

**MOUNT WACHUSETT COMMUNITY
COLLEGE FOUNDATION, INC.**
(a component unit of Mount Wachusett Community College)

FINANCIAL STATEMENTS

JUNE 30, 2017

**MOUNT WACHUSETT COMMUNITY COLLEGE
FOUNDATION, INC.**

(a component unit of Mount Wachusett Community College)

Financial Statements

June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mount Wachusett Community College Foundation, Inc.
Gardner, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of Mount Wachusett Community College Foundation, Inc. (a component unit of Mount Wachusett Community College) (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and changes in net assets, and cash flows 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.

Auditors' 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 audits 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 auditors' 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 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 the Foundation as of June 30, 2017 and 2016, and the respective changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017 on our consideration of the Foundation'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 the Foundation's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 19, 2017

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Statements of Financial Position

June 30,

	Assets	
	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and equivalents (Note 1)	\$ 201,261	\$ 58,861
Restricted cash and equivalents (Note 1)	624,323	262,404
Current portion of pledges receivable (Note 2)	284,983	9,690
Marketable securities (Note 3)	3,822,869	3,354,012
Current portion of loan receivable (Note 9)	94,021	88,698
Interest receivable	<u>30,982</u>	<u>33,869</u>
Total Current Assets	<u>5,058,439</u>	<u>3,807,534</u>
Long-Term Assets:		
Pledges receivable, net of current portion (Note 2)	37,470	9,420
Loan receivable Mount Wachusett Community College, net of current portion (Note 9)	317,281	411,302
Beneficial interest in assets held by Community Foundation of North Central Massachusetts (Note 5)	<u>2,048,040</u>	<u>2,026,208</u>
Total Long-Term Assets	<u>2,402,791</u>	<u>2,446,930</u>
Total Assets	<u>\$ 7,461,230</u>	<u>\$ 6,254,464</u>
Liability and Net Assets		
Current Liability:		
Accounts payable	<u>\$ 18,677</u>	<u>\$ 20,448</u>
Net Assets:		
Unrestricted:		
Board designated (Note 8)	2,491,991	2,186,127
Undesignated	113,421	57,523
Temporarily restricted (Note 7)	4,119,380	3,557,918
Permanently restricted (Note 8)	<u>717,761</u>	<u>432,448</u>
Total Net Assets	<u>7,442,553</u>	<u>6,234,016</u>
Total Liability and Net Assets	<u>\$ 7,461,230</u>	<u>\$ 6,254,464</u>

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

**MOUNT WACHUSETT COMMUNITY COLLEGE
FOUNDATION, INC.**

(a component unit of Mount Wachusett Community College)

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Grants and contributions	\$ 40,089	\$ 802,200	\$ 285,313	\$ 1,127,602
Fundraising	54,827	-	-	54,827
Contributed services	30,900	-	-	30,900
Change in value of beneficial interest (Note 5)	-	221,832	-	221,832
Investment return (Note 3)	337,729	205,379	-	543,108
Net assets released from restrictions (Note 7)	<u>667,949</u>	<u>(667,949)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,131,494</u>	<u>561,462</u>	<u>285,313</u>	<u>1,978,269</u>
Expenses:				
Program Services:				
Academic support	601,420	-	-	601,420
Fundraising	<u>56,749</u>	<u>-</u>	<u>-</u>	<u>56,749</u>
Total Program Services	<u>658,169</u>	<u>-</u>	<u>-</u>	<u>658,169</u>
Supporting Services:				
Personnel	77,571	-	-	77,571
Professional fees	20,425	-	-	20,425
Meetings and conferences	5,113	-	-	5,113
Dues and subscriptions	2,315	-	-	2,315
Insurance	2,084	-	-	2,084
Office costs	1,866	-	-	1,866
Miscellaneous	1,826	-	-	1,826
Licensing fees	<u>363</u>	<u>-</u>	<u>-</u>	<u>363</u>
Total Supporting Services	<u>111,563</u>	<u>-</u>	<u>-</u>	<u>111,563</u>
Total Expenses	<u>769,732</u>	<u>-</u>	<u>-</u>	<u>769,732</u>
Increase in Net Assets	361,762	561,462	285,313	1,208,537
Net Assets, Beginning of Year	<u>2,243,650</u>	<u>3,557,918</u>	<u>432,448</u>	<u>6,234,016</u>
Net Assets, End of Year	<u>\$ 2,605,412</u>	<u>\$ 4,119,380</u>	<u>\$ 717,761</u>	<u>\$ 7,442,553</u>

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

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Grants and contributions	\$ 57,211	\$ 433,376	\$ 110,000	\$ 600,587
Fundraising	114,872	-	-	114,872
Contributed services	26,500	-	-	26,500
Change in value of beneficial interest (Note 5)	-	(31,407)	-	(31,407)
Investment return (Note 3)	(34,302)	13,386	-	(20,916)
Net assets released from restrictions (Note 7)	<u>449,038</u>	<u>(449,038)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>613,319</u>	<u>(33,683)</u>	<u>110,000</u>	<u>689,636</u>
Expenses:				
Program Services:				
Academic support	835,662	-	-	835,662
Fundraising	<u>30,991</u>	<u>-</u>	<u>-</u>	<u>30,991</u>
Total Program Services	<u>866,653</u>	<u>-</u>	<u>-</u>	<u>866,653</u>
Supporting Services:				
Personnel	69,779	-	-	69,779
Licensing fees	11,438	-	-	11,438
Dues and subscriptions	1,473	-	-	1,473
Professional fees	17,049	-	-	17,049
Meetings and conferences	6,809	-	-	6,809
Office costs	5,679	-	-	5,679
Miscellaneous	2,398	-	-	2,398
Insurance	<u>2,139</u>	<u>-</u>	<u>-</u>	<u>2,139</u>
Total Supporting Services	<u>116,764</u>	<u>-</u>	<u>-</u>	<u>116,764</u>
Total Expenses	<u>983,417</u>	<u>-</u>	<u>-</u>	<u>983,417</u>
Increase (Decrease) in Net Assets	(370,098)	(33,683)	110,000	(293,781)
Net Assets, Beginning of Year	<u>2,613,748</u>	<u>3,591,601</u>	<u>322,448</u>	<u>6,527,797</u>
Net Assets, End of Year	<u>\$ 2,243,650</u>	<u>\$ 3,557,918</u>	<u>\$ 432,448</u>	<u>\$ 6,234,016</u>

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

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ <u>1,208,537</u>	\$ <u>(293,781)</u>
Adjustment to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Realized gains on marketable securities	(4,166)	(187,331)
Unrealized (gains) losses on marketable securities	(475,421)	276,608
Change in value of beneficial interest	(221,832)	31,407
Noncash donation	(5,512)	(3,035)
Changes in assets and liabilities:		
Pledges receivable	(303,343)	193
Interest receivable	2,887	(22,246)
Accounts payable	<u>(1,771)</u>	<u>(33,227)</u>
Net Adjustments	<u>(1,009,158)</u>	<u>62,369</u>
Net Cash Provided by (Applied to) Operating Activities	<u>199,379</u>	<u>(231,412)</u>
Cash Flows from Investing Activities:		
Purchase of marketable securities	(590)	(1,318)
Proceeds from sale of investments	16,832	628,632
Repayment (advance) of college loan	88,698	(500,000)
Proceeds from beneficial interest in trust	<u>200,000</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>304,940</u>	<u>127,314</u>
Net Increase (Decrease) in Cash and Equivalents	504,319	(104,098)
Cash and Equivalents, Beginning of Year	<u>321,265</u>	<u>425,363</u>
Cash and Equivalents, End of Year	<u>\$ 825,584</u>	<u>\$ 321,265</u>

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

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies**

Organization

Mount Wachusett Community College Foundation (the “Foundation”) was formed in 1971 to assist in the growth and improvement of Mount Wachusett Community College (the “College”) by fostering and promoting excellence in education and research through the awarding of grants and scholarships. The Foundation is a 501(c)(3) organization under the Internal Revenue Code and operates primarily in Massachusetts and receives most of its revenues from donations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of pledges receivable.

Method of Accounting

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Equivalents

The Foundation considers all highly liquid instruments and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Restricted Cash and Equivalents

Restricted cash and equivalents are funds that are held for future scholarships, capital improvements for the College and other program related expenses depending upon the individual donors' intent and are not available for unrestricted use.

Investments

Investments in marketable securities are stated at fair value. Temporarily restricted and permanently restricted marketable securities are commingled with unrestricted marketable securities and, accordingly, all gains and investment returns are allocated amongst the net assets based on original cost.

Pledges Receivable

Unconditional promises to give that are expected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate of 4% at June 30, 2017 and 2016.

Loans Receivable

Loans receivable are carried at unpaid principal balances less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Management will periodically evaluate the collectibility of loans and establish an allowance for loan losses when deemed necessary. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with contract terms. Loans are placed on nonaccrual status when management believes that the loans are impaired and collection of interest is doubtful.

Financial Instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and equivalents, investments and pledges receivable. The Foundation maintains its cash and equivalents in bank deposit accounts, the balances of which, at times, may exceed Federally insured limits. Investments are maintained at brokerage institutions. Exposure to credit risk and deposit risk is reduced by placing such deposits in high quality financial institutions and insured brokerage houses.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies – Continued

Financial Instruments - continued

The carrying amounts of certain financial instruments, including cash and equivalents, approximate fair value because of the relatively short maturity of these instruments. The carrying amounts of investments are reported at market value. Unrealized gains and losses are included in the changes in net assets within the accompanying statements of activities.

Fair Value Measurements

Promulgations of the Financial Accounting Standards Board (FASB) established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. |

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- | | |
|---------|---|
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |
|---------|---|

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Fair Value Measurements - Continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management establishes the fair value measurement valuation policies for the valuation of all investments. Annually, at a minimum, management reviews the continuing viability of the valuation techniques used to establish fair value measurements and evaluates and adjusts, as necessary, the unobservable inputs.

Financial Statement Presentation

Asset, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted bequests designated by the Board of Directors for a specific purpose are recorded in unrestricted board designated net assets.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets are released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently. The donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Endowment Funds

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as temporarily restricted net assets until approved for expenditure by the organization. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as temporarily restricted net assets until approved for expenditure by the organization. Unconditional promises to give that are restricted by donors for investment in perpetuity are not considered endowment net assets until the proceeds have been received and added to the investments held for endowments. These assets are still classified as permanently restricted net assets. Net unconditional promises to give of \$58,032 are recorded as permanently restricted net assets at June 30, 2017.

The Foundation's Board of Directors classifies donor restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor. Unrealized losses that reduce fair value to an amount below the donated value are charged to unrestricted net assets. Unrealized gains will be classified as unrestricted net assets to the extent fair value again equals donated cost, at which time unrealized gains will be classified in accordance with the Foundation's spending policy.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies – Continued**

Endowment Funds-continued

The Foundation's investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds. It is the Foundation's policy to spend a percentage of the endowments' total asset value as determined by the Board of Directors.

Donated Property and Services

Donated property and services are recorded as contributions at their estimated fair values in the period received. Certain donated services have not been recognized in the statements of activities as the value of these services is not practical to determine.

The Foundation recognizes services received from personnel of an affiliate from which it directly benefits. These services are measured at the affiliate's cost except when those costs significantly overstate or understate the value received, in which case the recipient entity may elect to recognize these services at their fair value.

Contributions

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. All other contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Foundation. Restricted contributions whose restrictions are met in the same reporting period are shown as restricted support.

Income Taxes

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a "more likely than not" sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies – Continued**

New Accounting Pronouncements

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment to Topic 958, Not-for-Profit Entities, was issued by the Financial Accounting Standards Board in June 2016 with an effective date for fiscal years beginning after December 17, 2017. The purpose of this amendment is to improve the transparency and utility of information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management has not begun its review of the standard, but does not expect implementation to have a material affect on financial position or results of operations.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

Note 2 - **Pledges Receivable**

Pledges receivable consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 284,983	\$ 10,254
Receivable in one to three years	<u>39,983</u>	<u>10,000</u>
	324,966	20,254
Less: discounts to net present value	<u>2,513</u>	<u>1,144</u>
Net pledges receivable	322,453	19,110
Less: current portion of pledges receivable	<u>284,983</u>	<u>9,690</u>
Non-current pledges receivable	\$ <u>37,470</u>	\$ <u>9,420</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 3 - **Marketable Securities**

Marketable securities are summarized as follows at June 30:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	\$1,890,550	\$3,150,430	\$1,897,772	\$2,672,139
Fixed income funds	<u>667,090</u>	<u>672,439</u>	<u>667,172</u>	<u>681,873</u>
 Total	 <u>\$2,557,640</u>	 <u>\$3,822,869</u>	 <u>\$2,564,944</u>	 <u>\$3,354,012</u>

The following summarizes the investment return and its classification in the statements of activities for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Dividend and interest income	\$ 77,260	\$ 81,609
Realized gain	4,166	187,331
Investment expenses	(13,739)	(13,248)
Net unrealized gain (loss)	<u>475,421</u>	<u>(276,608)</u>
 Total Investment Return	 <u>\$ 543,108</u>	 <u>\$ (20,916)</u>

Note 4 - **Fair Value Measurements**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Mutual Funds and equity securities held: Valued at the net asset value (NAV) of the shares held at fiscal year end.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - **Fair Value Measurements - Continued**

Beneficial Interest: Valued at fair market value as reported by the Trustee.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30:

Assets at Fair Value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common pooled mutual Funds	\$ -	\$3,801,168	\$ -	\$3,801,168
Equities - domestic	9,405	-	-	9,405
Domestic fixed income	12,296	-	-	12,296
Beneficial interest in assets held by Community Foundation	<u>-</u>	<u>2,048,040</u>	<u>-</u>	<u>2,048,040</u>
Total Assets	<u>\$21,701</u>	<u>\$5,849,208</u>	<u>\$ -</u>	<u>\$5,870,909</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE
FOUNDATION, INC.**

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - **Fair Value Measurements - Continued**

Assets at Fair Value as of June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common pooled mutual Funds	\$ -	\$ 3,336,232	\$ -	\$ 3,336,232
Equities - domestic	6,273	-	-	6,273
Domestic fixed income	11,507	-	-	11,507
Beneficial interest in assets held by Community Foundation	_____ -	<u>2,026,208</u>	_____ -	<u>2,026,208</u>
Total Assets	<u>\$ 17,780</u>	<u>\$ 5,362,440</u>	<u>\$ -</u>	<u>\$ 5,380,220</u>

Note 5 - **Beneficial Interest in Assets Held by Community Foundation of North Central Massachusetts**

In 2009, a donor entered into an agreement with the Community Foundation of North Central Massachusetts (the "Community Foundation") to establish the "Sterilite Scholarship and Student Success Fund (the "Fund") to benefit the Foundation. The Fund is held and invested by the Community Foundation for the benefit of the Foundation. The Foundation can request up to \$100,000 on an annual basis from the Community Foundation to be used towards scholarships for students attending the College. Distributions from the Fund will continue to the Foundation until the gift and any investment earnings are exhausted. During the years ended June 30, 2017 and 2016, the Foundation received \$200,000 and \$-0-, respectively under this grant. The requested funds for 2016 were received during the current year. As of June 30, 2017 the Foundation has received approximately \$700,000 under this grant.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - **Conditional Promise to Give**

During fiscal year ended June 30, 2011, the Foundation was awarded a conditional pledge of \$2,000,000 by a donor. The funds to pay this pledge are held and invested by the Community Foundation of North Central Massachusetts. The pledge requires that the College provide \$100,000 in cash or in-kind match towards the Center for Civic Learning and Community Engagement on an annual basis in order to receive 5% of the pledge. The award will continue until the original pledge and any investment earnings are exhausted. Contributions are recorded as matching conditions are met. During the years ended June 30, 2017 and 2016, the Foundation received \$117,391 and \$127,416, respectively, under this pledge. As of June 30, 2017 the Foundation has received \$491,070 under this pledge.

Note 7 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, consist of:

	<u>2017</u>	<u>2016</u>
Sterilite Student Success	\$ 2,048,040	\$ 2,026,208
Other scholarships	829,937	701,126
Student Center	500,000	-
Garrison Early Childhood Education	423,838	461,421
John Burton Scholarship	88,744	76,794
Haley Scholarship Fund	87,936	94,436
Needy Books Fund	77,283	70,140
Robinson Broadhurst	42,200	21,642
Youth Venture	11,373	4,489
Career Focused Education Scholarship	10,029	51,662
Boston Foundation-Advanced Manufacturing	<u>-</u>	<u>50,000</u>
	<u>\$4,119,380</u>	<u>\$3,557,918</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Temporarily Restricted Net Assets - Continued**

Net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by the donors for the years ended June 30, as follows:

	<u>2017</u>	<u>2016</u>
Sterilite Student Success	\$ 200,000	\$ -
Other scholarships	81,304	71,966
Garrison Early Childhood Education	92,179	89,968
Haley Scholarship Fund	6,500	12,750
Needy Books Fund	13,500	16,937
Robinson Broadhurst	29,442	63,001
Youth Venture	36,000	-
Career Focused Education Scholarship	41,633	67,000
Center for Civic Learning and Community Engagement	117,391	127,416
Boston Foundation-Advanced Manufacturing	<u>50,000</u>	<u>-</u>
	<u>\$ 667,949</u>	<u>\$ 449,038</u>

Note 8 - **Endowment**

The Board of Directors has established a Board designated fund for the purpose of funding academic programs at the College. Amounts are distributed annually to programs meeting the criteria established by the Board of Directors. At June 30, 2017 and 2016, no endowment funds had an aggregate fair value less than donor stipulated levels.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - **Endowment - Continued**

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 2,501,774	\$ 232,668	\$ 322,228	\$ 3,056,890
Contributions	-	100	110,000	110,100
Investment return:				
Investment income	(34,302)	(8,157)	-	(42,459)
Amounts appropriated for expenditure	<u>(281,345)</u>	<u>(7,600)</u>	<u>-</u>	<u>(288,945)</u>
Endowment net assets, June 30, 2016	2,186,127	217,011	432,448	2,835,586
Contributions	-	-	227,281	227,281
Investment return:				
Investment income	337,729	114,812	-	452,541
Amounts appropriated for Expenditure	<u>(31,865)</u>	<u>(9,500)</u>	<u>-</u>	<u>(41,365)</u>
Endowment net assets, June 30, 2017	\$ <u>2,491,991</u>	\$ <u>322,323</u>	\$ <u>659,729</u>	\$ <u>3,474,043</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Related Party Transactions**

Transactions With Mount Wachusett Community College

The College provides certain operational support to the Foundation. During the fiscal years ended 2017 and 2016, the College charged the Foundation approximately \$47,000 and \$43,000, respectively, for these services.

Amounts due to the College at June 30, 2017 and 2016 were \$14,670 and \$17,622, respectively, and are included in accounts payable. In addition to operational and payroll related-costs, these amounts include reimbursement of student scholarships.

Contributed Services Received from Personnel of an Affiliate

Mount Wachusett Community College provided use of its personnel to the Foundation without charge to assist with operations of the Foundation. During the years ended June 30, 2017 and 2016, the Foundation recognized revenue and related expense of \$30,900 and \$26,500, respectively, based on the fair value of the services provided.

These amounts are included in contributed services and personnel costs on the Statements of Activities and Changes in Net Assets.

Loan Receivable Mount Wachusett Community College

During the year ended June 30, 2016, the Foundation loaned Mount Wachusett Community College \$500,000. This loan will be repaid in annual payments of \$118,698, including interest at 6% per annum, beginning October 31, 2016 through 2020. Included within the interest receivable balance at June 30, 2017 and 2016 is \$16,452 and \$20,000, respectively, pertaining to this loan.

Note 10 - **Risks and Uncertainties**

Cash

From time to time, the Foundation's cash balances at financial banking institutions exceeded the federally insured limit. Management monitors the financial condition of the banking institution, along with its balances in cash, to keep this potential risk at a minimum. At June 30, 2017 and 2016, uninsured amounts totaled \$411,252 and \$-0-, respectively.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 10 - **Risks and Uncertainties – Continued**

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks.

Contributions

The Foundation is dependent upon continued donor contributions. There is a risk to the extent these contributions are not renewed each year.

Note 11 - **Statement of Cash Flows**

The following provides a reconciliation of cash and equivalents and restricted cash and equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows, for the year ended June 30,

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 201,261	\$ 58,861
Restricted cash and equivalents	<u>624,323</u>	<u>262,404</u>
Total cash and equivalents	<u>\$ 825,584</u>	<u>\$ 321,265</u>

Note 12 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 19, 2017, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2017 requiring disclosure in these financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Mount Wachusett Community College Foundation, Inc.
Gardner, Massachusetts

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 Mount Wachusett Community College Foundation, Inc. (a component unit of Mount Wachusett Community College) (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 19, 2017

