

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

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**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

**(a component unit of Mount Wachusett Community College)**

**Financial Statements**

**June 30, 2018 and 2017**

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in net assets and cash flows 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 18, 2018 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 18, 2018

# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Statements of Financial Position

June 30,

	<b>Assets</b>	
	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash and equivalents (Note 1)	\$ 296,760	\$ 201,261
Restricted cash and equivalents (Note 1)	805,881	624,323
Current portion of pledges receivable (Note 2)	31,163	284,983
Investments (Note 3)	4,406,029	3,822,869
Current portion of loan receivable (Note 9)	99,662	94,021
Interest receivable	<u>28,320</u>	<u>30,982</u>
<b>Total Current Assets</b>	<u><b>5,667,815</b></u>	<u>5,058,439</u>
<b>Long-Term Assets:</b>		
Pledges receivable, net of current portion (Note 2)	-	37,470
Loan receivable Mount Wachusett Community College, net of current portion (Note 9)	217,620	317,281
Beneficial interest in assets held by Community Foundation of North Central Massachusetts (Note 5)	<u>2,026,585</u>	<u>2,048,040</u>
<b>Total Long-Term Assets</b>	<u><b>2,244,205</b></u>	<u>2,402,791</u>
<b>Total Assets</b>	<u><b>\$ 7,912,020</b></u>	<u>\$ 7,461,230</u>
<b>Liability and Net Assets</b>		
<b>Current Liability:</b>		
Accounts payable	\$ <u>32,002</u>	\$ <u>18,677</u>
<b>Net Assets:</b>		
Unrestricted:		
Board designated (Note 8)	2,723,030	2,491,991
Undesignated	112,814	113,421
Temporarily restricted (Note 7)	4,300,453	4,119,380
Permanently restricted (Note 8)	<u>743,721</u>	<u>717,761</u>
<b>Total Net Assets</b>	<u><b>7,880,018</b></u>	<u>7,442,553</u>
<b>Total Liability and Net Assets</b>	<u><b>\$ 7,912,020</b></u>	<u>\$ 7,461,230</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, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues:</b>				
Grants and contributions	\$ 74,298	\$ 570,570	\$ 25,960	\$ 670,828
Fundraising	6,137	23,259	-	29,396
Contributed services (Note 9)	43,600	-	-	43,600
Change in value of beneficial interest (Note 5)	-	178,545	-	178,545
Investment return (Note 3)	234,148	172,859	-	407,007
Net assets released from restrictions (Note 7)	<u>764,160</u>	<u>(764,160)</u>	-	-
<b>Total Revenues</b>	<u>1,122,343</u>	<u>181,073</u>	<u>25,960</u>	<u>1,329,376</u>
<b>Expenses:</b>				
Program Services:				
Academic support	757,126	-	-	757,126
Fundraising	<u>27,590</u>	-	-	<u>27,590</u>
Total Program Services	<u>784,716</u>	-	-	<u>784,716</u>
Supporting Services:				
Personnel	80,747	-	-	80,747
Professional fees	19,351	-	-	19,351
Insurance	2,084	-	-	2,084
Meetings and conferences	1,905	-	-	1,905
Dues and subscriptions	1,110	-	-	1,110
Miscellaneous	984	-	-	984
Office costs	741	-	-	741
Licensing fees	<u>273</u>	-	-	<u>273</u>
Total Supporting Services	<u>107,195</u>	-	-	<u>107,195</u>
<b>Total Expenses</b>	<u>891,911</u>	-	-	<u>891,911</u>
<b>Increase in Net Assets</b>	230,432	181,073	25,960	437,465
Net Assets, Beginning of Year	<u>2,605,412</u>	<u>4,119,380</u>	<u>717,761</u>	<u>7,442,553</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,835,844</u>	<u>\$ 4,300,453</u>	<u>\$ 743,721</u>	<u>\$ 7,880,018</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>
<b>Revenues:</b>				
Grants and contributions	\$ 40,089	\$ 802,200	\$ 285,313	\$ 1,127,602
Fundraising	54,827	-	-	54,827
Contributed services (Note 9)	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>
<b>Total Revenues</b>	<u>1,131,494</u>	<u>561,462</u>	<u>285,313</u>	<u>1,978,269</u>
<b>Expenses:</b>				
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>
<b>Total Expenses</b>	<u>769,732</u>	<u>-</u>	<u>-</u>	<u>769,732</u>
<b>Increase in Net Assets</b>	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>
<b>Net Assets, End of Year</b>	<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)

## Statements of Cash Flows

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ <u>437,465</u>	\$ <u>1,208,537</u>
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on marketable securities	(6,127)	(4,166)
Unrealized gains on marketable securities	(334,595)	(475,421)
Change in value of beneficial interest	(178,545)	(221,832)
Noncash donation	(2,949)	(5,512)
Changes in assets and liabilities:		
Pledges receivable	291,290	(303,343)
Interest receivable	2,662	2,887
Accounts payable	<u>13,325</u>	<u>(1,771)</u>
Net Adjustments	<u>(214,939)</u>	<u>(1,009,158)</u>
Net Cash Provided by Operating Activities	<u>222,526</u>	<u>199,379</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(299,119)	(590)
Proceeds from sale of investments	59,630	16,832
Repayment of college loan	94,020	88,698
Proceeds from beneficial interest in trust	<u>200,000</u>	<u>200,000</u>
Net Cash Provided by Investing Activities	<u>54,531</u>	<u>304,940</u>
<b>Net Increase in Cash and Equivalents</b>	<b>277,057</b>	<b>504,319</b>
Cash and Equivalents, Beginning of Year	<u>825,584</u>	<u>321,265</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 1,102,641</u></b>	<b><u>\$ 825,584</u></b>

*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, 2018 and 2017**

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, 2018 and 2017

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, 2018 and 2017.

*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 collectability 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, 2018 and 2017

### 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:

- 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, 2018 and 2017

### 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. During the year ended June 30, 2018, the Foundation adopted Accounting Standards Update 2015-07, "Disclosure for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its equivalent)". Under this update, investments held by the Foundation that measure fair value at net asset value (or its equivalent) per share using the practical expedient are not categorized in the fair value hierarchy.

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, 2018 and 2017

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. At June 30, 2018 and 2017, net unconditional promises to give of \$26,359 and \$58,032, respectively, are recorded as permanently restricted net assets.

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, 2018 and 2017

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.

# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

#### Income Taxes - continued

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.

#### 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 does not expect implementation to have a material affect on financial position or results of operations.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an amendment to Topic 958 - Not for Profit Entities was issued by FASB in June 2018. The purpose of this amendment is to provide guidance in determining whether resource providers and resource recipients are participating in an exchange transaction, or if the transfer of funds is a contribution, by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this update should be applied on a modified prospective basis, however, retrospective application is permitted. For resource recipients involved in public markets, including over-the-counter exchanges, the amendments are effective for periods beginning after June 15, 2018. For all other resource recipient entities, it is effective for annual periods beginning after December 15, 2018. The effective date for resource providers involved in public markets is periods beginning after December 15, 2018. All other resource providers should apply the amendment to periods beginning after December 15, 2019. Early adoption is permitted.

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

(a component unit of Mount Wachusett Community College)

**Notes to the Financial Statements - Continued**

**June 30, 2018 and 2017**

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

*New Accounting Pronouncements - continued*

Although management has not concluded its review of this standards update, based on the nature of the Foundation's activities, it does not believe implementation will have a material effect on the financial statements.

Note 2 - **Pledges Receivable**

Pledges receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ <b>32,433</b>	\$ 284,983
Receivable in one to two years	<u>          -</u>	<u>      39,983</u>
	<b>32,433</b>	324,966
Less: discounts to net present value	<u>      1,270</u>	<u>      2,513</u>
Net pledges receivable	<b>31,163</b>	332,453
Less: current portion of pledges receivable	<u>      31,163</u>	<u>      284,983</u>
Non-current pledges receivable	\$ <u>          -</u>	\$ <u>      37,470</u>



# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Investments**

Investments are summarized as follows at June 30:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common pooled equity fund	\$1,878,460	\$3,484,842	\$1,885,997	\$3,141,025
Common pooled income fund	652,410	641,937	654,376	660,143
Equities	7,595	12,157	4,553	9,405
Fixed income funds	12,740	12,093	12,714	12,296
Certificate of deposits	<u>255,000</u>	<u>255,000</u>	-	-
 Total	 <u>\$2,806,205</u>	 <u>\$4,406,029</u>	 <u>\$2,557,640</u>	 <u>\$3,822,869</u>

The Foundation invests in common pooled equity and income funds. These funds pursue strategies that provide broad exposure to global equity and debt markets. The Foundation does not have any redemption restrictions related to these funds.

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

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 81,933	\$ 77,260
Realized gains	6,127	4,166
Investment expenses	(15,648)	(13,739)
Net unrealized gains	<u>334,595</u>	<u>475,421</u>
 Total Investment Return	 <u>\$ 407,007</u>	 <u>\$ 543,108</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Notes to the Financial Statements - Continued

June 30, 2018 and 2017

### 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, 2018.

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

*Common pooled equity and income funds:* Valued at the net asset value (NAV) as reported by the investee.

*Certificates of deposits:* Valued at maturity value.

*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 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:

# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 4 - Fair Value Measurements - Continued

*Assets at Fair Value as of June 30, 2018*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities - domestic	\$ 12,157	\$ -	\$ -	\$ 12,157
Domestic fixed income	12,093	-	-	12,093
Certificates of deposit	255,000	-	-	255,000
Beneficial interest in assets held by Community Foundation	-	2,026,585	-	2,026,585
Common pooled equity and income funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,126,779</u>
Total Assets	<u>\$279,250</u>	<u>\$ 2,026,585</u>	<u>\$ -</u>	<u>\$6,432,614</u>

*Assets at Fair Value as of June 30, 2017*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities - domestic	\$ 9,405	\$ -	\$ -	\$ 9,405
Domestic fixed income	12,296	-	-	12,296
Beneficial interest in assets held by Community Foundation	-	2,048,040	-	2,048,040
Common pooled equity and income funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,801,168</u>
Total Assets	<u>\$ 21,701</u>	<u>\$ 2,048,040</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, 2018 and 2017**

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, 2018 and 2017, the Foundation received \$200,000 under this grant. The requested funds for 2016 were received during the prior year, while the funds requested for the year ending June 30, 2019 were received at the end of the current year. The amounts received for 2019, were held in cash and will be expended in the next fiscal year. As of June 30, 2018, the Foundation has received approximately \$900,000 under this grant.

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, 2018 and 2017, the Foundation received \$114,375 and \$117,391, respectively, under this pledge. As of June 30, 2018, the Foundation has received \$605,445 under this pledge.

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

**(a component unit of Mount Wachusett Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2018 and 2017**

Note 7 - **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, consist of:

	<u>2018</u>	<u>2017</u>
Sterilite Student Success	<b>\$2,126,585</b>	\$2,048,040
Other scholarships	<b>1,004,219</b>	829,937
Garrison Early Childhood Education	<b>356,767</b>	423,838
Student Center	<b>281,300</b>	500,000
College to Career Project	<b>200,190</b>	-
John Burton Scholarship	<b>96,916</b>	88,744
Needy Books Fund	<b>84,767</b>	77,283
Haley Scholarship Fund	<b>79,186</b>	87,936
Robinson Broadhurst	<b>36,545</b>	42,200
Youth Venture	<b>27,120</b>	11,373
Career Focused Education Scholarship	<b><u>6,858</u></b>	<u>10,029</u>
	<b><u>\$4,300,453</u></b>	<b><u>\$4,119,380</u></b>

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

(a component unit of Mount Wachusett Community College)

**Notes to the Financial Statements - Continued**

**June 30, 2018 and 2017**

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>2018</u>	<u>2017</u>
Sterilite Student Success	\$ 100,000	\$ 200,000
Other scholarships	85,538	81,304
Garrison Early Childhood Education	87,988	92,179
Student Center	281,700	-
Needy Books Fund	9,648	13,500
Haley Scholarship Fund	8,750	6,500
Robinson Broadhurst	28,858	29,442
Youth Venture	11,632	36,000
Career Focused Education Scholarship	35,671	41,633
Center for Civic Learning and Community Engagement	114,375	117,391
Boston Foundation-Advanced Manufacturing	<u>-</u>	<u>50,000</u>
	<u>\$ 764,160</u>	<u>\$ 667,949</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, 2018 and 2017, 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, 2018 and 2017

Note 8 - **Endowment - Continued**

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, June 30, 2016</b>	<b>\$ 2,186,127</b>	<b>\$ 217,011</b>	<b>\$ 432,448</b>	<b>\$ 2,835,586</b>
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>
<b>Endowment net assets, June 30, 2017</b>	<b>2,491,991</b>	<b>322,323</b>	<b>659,729</b>	<b>3,474,043</b>
Contributions	-	5,462	57,633	63,095
Transfers	47,433	-	-	47,433
Investment return: Investment income	229,530	95,717	-	325,247
Amounts appropriated for Expenditure	<u>(45,924)</u>	<u>(7,750)</u>	<u>-</u>	<u>(53,674)</u>
<b>Endowment net assets, June 30, 2018</b>	<b>\$ <u>2,723,030</u></b>	<b>\$ <u>415,752</u></b>	<b>\$ <u>717,362</u></b>	<b>\$ <u>3,856,144</u></b>

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

**(a component unit of Mount Wachusett Community College)**

## **Notes to the Financial Statements - Continued**

**June 30, 2018 and 2017**

Note 9 - **Related Party Transactions**

*Contributed Services Received*

Mount Wachusett Community College provided use of its personnel to the Foundation to assist with operations of the Foundation. A portion of these costs are billed to the Foundation with the remainder recognized as contributed services. During the fiscal years ended 2018 and 2017, the College billed the Foundation approximately \$76,000 and \$59,000, respectively, for these services. During the years ended June 30, 2018 and 2017, the Foundation recognized revenue and related expense of \$33,100 and \$30,900, respectively, based on the excess fair value of the services provided over the amount billed to the Foundation. In addition, during the year ended June 30, 2018, the Foundation recognized revenue and related expense of \$10,500 for accounting services performed by an Officer of the Foundation.

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

*Transactions With Mount Wachusett Community College*

Amounts due to the College at June 30, 2018 and 2017 were \$29,492 and \$14,670, respectively, and are included in accounts payable. In addition to operational and payroll related-costs, these amounts include reimbursement of student scholarships.

*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, 2018 and 2017 is \$12,691 and \$16,452, respectively, pertaining to this loan.



# MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

## Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 10 - **Risks and Uncertainties**

*Cash*

The Foundation maintains cash balances at credit unions located in Massachusetts. Amounts held are insured by the National Credit Union Association up to \$250,000, with amounts above that limit insured by the Massachusetts Credit Union Share Insurance Corporation. As a result, the Foundation is not exposed to risks of uninsured cash balances on amounts held with credit unions.

The Foundation also maintains a money market fund with an investment company, these funds are not insured against loss in value. Amounts held in the money market funds totaled \$47,681 at June 30, 2018.

*Investments*

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. The Foundation's holdings of equities, fixed income funds and certificates of deposit are held in a brokerage account with a national brokerage firm. These accounts are protected by the Securities Investor Protection Corporation ("SIPC"). In the event of broker-dealer failure, up to \$500,000 in these accounts will be protected from loss. The SIPC insurance does not protect against market losses on investments. The Foundation's investments in common pooled funds is not covered under SIPC insurance.

*Contributions*

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

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

**(a component unit of Mount Wachusett Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2018 and 2017**

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>2018</u>	<u>2017</u>
Cash and equivalents	\$ 296,760	\$ 201,261
Restricted cash and equivalents	<u>805,881</u>	<u>624,323</u>
Total cash and equivalents	<u>\$ 1,102,641</u>	<u>\$ 825,584</u>

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

Management has evaluated subsequent events through September 18, 2018, 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, 2018 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, 2018 and 2017 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 18, 2018.

### ***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'Connell and Drew, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

September 18, 2018