

**MASSACHUSETTS BAY COMMUNITY  
COLLEGE FOUNDATION, INC.**

**(a component unit of Massachusetts Bay Community College)**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2022**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Massachusetts Bay Community College Foundation, Inc.  
Boston, Massachusetts

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Massachusetts Bay Community College Foundation, Inc. (the "Foundation"), a component unit of Massachusetts Bay Community College, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Massachusetts Bay Community College Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United State of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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.

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

**Certified Public Accountants  
Braintree, Massachusetts**

September 28, 2022

**MASSACHUSETTS BAY COMMUNITY  
COLLEGE FOUNDATION, INC.**  
(a component unit of Massachusetts Bay Community College)

**Financial Statements**

**June 30, 2022 and 2021**

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**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Statements of Financial Position**

**June 30,**

**Assets**

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Current Assets:</b>		
Cash and equivalents	\$ 637,716	\$ 630,311
Investments	3,583,184	4,248,313
Pledges receivable	<u>193,218</u>	<u>255,019</u>
<b>Total Current Assets</b>	<u><b>4,414,118</b></u>	<u><b>5,133,643</b></u>
<b>Other assets:</b>		
Long-term investments	2,226,518	2,494,962
Long-term pledges receivable, net discount	<u>67,912</u>	<u>212,819</u>
<b>Total Other Assets</b>	<u><b>2,294,430</b></u>	<u><b>2,707,781</b></u>
<b>Total Assets</b>	<u><b>\$ 6,708,548</b></u>	<u><b>\$ 7,841,424</b></u>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Due to affiliate	\$ <u>113,580</u>	\$ <u>183,333</u>
<b>Net assets:</b>		
Without donor restrictions	1,574,234	2,056,674
With donor restrictions	<u>5,020,734</u>	<u>5,601,417</u>
<b>Total Net Assets</b>	<u><b>6,594,968</b></u>	<u><b>7,658,091</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 6,708,548</b></u>	<u><b>\$ 7,841,424</b></u>

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

**Massachusetts Bay Community College Foundation, Inc.**  
(a component unit of Massachusetts Bay Community College)

**Statement of Activities and Changes in Net Assets**

**For the Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Contributions of cash and other financial assets	\$ 77,345	\$ 1,015,726	\$ 1,093,071
Contributions of non-financial assets	83,514	-	83,514
Investment return	(284,761)	(647,614)	(932,375)
Net assets released from restrictions	<u>948,795</u>	<u>(948,795)</u>	<u>-</u>
<b>Total Operating Revenues</b>	<u>824,893</u>	<u>(580,683)</u>	<u>244,210</u>
<b>Operating Expenses:</b>			
<b>Program Services:</b>			
Scholarships and grants	360,315	-	360,315
Academic Programs	<u>850,123</u>	<u>-</u>	<u>850,123</u>
<b>Total Program Services</b>	<u>1,210,438</u>	<u>-</u>	<u>1,210,438</u>
<b>Supporting Services:</b>			
Management and general	56,848	-	56,848
Fundraising and development	<u>40,047</u>	<u>-</u>	<u>40,047</u>
<b>Total Supporting Services</b>	<u>96,895</u>	<u>-</u>	<u>96,895</u>
<b>Total Operating Expenses</b>	<u>1,307,333</u>	<u>-</u>	<u>1,307,333</u>
<b>Change in Net Assets</b>	(482,440)	(580,683)	(1,063,123)
Net Assets, Beginning of the Year	<u>2,056,674</u>	<u>5,601,417</u>	<u>7,658,091</u>
<b>Net Assets, End of the Year</b>	<u>\$ 1,574,234</u>	<u>\$ 5,020,734</u>	<u>\$ 6,594,968</u>

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

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Statement of Activities and Changes in Net Assets**

**For the Year Ended June 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Contributions of cash and other financial assets	\$ 44,500	\$ 623,597	\$ 668,097
Contributions of non-financial assets	105,282	-	105,282
Investment return	442,420	866,246	1,308,666
Net assets released from restrictions	<u>361,911</u>	<u>(361,911)</u>	<u>-</u>
<b>Total Operating Revenues</b>	<u>954,113</u>	<u>1,127,932</u>	<u>2,082,045</u>
<b>Operating Expenses:</b>			
<b>Program Services:</b>			
Scholarships and grants	596,177	-	596,177
Academic Programs	<u>194,874</u>	<u>-</u>	<u>194,874</u>
<b>Total Program Services</b>	<u>791,051</u>	<u>-</u>	<u>791,051</u>
<b>Supporting Services:</b>			
Management and general	39,629	-	39,629
Fundraising and development	<u>59,621</u>	<u>-</u>	<u>59,621</u>
<b>Total Supporting Services</b>	<u>99,250</u>	<u>-</u>	<u>99,250</u>
<b>Total Operating Expenses</b>	<u>890,301</u>	<u>-</u>	<u>890,301</u>
<b>Change in Net Assets</b>	63,812	1,127,932	1,191,744
Net Assets, Beginning of the Year	<u>1,992,862</u>	<u>4,473,485</u>	<u>6,466,347</u>
<b>Net Assets, End of the Year</b>	<u><u>\$ 2,056,674</u></u>	<u><u>\$ 5,601,417</u></u>	<u><u>\$ 7,658,091</u></u>

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



**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2022**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
<b>Expenses:</b>				
Grants	\$ 1,197,089	\$ -	\$ -	\$ 1,197,089
Salaries and wages	13,349	30,118	40,047	83,514
Accounting	-	15,830	-	15,830
Office expenses	-	8,061	-	8,061
Other	<u>-</u>	<u>2,839</u>	<u>-</u>	<u>2,839</u>
	<b><u>\$ 1,210,438</u></b>	<b><u>\$ 56,848</u></b>	<b><u>\$ 40,047</u></b>	<b><u>\$ 1,307,333</u></b>

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

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2021**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
<b>Expenses:</b>				
Grants	\$ 771,177	\$ -	\$ -	\$ 771,177
Salaries and wages	19,874	25,787	59,621	105,282
Accounting	-	9,948	-	9,948
Other	<u>-</u>	<u>3,894</u>	<u>-</u>	<u>3,894</u>
	<u>\$ 791,051</u>	<u>\$ 39,629</u>	<u>\$ 59,621</u>	<u>\$ 890,301</u>

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

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	<u><b>\$ (1,063,123)</b></u>	<u><b>\$ 1,191,744</b></u>
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Unrealized (gains) losses on investments	<b>1,046,755</b>	(1,071,929)
Realized (gains) losses on investments	<b>855</b>	(141,058)
Changes in assets and liabilities:		
Pledges receivable	<b>206,708</b>	(21,509)
Due to affiliate	<u><b>(69,753)</b></u>	<u>(116,667)</u>
Net Adjustments	<u><b>1,184,565</b></u>	<u>(1,351,163)</u>
Net Cash Provided by (Applied to) Operating Activities	<u><b>121,442</b></u>	<u>(159,419)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	<b>22,604</b>	388,701
Purchase of investments	<u><b>(136,641)</b></u>	<u>(489,587)</u>
Net Cash Applied to Investing Activities	<u><b>(114,037)</b></u>	<u>(100,886)</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>7,405</b>	(260,305)
Cash and Equivalents, Beginning of Year	<u><b>630,311</b></u>	<u>890,616</u>
<b>Cash and Equivalents, End of Year</b>	<u><b>\$ 637,716</b></u>	<u><b>\$ 630,311</b></u>

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

# **Massachusetts Bay Community College Foundation, Inc.**

## **(a component unit of Massachusetts Bay Community College)**

### **Notes to the Financial Statements**

**June 30, 2022 and 2021**

#### **Note 1 - Organization**

Massachusetts Bay Community College Foundation, Inc. (the "Foundation") is a not-for-profit corporation, classified under Section 501(c)(3) of the Internal Revenue Code, whose purpose is to raise funds to assist with the development and improvements of Massachusetts Bay Community College (the "College") and to enhance its reputation and visibility in the community. This is achieved through educational programs directed toward individuals, the community, and private and governmental organizations. The Foundation operates primarily in Massachusetts and receives most of its revenues from corporate and individual donations.

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis has created disruptions in the financial markets and the overall economy. The Foundation did fundraise during the state of emergency. Management continually monitors its effect on the operations of the Foundation.

#### **Note 2 - Summary of Significant Accounting Policies**

##### **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.

##### **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 the return earned on investments. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP 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*

Cash and equivalents include all cash on deposit with banks and short-term investments with original maturities of three months or less.

*Pledges Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2022 and 2021, management concluded an allowance for doubtful accounts was not required.

*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 statements of financial position, and changes in fair value are reported as investment returns in the statements of activities.

Purchases and sales of securities 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.

# Massachusetts Bay Community College Foundation, Inc.

(a component unit of Massachusetts Bay Community College)

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have 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"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability; and</li><li>• Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.</li></ul> |
| 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.

The following is a description of the valuation methods used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Bonds:* Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

# **Massachusetts Bay Community College Foundation, Inc.**

## **(a component unit of Massachusetts Bay Community College)**

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

**June 30, 2022 and 2021**

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.

#### *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.

#### *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 net assets with donor restrictions until approved for expenditure by the Foundation. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the Foundation.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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. 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.

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as “underwater”, is reported as losses within net assets with donor restrictions. The Board of Directors has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2022, the Foundation has nine endowment funds with an aggregate fair value less than donor-stipulated levels, which are commonly referred to as “underwater”. The original value of the nine “underwater” donor-restricted endowment funds totaled \$207,715, with a current fair value in total of \$202,170 resulting in a deficiency of \$5,545. These deficiencies resulted from unfavorable market fluctuations that occurred at the outset of the global pandemic’s economic impact. Spending has been suspended on these funds until there is a change in the endowment funds’ unrealized value that eliminates the deficiencies. As of June 30, 2021, 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 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.



# Massachusetts Bay Community College Foundation, Inc.

(a component unit of Massachusetts Bay Community College)

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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.

### Contributions of Non-financial Assets from Personnel of an Affiliate

The College provides accounting and development personnel to the Foundation without charge. During the years ended June 30, 2022 and 2021, the Foundation recognized revenue and related expenses of \$83,514 and \$105,282, respectively, of which the Foundation has included as contributions of non-financial asset revenue and the related in-kind payroll expense for contributed services received from the College based on the fair value of comparable services provided by third parties. The in-kind professional services expense was utilized during the periods and the breakout of the expense by category is contained in the statement of functional expenses.

### 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. A variety of cost allocation techniques are used such as time and effort and square footage.

### Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires not-for-profit entities to present contributed non-financial assets in the statement of activities as a line that is separate from other contributions and provide additional disclosure information related to these items. The Foundation adopted the provisions of ASU 2020-07 on a retrospective basis as of July 1, 2020. Certain amounts in the prior year statement of activities have been reclassified to conform to this presentation, but net assets were not impacted.

## Note 3 - Cash and Equivalents

The Treasurer of the Commonwealth oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is \$1 per share. At June 30, 2022 and 2021, the Foundation had \$280,950 and \$130,146, respectively, invested with MMDT, which is included in cash and equivalents.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

**Note 4 - Pledges Receivable**

Pledges receivable at June 30, are as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 193,218	\$ 255,019
Due in one to five years	<u>79,446</u>	<u>231,720</u>
Total	272,664	486,739
Less: discounts to net present value	<u>11,534</u>	<u>18,901</u>
Present value of receivable	261,130	467,838
Less: current portion	<u>193,218</u>	<u>255,019</u>
Pledges receivable, net of current portion	<u><u>\$ 67,912</u></u>	<u><u>\$ 212,819</u></u>

**Note 5- Investments**

The following is a summary of investments at June 30,:

	<u>2022</u>	<u>2021</u>
	Fair Value	Fair Value
Mutual funds	\$ 3,568,791	\$ 4,220,585
Bonds	<u>2,240,911</u>	<u>2,522,690</u>
	<u><u>\$ 5,809,702</u></u>	<u><u>\$ 6,743,275</u></u>

As of June 30, 2022 and 2021, all investments are level 1 investments and are valued at quoted market value of the shares held at fiscal year-end.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

Note 6 - **Net Assets**

*Net Assets Without 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 gains on endowed net assets. Net assets without restrictions as of June 30, 2022 and 2021 were \$1,574,234 and \$2,056,674, respectively.

*Net Assets With Restrictions*

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

	<u>2022</u>	<u>2021</u>
Donor Restricted (for purpose)	\$ 3,411,131	\$ 3,993,264
Endowment (for perpetuity)	<u>1,609,603</u>	<u>1,608,153</u>
	<u>\$ 5,020,734</u>	<u>\$ 5,601,417</u>

*Net Assets Released from Restrictions*

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purposes specified by the donors. For the years ended June 30, 2022 and 2021, \$948,795 and \$361,911, respectively, were released from restrictions for scholarships.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

**Note 7 - Endowment**

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<b>2022</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 2,056,674	\$ 4,172,131	\$ 6,228,805
Amount appropriated	(215,724)	(14,758)	(230,481)
Investment return	<u>(285,155)</u>	<u>(648,418)</u>	<u>(933,573)</u>
Endowment net assets, end of year	<u>\$ 1,555,796</u>	<u>\$ 3,508,956</u>	<u>\$ 5,064,751</u>
	<b>2021</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 1,992,862	\$ 3,318,135	\$ 5,310,997
Amount appropriated	(378,048)	(12,006)	(390,054)
Investment return	<u>441,860</u>	<u>866,002</u>	<u>1,307,862</u>
Endowment net assets, end of year	<u>\$ 2,056,674</u>	<u>\$ 4,172,131</u>	<u>\$ 6,228,805</u>

**Note 8 - Related Party Transaction**

As of June 30, 2022 and 2021, the Foundation owed the College \$113,580 and \$183,333 for private grants received.

**Note 9 - Concentrations, Risks and Uncertainties**

**Cash**

The Foundation maintains cash balances at several financial institutions, and at times during the year these balances may exceed the federally insured limit. Management monitors the financial condition of these financial institutions, along with their balances in cash, to keep this potential risk at a minimum. At June 30, 2022 and 2021, uninsured amounts were \$280,950 and \$131,625, respectively.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

*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 mutual funds and stock equities 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 are not covered under SIPC insurance.

*Contributions*

For the years ended June 30, 2022 and 2021, two donors represented 58% of the total contributions and three donors represented 35%, respectively.

*Uncertainties*

The Foundation is highly dependent on donor contributions and fundraising efforts. Although management believes that it will have sufficient funds to meet its operating expenses for the remainder of the fiscal year between funds already available and promised grants, there is no guarantee that their grants and fundraising activities will continue into future years.

**Massachusetts Bay Community College Foundation, Inc.**  
**(a component unit of Massachusetts Bay Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

**Note 10 - Availability and Liquidity**

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
Financial assets at year-end:		
Cash and equivalents	\$ 637,716	\$ 630,311
Investments, short term	3,583,184	4,248,313
Pledges receivable	<u>193,218</u>	<u>255,019</u>
Total financial assets	4,414,118	5,133,643
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	5,020,734	5,601,417
Add back: donor-restricted net assets included as a non-current asset	<u>2,294,430</u>	<u>2,707,781</u>
Financial assets available to meet general expenditures within one year	<u><b>\$1,687,814</b></u>	<u><b>\$2,240,007</b></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 a portion of the short-term investment portfolio, seek additional donations, or manage its discretionary expenses to meet its cash needs. At June 30, 2022 and 2021, management believes that the Foundation has no liquidity issues.

**Note 11 - Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 28, 2022, 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, 2022 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  
Massachusetts Bay Community College Foundation, Inc.  
Boston, 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 Massachusetts Bay Community College Foundation, Inc. (a component unit of the Massachusetts Bay Community College) (the "Foundation") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 28, 2022.

**Report on 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.



**Report on 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.

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

**Certified Public Accountants  
Braintree, Massachusetts**

September 28, 2022