

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

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

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

(a component unit of Mount Wachusett Community College)

Financial Statements

June 30, 2019 and 2018

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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, 2019 and 2018, the related statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of the 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 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 Foundation's 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.



**Certified Public Accountants
Braintree, Massachusetts**

September 27, 2019

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Statements of Financial Position

June 30,

	Assets	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash and equivalents (Note 1)	\$ 218,632	\$ 296,760
Restricted cash and equivalents (Note 1)	80,364	805,881
Unconditional promises to give (Note 2)	-	31,163
Investments (Note 3)	5,095,217	4,406,029
Loan receivable Mount Wachusett Community College (Note 9)	217,620	317,282
Interest receivable	23,897	28,320
Beneficial interest in assets held by Community Foundation of North Central Massachusetts (Note 5)	2,057,815	2,026,585
Prepaid expenses	<u>5,850</u>	<u>-</u>
Total Assets	<u>\$ 7,699,395</u>	<u>\$ 7,912,020</u>
Liability and Net Assets		
Liability:		
Accounts payable	<u>\$ 25,468</u>	<u>\$ 32,002</u>
Net Assets:		
Without donor restrictions:		
Board designated (Note 8)	2,860,827	2,723,030
Undesignated	125,827	112,814
With donor restrictions (Note 7)	<u>4,687,273</u>	<u>5,044,174</u>
Total Net Assets	<u>7,673,927</u>	<u>7,880,018</u>
Total Liability and Net Assets	<u>\$ 7,699,395</u>	<u>\$ 7,912,020</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Grants and contributions	\$ 97,862	\$ 320,510	\$ 418,372
Fundraising	-	-	-
Contributed services (Note 9)	45,200	-	45,200
Investment return appropriated for current year operations	75,044	77,743	152,787
Net assets released from restrictions (Note 7)	<u>877,486</u>	<u>(877,486)</u>	<u>-</u>
Total Support and Revenues	<u>1,095,592</u>	<u>(479,233)</u>	<u>616,359</u>
Expenses:			
Program services	961,256	-	961,256
Management and general	91,713	-	91,713
Fundraising	<u>38,335</u>	<u>-</u>	<u>38,335</u>
Total Expenses	<u>1,091,304</u>	<u>-</u>	<u>1,091,304</u>
Change in Net Assets from Operations	4,288	(479,233)	(474,945)
Nonoperating Activities:			
Investment return in excess of amounts appropriated for current operations	146,522	91,102	237,624
Change in value of beneficial interest (Note 5)	<u>-</u>	<u>31,230</u>	<u>31,230</u>
Total Nonoperating Activities	146,522	122,332	268,854
Change in Net Assets	150,810	(356,901)	(206,091)
Net Assets, Beginning of Year	<u>2,835,844</u>	<u>5,044,174</u>	<u>7,880,018</u>
Net Assets, End of Year	<u>\$ 2,986,654</u>	<u>\$ 4,687,273</u>	<u>\$ 7,673,927</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>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Grants and contributions	\$ 74,298	596,530	\$ 670,828
Fundraising	6,137	23,259	29,396
Contributed services (Note 9)	43,600	-	43,600
Investment return appropriated for current year operations	45,924	83,900	129,824
Net assets released from restrictions (Note 7)	<u>764,160</u>	<u>(764,160)</u>	<u>-</u>
Total Support and Revenues	<u>934,119</u>	<u>(60,471)</u>	<u>873,648</u>
Expenses:			
Program services	757,126	-	757,126
Management and general	73,445	-	73,445
Fundraising	<u>61,340</u>	<u>-</u>	<u>61,340</u>
Total Expenses	<u>891,911</u>	<u>-</u>	<u>891,911</u>
Change in Net Assets from Operations	42,208	(60,471)	(18,263)
Nonoperating Activities:			
Investment return in excess of amounts appropriated for current operations	188,224	88,959	277,183
Change in value of beneficial interest (Note 5)	<u>-</u>	<u>178,545</u>	<u>178,545</u>
Total Nonoperating Activities	188,224	267,504	455,728
Change in Net Assets	230,432	207,033	437,465
Net Assets, Beginning of Year	<u>2,605,412</u>	<u>4,837,141</u>	<u>7,442,553</u>
Net Assets, End of Year	<u>\$ 2,835,844</u>	<u>\$ 5,044,174</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)

Statements of Functional Expenses

For the Years Ended June 30,

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Expenses:								
Scholarships	\$ 257,847	\$ -	\$ -	\$ 257,847	289,615	\$ -	\$ -	\$ 289,615
Grants and college program expenses	703,409	-	-	703,409	467,511	-	-	467,511
Personnel	-	51,181	37,900	89,081	-	46,997	33,750	80,747
Licensing fees	-	10,551	-	10,551	-	273	-	273
Professional fees	-	23,434	-	23,434	-	19,351	-	19,351
Meetings and conferences	-	2,272	-	2,272	-	1,905	-	1,905
Insurance	-	2,058	-	2,058	-	2,084	-	2,084
Dues and subscriptions	-	1,190	-	1,190	-	1,110	-	1,110
Event expenses	-	-	435	435	-	-	27,590	27,590
Miscellaneous	-	523	-	523	-	984	-	984
Office costs	-	504	-	504	-	741	-	741
Total	<u>\$ 961,256</u>	<u>\$ 91,713</u>	<u>\$ 38,335</u>	<u>\$ 1,091,304</u>	<u>\$ 757,126</u>	<u>\$ 73,445</u>	<u>\$ 61,340</u>	<u>\$ 891,911</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>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ <u>(206,091)</u>	\$ <u>437,465</u>
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on investments	(208,773)	(6,127)
Unrealized gains on investments	(97,123)	(334,595)
Change in value of beneficial interest	(31,230)	(178,545)
Noncash donation	(1,984)	(2,949)
Changes in assets and liabilities:		
Pledges receivable	31,163	291,290
Interest receivable	4,423	2,662
Prepaid expenses	(5,850)	-
Accounts payable	<u>(6,534)</u>	<u>13,325</u>
Net Adjustments	<u>(315,908)</u>	<u>(214,939)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(521,999)</u>	<u>222,526</u>
Cash Flows from Investing Activities:		
Purchase of investments	(917,688)	(299,119)
Proceeds from sale of investments	415,380	59,630
Proceeds from maturities of certificates of deposit	121,000	-
Repayment of college loan	99,662	94,020
Proceeds from beneficial interest in trust	<u>-</u>	<u>200,000</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(281,646)</u>	<u>54,531</u>
Net Increase (Decrease) in Cash and Equivalents	(803,645)	277,057
Cash and Equivalents, Beginning of Year	<u>1,102,641</u>	<u>825,584</u>
Cash and Equivalents, End of Year	\$ <u>298,996</u>	\$ <u>1,102,641</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, 2019 and 2018

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.

Basis of Presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Restricted contributions in which the restrictions are met in the same year are reported as without donor restrictions revenue.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing purpose and investment income appropriated for current year operations. Nonoperating activities are limited to resources that generate return from investments in excess of that needed for current year operations and other activities considered to be of a more unusual or nonrecurring nature.

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 promises to give.

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 equivalents.

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 donor's intent and are not available for unrestricted use.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Investments

Investments are reported at cost, if purchased, or at fair value if donated. Thereafter investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Investments with donor restrictions are commingled with investments without donor restrictions and, accordingly, all gains and investment returns are allocated amongst the net assets based on the value of the specific account.

Unconditional promises to give

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.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

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.

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. 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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Fair Value Measurements - continued

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.

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 with donor restrictions 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 with donor restrictions 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 net assets with donor restrictions.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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 goal to distribute an amount annually equal to 5% of the total asset value of the board-restricted endowment as determined by the Board of Directors. Any special appropriation or decision not to spend the amount indicated by the spending formula must be approved in advance by the Board of Directors.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors. This would be commonly referred to as "underwater". The Board of Directors has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of both June 30, 2019 and 2018, the Foundation did not have endowment funds with an aggregate fair value less than donor-stipulated levels.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Donated Services

Donated services are recorded as contributions at their estimated fair market 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 practicable 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.

Income Taxes

The Foundation has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

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. There is no provision for income taxes in the financial statements.

Functional Allocations of Expenses

Expenses are categorized by program services, management and general or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement using time and effort as a cost allocation method.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Adoption of New Accounting Pronouncement

Not-for-Profit Entities - Presentation of Financial Statements for Not-for-Profit Entities – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14. The adoption of this pronouncement had a material effect on the presentation of the financial statements but did not necessitate an adjustment to total net assets of prior periods or operations of the current period. The pronouncement changes the net asset classification and investment return and enhances the disclosures for information about liquidity and availability of resources and expenses. The ASU has been applied retrospectively to all periods presented.

New Accounting Pronouncement

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, an amendment to Topic 958 - Not for Profit Entities - FASB issued ASU 2018-08. The purpose of this pronouncement 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. For non-public resource recipients, the amendment is effective for periods beginning after December 15, 2018. For non-public resource providers, the amendment is effective for periods beginning after December 15, 2019. Management is in the process of evaluating this pronouncement and has not yet determined its impact on the financial statements. 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.

Reclassifications

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

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 2 - **Unconditional Promises to Give**

There were no unconditional promises to give at June 30, 2019. Unconditional promises to give consisted of the following at June 30, 2018:

Receivable in less than one year	\$ 32,433
Less: discounts to net present value	<u>1,270</u>
Net unconditional promises to give	<u>\$ 31,163</u>

Note 3 - **Investments**

Investments are summarized as follows at June 30,:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common pooled equity fund	\$1,668,099	\$3,348,301	\$1,878,460	\$3,484,842
Common pooled income fund	1,050,000	1,064,174	652,410	641,937
Equities	10,957	17,228	7,595	12,157
Fixed income funds	13,284	12,775	12,740	12,093
Certificate of deposits	<u>650,758</u>	<u>652,739</u>	<u>255,000</u>	<u>255,000</u>
Total	<u>\$3,393,098</u>	<u>\$5,095,217</u>	<u>\$2,806,205</u>	<u>\$4,406,029</u>

The Foundation invests in professionally managed 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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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, 2019.

Mutual Funds and equity securities held: Valued at quoted market prices of the shares held at fiscal year-end.

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

Certificates of deposits: Valued at cost plus accrued interest.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

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, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities - domestic	\$ 17,228	\$ -	\$ -	\$ 17,228
Domestic fixed income	12,775	-	-	12,775
Certificates of deposit	-	652,739	-	652,739
Beneficial interest in assets held by Community Foundation	-	<u>2,057,815</u>	-	<u>2,057,815</u>
	<u>\$ 31,984</u>	<u>\$2,708,573</u>	<u>\$ -</u>	<u>2,740,557</u>
Investments measured at Net asset value: Common pooled equity and income funds				<u>4,412,475</u>
Total Assets				<u>\$7,153,032</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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	-	<u>2,026,585</u>	-	<u>2,026,585</u>
	<u>\$ 24,250</u>	<u>\$ 2,281,585</u>	<u>\$ -</u>	<u>2,305,835</u>
Investments measured at Net asset value: Common pooled equity and income funds				<u>4,126,779</u>
Total Assets				<u>\$6,432,614</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 year ended June 30, 2018, the Foundation received \$200,000 under this grant. The funds requested for the year ending June 30, 2019 were received at the end of the prior year. As of June 30, 2019, the Foundation has received approximately \$900,000 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, 2019 and 2018

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, 2019 and 2018, the Foundation received \$116,447 and \$114,375, respectively, under this pledge. As of June 30, 2019, the Foundation has received a cumulative total of \$721,892 under this pledge.

Note 7 - **Net Assets**

Net Assets Without Donor Restrictions

Net assets without donor restrictions comprise the receipt of funds relating to activities the Foundation engages in that are not restricted in nature, and investment returns on these assets.

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

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Net Assets - Continued**

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
<i>Subject to expenditure for specific purpose:</i>		
Sterilite Student Success	\$2,080,169	\$2,126,585
Other scholarships	653,081	614,826
Garrison Early Childhood Education	285,578	356,767
John Burton Scholarship	102,842	96,916
Needy Books Fund	91,671	84,767
Student Center	80,644	281,300
Haley Scholarship Fund	67,222	79,186
Youth Venture	40,208	27,120
Robinson Broadhurst	27,977	36,545
College to Career Project	4,630	200,190
Career Focused Education Scholarship	<u>4,407</u>	<u>6,858</u>
	<u>3,438,429</u>	<u>3,911,060</u>
<i>Endowment funds for perpetuity:</i>		
Asquino Fund	295,666	282,079
Other scholarships	<u>953,178</u>	<u>851,035</u>
	<u>1,248,844</u>	<u>1,133,114</u>
	<u>\$4,687,273</u>	<u>\$5,044,174</u>

At June 30, 2019 and 2018, endowment funds include \$489,049 and \$415,752, respectively, of amounts spendable in accordance with the restrictions required by the donors.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Net Assets - Continued**

Net Assets Released from Donor Restrictions

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>2019</u>	<u>2018</u>
Student Center	\$ 200,656	\$ 281,700
College to Career Project	195,560	-
Center for Civic Learning and Community Engagement	115,040	114,375
Other Scholarships	100,167	85,538
Garrison Early Childhood Education	86,295	87,988
Sterilite Student Success	77,646	100,000
Youth Venture	39,704	11,632
Robinson Broadhurst	28,568	28,858
Haley Scholarship Fund	11,964	8,750
Needy Books Fund	10,097	9,648
Asquino Fund	9,338	-
Career Focused Education Scholarship	<u>2,451</u>	<u>35,671</u>

	<u>\$ 877,486</u>	<u>\$ 764,160</u>
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Note 8 - **Endowment**

The endowment includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Amounts are distributed annually to programs meeting the criteria established by the Board of Directors.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **Endowment - Continued**

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 2,491,991	\$ 982,052	\$ 3,474,043
Contributions	-	63,095	63,095
Transfers	47,433	-	47,433
Investment return	229,530	95,717	325,247
Amounts appropriated for expenditure	<u>(45,924)</u>	<u>(7,750)</u>	<u>(53,674)</u>
Endowment net assets, June 30, 2018	2,723,030	1,133,114	3,856,144
Contributions	-	43,228	43,228
Investment return	221,566	96,199	317,765
Amounts appropriated for expenditure	<u>(83,769)</u>	<u>(23,697)</u>	<u>(107,466)</u>
Endowment net assets, June 30, 2019	<u>\$ 2,860,827</u>	<u>\$ 1,248,844</u>	<u>\$ 4,109,671</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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 2019 and 2018, the College billed the Foundation approximately \$56,000 and \$48,000, respectively, for these services. During the years ended June 30, 2019 and 2018, the Foundation recognized revenue and related expense of \$33,200 and \$33,100, 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, 2019 and 2018, the Foundation recognized revenue and related expense of \$12,000 and \$10,500, respectively, 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, 2019 and 2018 were \$17,383 and \$29,492, 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, 2019 and 2018 is \$8,705 and \$12,691, 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, 2019 and 2018

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 \$48,146 at June 30, 2019.

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 highly dependent on donor contributions and fundraising efforts. There is a risk to the extent 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, 2019 and 2018

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>2019</u>	<u>2018</u>
Cash and equivalents	\$ 218,632	\$ 296,760
Restricted cash and equivalents	<u>80,364</u>	<u>805,881</u>
Total cash and equivalents	<u>\$ 298,996</u>	<u>\$ 1,102,641</u>

Note 12 - **Availability and Liquidity**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing financial support to the College through scholarships, and grants, and fundraising efforts, to be general expenditures.

The following represents the Foundation's financial assets available to meet general expenditures within one year at June 30,:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and equivalents	\$ 298,996	\$ 1,102,641
Unconditional promises to give	-	31,163
Investments	5,095,217	4,406,029
Loan receivable	217,620	317,282
Interest receivable	23,897	28,320
Beneficial interest	<u>2,057,815</u>	<u>2,026,585</u>
Total financial assets	<u>7,693,395</u>	<u>7,912,020</u>
Less: amounts not available to be used within one year:		
Board designated net assets	2,860,827	2,723,030
Net assets with donor restrictions	<u>4,687,273</u>	<u>5,044,174</u>
	<u>7,548,100</u>	<u>7,767,204</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 12 - **Availability and Liquidity – Continued**

Add back:

Restricted scholarships approved by the Board for use over the next 12 months	300,000	265,000
Board-restricted amounts approved by the Board for use over the next 12 months	<u>125,000</u>	<u>75,000</u>
	<u>425,000</u>	<u>340,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 570,295</u>	<u>\$ 484,816</u>

The Foundation reviews its cash position on a regular basis to ensure that adequate funds are on hand to meet expenses. If funds are needed for expenses, management can liquidate its short-term investments or request that the Board undesignate previously designated assets. At June 30, 2019 and 2018, management believes that the Foundation has no liquidity issues.

Note 13 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 27, 2019, 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, 2019 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, 2019 and 2018 the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

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.



**Certified Public Accountants
Braintree, Massachusetts**

September 27, 2019