

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

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

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

(a component unit of Mount Wachusett Community College)

Financial Statements

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2020 and 2019, 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, 2020 and 2019, 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 Matters

As discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)*, ASU 2018-08, *Not for Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, and ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 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**

October 6, 2020

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Statements of Financial Position

June 30,

Assets

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and equivalents (Note 1)	\$ 353,935	\$ 218,632
Restricted cash and equivalents (Note 1)	224,029	80,364
Investments (Note 2)	5,098,978	5,095,217
Loan receivable Mount Wachusett Community College (Note 8)	111,979	217,620
Interest receivable	4,479	23,897
Beneficial interest in assets held by Community Foundation of North Central Massachusetts (Note 4)	1,797,885	2,057,815
Prepaid expenses	<u>5,850</u>	<u>5,850</u>
Total Assets	<u>\$ 7,597,135</u>	<u>\$ 7,699,395</u>

Liability and Net Assets

Liability:		
Accounts payable	<u>\$ 39,615</u>	<u>\$ 25,468</u>
Net Assets:		
Without donor restrictions:		
Board designated (Note 7)	3,020,315	2,860,827
Undesignated	56,512	125,827
With donor restrictions (Note 6)	<u>4,480,693</u>	<u>4,687,273</u>
Total Net Assets	<u>7,557,520</u>	<u>7,673,927</u>
Total Liability and Net Assets	<u>\$ 7,597,135</u>	<u>\$ 7,699,395</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support and Gains:			
Grants and contributions	\$ 182,189	\$ 795,021	\$ 977,210
Contributed services (Note 8)	48,800	-	48,800
Net investment return	45,182	40,755	85,937
Change in value of beneficial interest (Note 4)	-	(59,930)	(59,930)
Net assets released from restrictions (Note 6)	<u>982,426</u>	<u>(982,426)</u>	<u>-</u>
Total Revenue, Support and Gains	<u>1,258,597</u>	<u>(206,580)</u>	<u>1,052,017</u>
Expenses:			
Program services	<u>1,035,899</u>	<u>-</u>	<u>1,035,899</u>
Supporting Services:			
Management and general	93,485	-	93,485
Fundraising	<u>39,040</u>	<u>-</u>	<u>39,040</u>
		-	
Total Supporting Services	<u>132,525</u>	<u>-</u>	<u>132,525</u>
Total Expenses	<u>1,168,424</u>	<u>-</u>	<u>1,168,424</u>
Change in Net Assets	90,173	(206,580)	(116,407)
Net Assets, Beginning of Year	<u>2,986,654</u>	<u>4,687,273</u>	<u>7,673,927</u>
Net Assets, End of Year	<u>\$ 3,076,827</u>	<u>\$ 4,480,693</u>	<u>\$ 7,557,520</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>
Revenue, Support and Gains:			
Grants and contributions	\$ 97,862	\$ 320,510	\$ 418,372
Contributed services (Note 8)	45,200	-	45,200
Net investment return	221,566	168,845	390,411
Change in value of beneficial interest (Note 4)	-	31,230	31,230
Net assets released from restrictions (Note 6)	<u>877,486</u>	<u>(877,486)</u>	<u>-</u>
Total Revenue, Support and Gains	<u>1,242,114</u>	<u>(356,901)</u>	<u>885,213</u>
Expenses:			
Program services	<u>961,256</u>	<u>-</u>	<u>961,256</u>
Supporting Services:			
Management and general	92,148	-	92,148
Fundraising	<u>37,900</u>	<u>-</u>	<u>37,900</u>
Total Supporting Services	<u>130,048</u>	<u>-</u>	<u>130,048</u>
Total Expenses	<u>1,091,304</u>	<u>-</u>	<u>1,091,304</u>
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)**

Statements of Functional Expenses

For the Years Ended June 30,

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Expenses:								
Scholarships	\$ 299,685	\$ -	\$ -	\$ 299,685	257,847	\$ -	\$ -	\$ 257,847
Grants and college program expenses	736,214	-	-	736,214	703,409	-	-	703,409
Personnel	-	52,578	39,040	91,618	-	51,181	37,900	89,081
Licensing fees	-	8,364	-	8,364	-	10,551	-	10,551
Professional fees	-	26,625	-	26,625	-	23,434	-	23,434
Meetings and conferences	-	1,224	-	1,224	-	2,272	-	2,272
Insurance	-	2,058	-	2,058	-	2,058	-	2,058
Dues and subscriptions	-	1,415	-	1,415	-	1,190	-	1,190
Miscellaneous	-	811	-	811	-	958	-	958
Office costs	-	410	-	410	-	504	-	504
Total	<u>\$ 1,035,899</u>	<u>\$ 93,485</u>	<u>\$ 39,040</u>	<u>\$ 1,168,424</u>	<u>\$ 961,256</u>	<u>\$ 92,148</u>	<u>\$ 37,900</u>	<u>\$ 1,091,304</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>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	<u>\$ (116,407)</u>	<u>\$ (206,091)</u>
Adjustment to reconcile change in net assets to net cash applied to operating activities:		
Realized gains on investments	(6,815)	(208,773)
Unrealized gains on investments	(43,941)	(97,123)
Change in value of beneficial interest	59,930	(31,230)
Noncash donation	(5,035)	(1,984)
Changes in assets and liabilities:		
Pledges receivable	-	31,163
Interest receivable	19,418	4,423
Prepaid expenses	-	(5,850)
Accounts payable	<u>14,147</u>	<u>(6,534)</u>
Net Adjustments	<u>37,704</u>	<u>(315,908)</u>
Net Cash Applied to Operating Activities	<u>(78,703)</u>	<u>(521,999)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(154,982)	(917,688)
Proceeds from sale of investments	16,012	415,380
Proceeds from maturities of certificates of deposit	191,000	121,000
Repayment of college loan	105,641	99,662
Proceeds from beneficial interest in trust	<u>200,000</u>	<u>-</u>
Net Cash Provided by (Applied to) Investing Activities	<u>357,671</u>	<u>(281,646)</u>
Net Increase (Decrease) in Cash and Equivalents and Restricted Cash and Equivalents	278,968	(803,645)
Cash and Equivalents and Restricted Cash and Equivalents, Beginning of Year	<u>298,996</u>	<u>1,102,641</u>
Cash and Equivalents and Restricted Cash and Equivalents, End of Year	<u>\$ 577,964</u>	<u>\$ 298,996</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, 2020 and 2019

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.

In March 2020, the Governor of Massachusetts declared a state of emergency and ordered all non-essential business services to temporarily cease due to the COVID-19 outbreak. The Foundation does not perform any essential services. The Foundation did fundraise after the start of the emergency but did not conduct any in person fundraising events. The COVID-19 crisis created volatility in the financial markets and a significant decrease in the overall economy.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

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 have been set aside 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 general purposes.

Investments

Investments are initially 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 and changes in net assets.

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 and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Investments - continued

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 to be collected within one year are recognized as revenue at net realizable value in the period in which a formal pledge is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

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, 2020 and 2019

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: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. <p>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.</p> |
| 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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, the Foundation did not have endowment funds with an aggregate fair value less than donor-stipulated levels.

Contributions

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it was not used properly.

Unconditional 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 with 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 and changes in net assets as net assets released from restrictions.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies - Continued

Contributions - continued

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and 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.

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.

Revenue with Customers

Occasionally, the Foundation may hold special events for the general public. The transaction price is the consideration that the Foundation expects to receive for the entrance fee and sponsorships. The Foundation collects payment at the time of registration, or shortly thereafter. The Foundation considers the performance obligation to be the event and recognizes revenue at the time that the event occurs. The Foundation's revenues and cash flows are correlated to the general conditions of the economy. Contract liabilities represent payments the Foundation receives in advance of the event. Contract liabilities are presented in the Statements of Financial Position as deferred revenue, if applicable, and are recognized as income in the period in which the event takes place.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies – Continued

Income Taxes – continued

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.

Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers (Topic 606)* and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as Accounting Standards Codification 606, *Revenue from Contracts with Customers* or the “new revenue recognition standard”). Under the new revenue recognition standard, revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The principles in the standard should be applied using a five-step model that includes 1) identifying the contract(s) with a customer, 2) identifying the performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to the performance obligations in the contract, and 5) recognizing revenue when (or as) the performance obligations are satisfied.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies – Continued

Adoption of New Accounting Pronouncements - continued

On July 1, 2019, the Foundation adopted the new revenue recognition standard using the modified retrospective approach applied to contracts not completed as of the date of adoption. The adoption of this pronouncement did not have a material effect on these financial statements. The comparative financial statements have not been restated. The prior year is under the former revenue recognition standard, which is similar to the new revenue recognition policy.

FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange (within the scope of Topic 958) or exchange (within the scope of Topic 606) and determining whether contributions are conditional. The Foundation adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2019. Therefore, it is applied to any remaining portion of existing agreements not yet recognized as of July 1, 2019, in addition to all new agreements entered into after that date. The adoption of this pronouncement did not have a material effect on these financial statements.

FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The purpose of this pronouncement is to provide guidance on the classification of restricted cash in the statement of cash flows. The Foundation adopted the provisions of ASU 2016-18 on a retrospective basis as of July 1, 2018, and did not necessitate an adjustment to net assets in the prior period.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 2 - **Investments**

Investments are summarized as follows at June 30,:

	<u>2020</u>	<u>2019</u>
Common pooled equity fund	\$3,339,593	\$3,348,301
Common pooled income funds	1,105,566	1,064,174
Equities	24,561	17,228
Fixed income mutual funds	160,079	12,775
Certificate of deposits	<u>469,179</u>	<u>652,739</u>
 Total	 <u>\$5,098,978</u>	 <u>\$5,095,217</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.

Note 3 - **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, 2020.

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.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Fair Value Measurements – Continued**

Beneficial Interest: Underlying investments include mutual funds and exchange-traded funds, which the Foundation does not have the ability to redeem in full. They are valued at fair 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,:

Assets at Fair Value as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities - domestic	\$ 24,561	\$ -	\$ -	\$ 24,561
Fixed income mutual funds	160,079	-	-	160,079
Certificates of deposit	-	469,179	-	469,179
Beneficial interest in assets held by Community Foundation	-	-	1,797,885	1,797,885
	<u>\$184,640</u>	<u>\$469,179</u>	<u>\$1,797,885</u>	<u>\$2,451,704</u>
Investments measured at Net asset value: Common pooled equity and income funds				<u>4,445,159</u>
Total Assets				<u>\$6,896,863</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Fair Value Measurements - Continued**

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
Fixed income mutual funds	12,775	-	-	12,775
Certificates of deposit	-	652,739	-	652,739
Beneficial interest in assets held by Community Foundation	-	-	2,057,815	2,057,815
	<u>\$ 30,003</u>	<u>\$ 652,739</u>	<u>\$ 2,057,815</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>

The following summarizes the changes in fair value of the Foundation's Level 3 investments:

Balance June 30, 2018	\$ 2,026,585
Change in value of beneficial interests	<u>31,230</u>
Balance June 30, 2019	2,057,815
Change in value of beneficial interests	(59,930)
Distributions	<u>(200,000)</u>
Balance June 30, 2020	<u>\$ 1,797,885</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Fair Value Measurements - Continued**

The Foundation's Level 3 gains and losses included in the change in net assets are summarized as follows:

	<u>2020</u>	<u>2019</u>
Total gains (losses) for the period included in the change in net assets	\$(59,930)	\$31,230

The above gains (losses) are included in the statement of activities as change in beneficial interest.

Note 4 - **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 Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical, the distributions will be directed to similar purposes. 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, 2020, the Foundation received \$200,000 under this grant. The Foundation did not receive a distribution in 2019. As of June 30, 2020, the Foundation has received approximately \$1,100,000 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, 2020 and 2019

Note 5 - **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, 2020 and 2019, the Foundation received \$113,000 and \$116,447 respectively, under this pledge. As of June 30, 2020, the Foundation has received a cumulative total of \$834,892 under this pledge.

Note 6 - **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. These include amounts the Board of Directors has designated for endowment to be distributed to the College for programs meeting the criteria established by the Board. Net assets without restrictions are summarized as follows:

	<u>2020</u>	<u>2019</u>
Board designated	\$ 3,020,315	\$2,860,827
Undesignated	<u>56,512</u>	<u>125,827</u>
	<u>\$3,076,827</u>	<u>\$2,986,654</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 6 - **Net Assets - Continued**

Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
<i>Subject to expenditure for specific purpose:</i>		
Sterilite Student Success	\$1,903,267	\$2,080,169
Other scholarships	693,888	653,081
Garrison Early Childhood Education	234,857	285,578
John Burton Scholarship	102,465	102,842
Needy Books Fund	88,438	91,671
College to Career Project	81,732	4,630
Haley Scholarship Fund	56,472	67,222
Youth Venture	42,258	40,208
Robinson Broadhurst	24,551	27,977
Education Access Fund	4,407	4,407
Student Center	<u>-</u>	<u>80,644</u>
	<u>3,232,335</u>	<u>3,438,429</u>
<i>Endowment funds for perpetuity:</i>		
Asquino Fund	288,669	295,666
Other scholarships	<u>959,689</u>	<u>953,178</u>
	<u>1,248,358</u>	<u>1,248,844</u>
	<u>\$4,480,693</u>	<u>\$4,687,273</u>

At June 30, 2020 and 2020, endowment funds include \$488,563 and \$489,049, 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, 2020 and 2019

Note 6 - **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>2020</u>	<u>2019</u>
Barr Foundation	\$ 250,000	\$ -
College to Career Project	122,898	195,560
Sterilite Student Success	116,972	77,646
Center for Civic Learning and Community Engagement	113,300	115,040
Other Scholarships	84,011	100,167
Student Center	80,644	200,656
Garrison Early Childhood Education	59,552	86,295
Student Emergency Fund	49,599	-
Career Focused Education Scholarship	30,000	2,451
NEH Challenge Grant	25,000	-
Robinson Broadhurst	23,426	28,568
Asquino Fund	11,617	9,338
Haley Scholarship Fund	10,750	11,964
Needy Brooks Fund	4,657	10,097
Youth Venture	-	39,704
	<u>\$ 982,426</u>	<u>\$ 877,486</u>

Note 7 - **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, 2020 and 2019

Note 7 - **Endowment - Continued**

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	2,860,827	1,248,844	4,109,671
Contributions	166,667	1,450	168,117
Investment return	45,182	19,744	64,926
Amounts appropriated for expenditure	<u>(52,361)</u>	<u>(21,680)</u>	<u>(74,041)</u>
Endowment net assets, June 30, 2020	\$ <u>3,020,315</u>	\$ <u>1,248,358</u>	\$ <u>4,268,673</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **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 2020 and 2019, the College billed the Foundation \$57,818 and \$55,881, respectively, for these services. During the years ended June 30, 2020 and 2019, the Foundation recognized revenue and related expense of \$33,800 and \$33,200, 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, 2020 and 2019, the Foundation recognized revenue and related expense of \$15,000 and \$12,000, 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

Included in program expenses for the years ended June 30, 2020 and 2019 is approximately \$ 920,000 and \$821,000 of amounts paid to the College. Amounts due to the College at June 30, 2020 and 2019 were \$15,692 and \$17,383, respectively, and are included in accounts payable.

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. Interest income earned on this loan for the years ended June 30, 2020 and 2019 is \$8,831 and \$15,051, respectively. Included within the interest receivable balance at June 30, 2020 and 2019 is \$4,479 and \$8,705, 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, 2020 and 2019

Note 9 - 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 at June 30, 2020 and 2019 totaled \$102,500 and \$48,146, respectively.

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

From time to time, significant contributions may be provided by a few major contributors. It is always considered reasonably possible that grantors or contributors could be lost in the near term. During the year ended June 30, 2020, four donors accounted for 75% of the contribution income.

Uncertainties

The COVID-19 crisis as discussed in Note 1 is ongoing. This has limited the Foundation's ability to hold certain fundraising events and it is unknown when such events will be able to resume. There is continued uncertainty about the economy and donors' ability to give going into the future. Management cannot reasonably estimate the duration or impact on finances and operations.

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - **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>2020</u>	<u>2019</u>
Cash and equivalents	\$ 353,935	\$ 218,632
Restricted cash and equivalents	<u>224,029</u>	<u>80,364</u>
Total cash and equivalents and Restricted cash and equivalents	<u>\$ 577,964</u>	<u>\$ 298,996</u>

Note 11 - **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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and equivalents	\$ 577,964	\$ 298,996
Investments	5,098,978	5,095,217
Loan receivable	111,979	217,620
Interest receivable	4,479	23,897
Beneficial interest	<u>1,797,885</u>	<u>2,057,815</u>
Total financial assets	<u>7,591,285</u>	<u>7,693,545</u>
Less: amounts not available for use by management:		
Board designated net assets	3,020,315	2,860,827
Net assets with donor restrictions	<u>4,480,693</u>	<u>4,687,273</u>
	<u>7,501,008</u>	<u>7,548,100</u>

MOUNT WACHUSETT COMMUNITY COLLEGE FOUNDATION, INC.

(a component unit of Mount Wachusett Community College)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 11 - **Availability and Liquidity – Continued**

Add back:

Restricted scholarships approved by the Board for use over the next 12 months	320,000	300,000
Board-restricted amounts approved by the Board for use over the next 12 months	<u>75,000</u>	<u>125,000</u>
	<u>395,000</u>	<u>425,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 485,277</u>	<u>\$ 570,445</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, 2020 and 2019, management believes that the Foundation has no liquidity issues.

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

Management has evaluated subsequent events through October 6, 2020, 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, 2020 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, 2020 and 2019 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 October 6, 2020.

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) as a basis for designing 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 financial statements. 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.

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants
Braintree, Massachusetts**

October 6, 2020