \$0 and \$30,845, respectively. As of July 31, 2021 and 2020, the Institution had \$0 and \$100,000 in a deposit on record with a contractor for work not yet started.

**NOTE 6: 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) as of July 31, 2021 and 2020 were as follows:

	2021 Fair Market Value	2020 Fair Market Value
Certificates of deposits	\$ 1,351,412	\$ 418,000
Equities	7,465,330	6,386,895
Other	<u>12,739</u>	<u>12,405</u>
Total Investments	<u>8,829,481</u>	<u>6,817,300</u>
Cash and cash equivalents	\$ 708,549	\$ 990,464

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:

Description	<u>2021</u>	<u>2020</u>
Interest, Dividend income and capital gain distributions	\$ 97,532	\$ 92,398
Realized gain (loss) on sale of investments	-	-
Unrealized gain (loss) on investments	1,225,740	289,106
Investment advisory fees	<u>(24,777)</u>	<u>(21,336)</u>
Total	<u>\$ 1,298,495</u>	<u>\$ 360,168</u>

**NOTE 7: 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, 2021 and 2020 was as follows:

Assets	Estimated Life	2021	2020
Real Estate	39 Years	\$ 5,247,942	\$ 5,247,942
Library Books & Microforms (Net of Amortization)	10 Years	502,016	502,016
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	345,322	210,072
Maintenance Equipment	5 Years	1,864	1,864
Property & Equipment, Gross		<u>6,516,991</u>	<u>6,381,741</u>
Less: Accumulated Depreciation & Amortization		<u>(4,445,522)</u>	<u>(4,232,638)</u>
Property & Equipment, Net		<u>\$ 2,071,469</u>	<u>\$ 2,149,103</u>
Amortization		83,669	83,669
Depreciation		<u>129,214</u>	<u>121,589</u>
		<u>\$ 212,883</u>	<u>\$ 205,258</u>

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

**NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses balances as of July 31, 2021 and 2020 were \$5,586 and \$4,251 and comprised the following:

	2021	2020
Due to Vendors	\$ 1,804	\$ -
Payroll Liabilities	<u>3,782</u>	<u>4,251</u>
	<u>\$ 5,586</u>	<u>\$ 4,251</u>

**NOTE 9: 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 \$134,309 and \$152,275 for the years ended July 31, 2021 and 2020, respectively.

**NOTE 10: REFUNDS AND REPAYMENTS TO THE U.S. DEPARTMENT OF EDUCATION**

As of July 31, 2021 and 2020, there were no 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 11: 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 12: 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 13: COHORT DEFAULT RATE**

According to the USDOE, an Institution is not considered to be administratively capable, if its cohort default rate for Federal Stafford/SLD Loan or for Direct Loans made to students for attendance at the school equals or exceeds 30% for the three most recent financial years, or if the most recent cohort default rate is greater than 40%. The Institution must continue to have a default management plan in effect if it equals or exceeds these thresholds. Currently, the 3-year Cohort Default Rate published online by the USDOE for the Institution is 4.5% (FY 2018).

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

**NOTE 14: 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, 2021 and 2020, the Institution had 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 15: 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, was 3.0 for the fiscal year ended July 31, 2021. 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			3.0

This ratio as of fiscal year ended July 31, 2020 was 3.0. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

**NOTE 16: 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, 2021 and 2020:

**Financial Assets Without Donor Restriction**

Available for General Operating Use	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 708,549	\$ 990,464	\$ 374,280	\$ 455,508
Accounts Receivable	293,924	224,849	124,980	220,369
Investments	8,829,481	6,817,300	5,955,563	5,593,687
	<u>\$ 9,831,954</u>	<u>\$ 8,032,613</u>	<u>\$ 6,454,823</u>	<u>\$ 6,269,564</u>

**Cash Runway Given Assets Available as of July 31,**

Financial Assets Available	9,831,954	8,032,613	6,454,823	6,269,564
Total Operating Expenses	5,585,111	6,274,347	5,926,770	6,379,035
Months of Operating Net Assets Without Donor Restriction to Cover Operating Expenses	22	16	14	12

**Current Ratio**

Total Current Assets	9,874,421	8,222,456	6,581,186	6,316,738
Total Current Liabilities	34,877	35,141	52,135	30,092
Current Ratio	<u>283.12:1</u>	<u>233.98:1</u>	<u>126.23:1</u>	<u>209.91:1</u>

**NOTE 17: 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.

**NOTE 18: 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	2021	2020	2019
Unrestricted Revenues	\$ 7,813,774	7,012,285	\$ 6,211,787
Release from Temp Restricted Funds	-	-	-
Total Expenses (excluding Taxes)	(5,585,111)	(6,274,347)	(6,379,035)
Change in Net Assets	2,228,663	737,938	(167,248)
Tax Expenses	-	-	-
Net Change in Net Assets after tax	\$ 2,228,663	737,938	\$ (167,248)

**ACID TEST RATIO**

The Institution's acid test ratio as of July 31, 2021 and 2020 was as follows:

Description	2021	2020
Current Assets	\$ 9,874,421	8,222,456
Current Liabilities	34,877	35,141
Acid Test Ratio	283.12:1	233.98:1

**TANGIBLE NET WORTH**

The tangible net assets of the Institution as of July 31, 2021 and 2020:

Description	2021	2020
Total Assets	\$ 11,945,890	10,371,559
Less: Total Liabilities	(34,877)	(689,209)
Net Assets Unrestricted	11,911,013	9,682,350
Less: Intangible Assets	-	-
Tangible Net Assets	\$ 11,911,013	9,682,350

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

**NOTE 19: NOTE PAYABLE**

The Institution obtained a paycheck protection program loan in the amount of \$654,068 on May 2020. The Loan was made pursuant to the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") (P.L. 116-136) and is subject to the terms and provisions of the CARES Act, including but not limited to the eligibility, interest rate, and potential loan forgiveness provisions thereof and as further terms and provisions are issued by the United States Small Business Administration. This loan was forgiven on January 19, 2021, and is presented as "debt extinguishment" income on the income statement.



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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, 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2022.

**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  
January 24, 2022





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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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
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, 2021. 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, 2021.

## 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.

A handwritten signature in black ink that reads "David A. Levy CPA PC". The signature is written in a cursive, flowing style.

David A Levy CPA PC  
Needham, Massachusetts  
January 24, 2022

**MASSACHUSETTS SCHOOL OF LAW  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR PERIOD ENDED JULY 31, 2021**

---

<b><u>Federal Grantor</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
U.S Department of Education:		
<u>Student Financial Assistance Cluster</u>		
Federal Direct Student Loans	84.268	\$ 5,365,890
<u>Total Student Financial Assistance Cluster</u>		\$ 5,365,890
Total Expenditures of U.S. Department of Education		\$ 5,365,890
<b>Total Expenditure of Federal Awards</b>		<b><u>\$ 5,365,890</u></b>

## **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, 2021. The reporting entity is defined in Notes to Financial Statements as of July 31, 2021.

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, 2021

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**I. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued:

Internal control over financial reporting:

- Material weaknesses identified \_\_\_\_\_ Yes   X   No
- Significant weaknesses identified \_\_\_\_\_ Yes   X   No
- 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   No

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- None

B. Compliance Findings- None

**MASSACHUSETTS SCHOOL OF LAW  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE ONE YEAR PERIOD ENDED JULY 31, 2021**

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**CURRENT AUDIT**

There were no instances of noncompliance noted within sample population in the current audit.

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

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The office of David A Levy CPA PC performed the Student Financial Aid Audit for the year ended July 31, 2020. There were no instances of noncompliance noted within the sample population.





**MASSACHUSETTS SCHOOL OF LAW  
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE  
FOR THE YEAR PERIOD ENDED JULY 31, 2021**

Lines		<u>Primary Reserve Ratio:</u>		
		Expendable Net Assets:		
24	Statement of Financial Position - Net assets without donor restrictions	Net Assets without donor restrictions		11,911,013
30	Statement of Financial Position - Net assets with donor restrictions	Net Assets with donor restrictions		-
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 receivable		-
8	Statement of Financial Position - Property, plant and equipment, net	Property, plant and equipment, net (Includes Construction in progress)	2,071,469	
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		1,936,219
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		135,250
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		-

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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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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		5,585,111
36, 45, 46, 47, 48, 49,50	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)		1,952,563
36, 45	Statement of Activities - (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Net Investment losses		1,298,495
47	Statement of Activities - Pension-related changes other than periodic pension	Pension-related changes other than net periodic costs		-

**Equity Ratio:**

		<b>Modified Net Assets:</b>		
24	Statement of Financial Position - Net Assets without Donor Restriction	Net assets without donor restrictions		11,911,013
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		-
		<b>Modified Assets:</b>		
12	Statement of Financial Position - Total Assets	Total assets		11,945,890
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	<b>Change in Net Assets Without Donor Restrictions</b>		2,228,663
38, (35), 50	Statement of Activities - (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	<b>Total Revenues and Gains</b>		7,813,774

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Statement of Financial Position		
Line		
1	Cash and cash equivalents	708,549
2	Accounts receivable, net	293,924
3	Prepaid expenses, Inventory	42,467
4	Related party receivable	-
5	Contributions receivable, net	-
6	Student loans receivable, net	-
7	Investments	8,829,481
	Property, plant and equipment, net	2,071,469
9	Lease right-of-use asset, net	-
10	Goodwill	-
11	Deposits	-
12	<b>Total Assets</b>	<b>11,945,890</b>
13	Line of credit - short term	-
14	Line of credit - short term for CIP	-
15	Accrued expenses/Accounts payable	5,586
16	Deferred revenue	29,291
17	Post-employment and pension liability	-
18	Line of credit - operating	-
19	Other liabilities	-
20	Notes payable	-
21	Lease right-of-use asset liability	-
22	Line of credit for long term purposes	-
23	<b>Total Liabilities</b>	<b>34,877</b>
24	<b>Net Assets without Donor Restrictions</b>	<b>11,911,013</b>
	<b>Net Assets with Donor Restrictions</b>	
25	Annuities	-
26	Term endowments	-
27	Life income funds	-
28	Other restricted by purpose and time	-
29	Restricted in perpetuity	-
30	<b>Total Net Assets with Donor Restrictions</b>	<b>-</b>
31	<b>Total Net Assets</b>	<b>11,911,013</b>
32	<b>Total Liabilities and Net Assets</b>	<b>11,945,890</b>

Statement of Activities		
Line		
	<b>Change in Net Assets Without Donor Restrictions</b>	
	<b>Operating Revenue and Other Additions:</b>	
33	Tuition and fees, net	5,684,707
34	Bookstore Sales	115,258
35	Fundraising/Other	61,246
36	Investment Income	1,298,495
37	Net assets released from restriction	-
38	<b>Total Operating Revenue and Other Additions</b>	<b>7,159,706</b>
	<b>Operating Expenses and Other Deductions:</b>	
39	Education and research expenses	5,372,228
40	Depreciation and Amortization	212,883
41	Interest Expense	-
42	Auxiliary expenses	-
43	<b>Total Operating Expenses</b>	<b>5,585,111</b>
44	<b>Change in Net Assets from Operations</b>	<b>1,574,595</b>
	<b>Non-Operating Changes</b>	
45	Investments, net of annual spending, gain (loss)	-
46	Other components of net periodic pension costs	-
47	Pension-related changes other than net periodic pension costs	-
48	Change in value of split-interest agreements	-
49	Other gains (losses)	654,068
50	Sale of fixed assets, gains (losses)	-
	<b>Total Non-Operating Changes</b>	<b>654,068</b>
51	<b>Change in Net Assets Without Donor Restrictions</b>	<b>2,228,663</b>
	<b>Change in Net Assets With Donor Restrictions</b>	
52	Contributions	-
53	Net assets released from restriction	-
54	<b>Change in Net Assets With Donor Restrictions</b>	<b>-</b>
55	<b>Change in Net Assets</b>	<b>2,228,663</b>
56	<b>Net Assets, Beginning of Year</b>	<b>9,682,350</b>
31	<b>Net Assets, End of Year</b>	<b>11,911,013</b>

Calculating the Composite Score

	Lines		
Primary Reserve Ratio = Expendable Net Assets	24+30-29-(25+26+27)-10-		
/ Total Expenses and Losses Without Donor Restrictions	(8+9)+17+(M14+M20+M21+M22)-4	9,839,544	1.7617
	43+46+48+49	5,585,111	

Equity Ratio = Modified Net Assets	24+30-10-4	11,911,013	
/ Modified assets	12-10-4	11,945,890	0.9971

Net Income Ratio = Change in Net Assets Without Donor Restrictions	51	2,228,663	0.2852
/ Total Revenues and Gains Without Donor Restrictions	38+49+50	7,813,774	

Ratio	Ratio	Strength Factor	Weight	Composite Scores	
Primary Reserve Ratio	1.7617	10	3.0000	40%	1.2000
Equity Ratio	0.9971	6	3.0000	40%	1.2000
Net Income Ratio	0.2852	1	3.0000	20%	0.6000
					<u>3.0000</u>

**TOTAL Composite Score - Rounded**

**3.0**

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Note for Line 8 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		1,936,219
B.	Post-Implementation Property, Plant and Equipment		-
	Vehicles	-	
	Furniture	-	
	Computers	-	
C.	Construction in progress		-
D.	Post-Implementation Property, Plant and Equipment		135,250
	Total		2,071,469

- 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		-
	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.