

**MASSACHUSETTS COLLEGE OF
LIBERAL ARTS FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

FINANCIAL STATEMENTS

JUNE 30, 2021

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

Financial Statements

June 30, 2021 and 2020

C O N T E N T S

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-25
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 <i>Government Auditing Standards</i>	26-27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Massachusetts College of Liberal Arts Foundation, Inc.
North Adams, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Massachusetts College of Liberal Arts Foundation, Inc. (a component unit of the Massachusetts College of Liberal Arts) (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

September 14, 2021

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

Statements of Financial Position

June 30, 2021 and 2020

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Statements of Financial Position

June 30,

Assets

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and equivalents	\$ 86,954	\$ 195,686
Restricted cash	1,449,214	1,745,208
Investments	17,383,639	13,725,340
Unconditional promises to give	498,723	551,311
Prepaid expenses	<u>25,000</u>	<u>30,020</u>
Total Current Assets	<u>19,443,530</u>	<u>16,247,565</u>
Property and Equipment, net	<u>2,487,782</u>	<u>2,366,027</u>
Other Assets:		
Unconditional promises to give, net of current portion	1,695,372	2,000,707
Other assets	<u>6,496</u>	<u>7,091</u>
Total Other Assets	<u>1,701,868</u>	<u>2,007,798</u>
Total Assets	<u>\$ 23,633,180</u>	<u>\$ 20,621,390</u>

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

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities:		
Current portion of long-term debt	\$ 73,540	\$ 70,485
Current portion of charitable gift annuity liability	2,250	2,250
Accounts payable and accrued expenses	15,063	9,478
Deferred revenue	13,300	-
Due to Massachusetts College of Liberal Arts	<u>116,184</u>	<u>158,095</u>
Total Current Liabilities	<u>220,337</u>	<u>240,308</u>
Long-Term Liability:		
Long-term debt, net of current portion	917,094	990,680
Charitable gift annuity liability, net of current portion	<u>22,323</u>	<u>24,573</u>
Total Long-Term Liabilities	<u>939,417</u>	<u>1,015,253</u>
Total Liabilities	<u>1,159,754</u>	<u>1,255,561</u>
Net Assets:		
Without donor restrictions:		
Board designated	891,569	741,568
Undesignated	1,446,478	1,343,263
With donor restrictions	<u>20,135,379</u>	<u>17,280,998</u>
Total Net Assets	<u>22,473,426</u>	<u>19,365,829</u>
Total Liabilities and Net Assets	<u>\$ 23,633,180</u>	<u>\$ 20,621,390</u>

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Contributions and grants	\$ 219,558	\$ 684,788	\$ 904,346
Special events	4,086	-	4,086
Contributed services	112,476	-	112,476
Investment return	164,167	3,504,480	3,668,647
Rental income	205,632	-	205,632
Net assets released from restrictions	<u>1,334,887</u>	<u>(1,334,887)</u>	<u>-</u>
Total Support and Revenues	<u>2,040,806</u>	<u>2,854,381</u>	<u>4,895,187</u>
Contributions, Scholarships and Expenses:			
Program services	1,368,038	-	1,368,038
Administrative expenses	328,807	-	328,807
Fundraising	<u>90,745</u>	<u>-</u>	<u>90,745</u>
Total Contributions, Scholarships and Expenses:	<u>1,787,590</u>	<u>-</u>	<u>1,787,590</u>
Changes in Net Assets	253,216	2,854,381	3,107,597
Net Assets, Beginning of Year	<u>2,084,831</u>	<u>17,280,998</u>	<u>19,365,829</u>
Net Assets, End of Year	<u>\$ 2,338,047</u>	<u>\$ 20,135,379</u>	<u>\$ 22,473,426</u>

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

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

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>
Support and Revenues:			
Contributions and grants	\$ 402,908	\$ 1,283,320	\$ 1,686,228
Special events	33,243	-	33,243
Contributed services	95,590	-	95,590
Investment return	21,189	476,460	497,649
Rental income	194,632	-	194,632
Net assets released from restrictions	<u>938,927</u>	<u>(938,927)</u>	<u>-</u>
Total Support and Revenues	<u>1,686,489</u>	<u>820,853</u>	<u>2,507,342</u>
Contributions, Scholarships and Expenses:			
Program services	1,480,114	-	1,480,114
Administrative expenses	299,742	-	299,742
Fundraising	<u>79,105</u>	<u>-</u>	<u>79,105</u>
Total Contributions, Scholarships and Expenses:	<u>1,858,961</u>	<u>-</u>	<u>1,858,961</u>
Changes in Net Assets	(172,472)	820,853	648,381
Net Assets, Beginning of Year	<u>2,257,303</u>	<u>16,460,145</u>	<u>18,717,448</u>
Net Assets, End of Year	<u>\$ 2,084,831</u>	<u>\$ 17,280,998</u>	<u>\$ 19,365,829</u>

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

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Statements of Functional Expenses

For the Year Ended June 30,

	<u>2021</u>				<u>2020</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contributions, Scholarships and Expenses:								
Contributions to Massachusetts								
College of Liberal Arts (MCLA)	\$ 846,441	\$ -	\$ -	\$ 846,441	\$ 1,002,770	\$ -	\$ -	\$ 1,002,770
Scholarships for benefits of								
MCLA students	521,597	-	-	521,597	477,344	-	-	477,344
Contributed services	-	112,476	-	112,476	-	95,590	-	95,590
Depreciation	-	83,381	-	83,381	-	73,659	-	73,659
Subscriptions, dues and fees	-	11,954	31,157	43,111	-	8,639	30,468	39,107
Interest	-	40,072	-	40,072	-	39,984	-	39,984
Professional fees	-	36,939	49,200	86,139	-	40,509	22,500	63,009
Special events	-	-	-	-	-	-	19,267	19,267
Insurance	-	25,317	-	25,317	-	25,319	-	25,319
Office Expenses	-	7,905	3,668	11,573	-	4,600	2,431	7,031
Conferences, meetings and events	-	1,036	-	1,036	-	2,185	-	2,185
Advertising and promotion	-	199	6,720	6,919	-	501	4,439	4,940
Repairs and maintenance	-	9,528	-	9,528	-	5,373	-	5,373
Real estate taxes	-	-	-	-	-	3,383	-	3,383
	<u>\$ 1,368,038</u>	<u>\$ 328,807</u>	<u>\$ 90,745</u>	<u>\$ 1,787,590</u>	<u>\$ 1,480,114</u>	<u>\$ 299,742</u>	<u>\$ 79,105</u>	<u>\$ 1,858,961</u>

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

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	<u>\$ 3,107,597</u>	<u>\$ 648,381</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,381	73,659
Investment returns	(3,480,976)	(247,585)
Donated land	-	(1,200)
Changes in assets and liabilities:		
Prepaid expenses and other assets	5,615	(7,190)
Unconditional promises to give	357,923	275,615
Accounts payable and accrued expenses	5,585	9,293
Deferred revenue	13,300	-
Due to Massachusetts College of Liberal Arts	<u>(41,911)</u>	<u>93,243</u>
Net Adjustments	<u>(3,057,083)</u>	<u>195,835</u>
Net Cash Provided by Operating Activities	<u>50,514</u>	<u>844,216</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(205,136)	(574,106)
Purchase of investments	(2,512,512)	(4,111,395)
Proceeds from sale of investments	<u>2,335,189</u>	<u>3,617,759</u>
Net Cash Applied to Investing Activities	<u>(382,459)</u>	<u>(1,067,742)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	(70,531)	(94,645)
Proceeds on long-term debt	-	454,875
Payments on charitable gift annuity	<u>(2,250)</u>	<u>(2,250)</u>
Net Cash (Applied to) Provided by Financing Activities	<u>(72,781)</u>	<u>357,980</u>
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(404,726)	134,454
Cash, Cash Equivalent, and Restricted Cash, Beginning of Year	<u>1,940,894</u>	<u>1,806,440</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 1,536,168</u>	<u>\$ 1,940,894</u>
Cash, cash equivalents, and restricted cash consist of the following at June 30:		
Cash and Equivalents	\$ 86,954	\$ 195,686
Restricted cash	<u>1,449,214</u>	<u>1,745,208</u>
Total	<u>\$ 1,536,168</u>	<u>\$ 1,940,894</u>

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

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 1 - **Organization**

The Massachusetts College of Liberal Arts Foundation, Inc. (the "Foundation") is a not-for-profit organization, whose purpose is to solicit and receive funds for aiding and participating in the development and improvement of the Massachusetts College of Liberal Arts (the "College"). In addition, the Foundation provides scholarships and financial aid to students attending the College. The purposes of the Foundation are promoted through educational and research programs directed towards individuals, organizations (private and governmental), and the community. The Foundation operates primarily in Massachusetts and receives most of its revenues from donations.

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The state of emergency affected the Foundation's operations. The Foundation did fundraise after the start of the emergency, but conducted limited in-person fundraising events. Beginning in FY22, the Foundation began hosting in-person fundraising events while taking appropriate steps for the safety of its attendees. The COVID-19 crisis created volatility in the financial markets and uncertainty in the overall economy. Management took steps, such as reducing discretionary expenses, to mitigate the effects on operations.

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

Basis of Presentation and Accounting

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 requires 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 Board of Directors.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Basis of Presentation and Accounting - Continued

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 activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

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

Cash and Equivalents

The Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Certain banking institutions that hold the Foundation's funds, obtained specific depository insurance to mitigate the Foundation's credit risk associated with funds deposited in excess of federally insured levels.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Restricted Cash

The Foundation's restricted cash consists of funds set aside for donor's restrictions.

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 return 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.

Revenue with Customers

The Foundation has a golf tournament and other special events for the general public. The transaction price is consideration that the Foundation expects to receive for entrance fee and sponsorships. The Foundation collects payment at the time of registration, or shortly thereafter. Any collections received in the prior fiscal year are recorded as deferred revenue on the Statement of Financial Position. The Foundation considers the performance obligation to be the event and recognizes revenue at the time 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.

Contributions

Contributions are recognized as revenue when the conditions contained in the respective agreement 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.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Contributions - Continued

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.

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.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to purchase property and equipment are reported as restricted contributions. Absent donor-imposed restrictions regarding how long those donated assets must be maintained, the Foundation considers them to be unrestricted assets when they are first placed in service as instructed by the donor. Equipment is depreciated using the straight-line method. Buildings and building improvements are depreciated over useful lives of 40 years, land improvements for 15 years, and furniture and fixtures for 7 years. The costs of normal maintenance and repairs that do not add value or materially extend the useful life of the asset are expensed as incurred.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes

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

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. However, rental income from debt-financed property is not directly related to the Foundation’s tax-exempt purpose and is subject to federal and state taxation as unrelated business income. The Foundation paid no income taxes for such unrelated business income in 2021 and 2020.

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.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Endowment Funds - Continued

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 also 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 classified as "with donor restrictions". Net unconditional promises to give of \$2,194,095 and \$2,552,018 are recorded as with donor restrictions at June 30, 2021 and 2020, respectively.

The Foundation's Board 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 have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2021 and 2020, the Foundation did not have endowment funds below the amount of the donor required levels.

Charitable Gift Annuity

Under charitable gift annuity contracts, the Foundation receives irrevocable title to contributed assets and agrees to make fixed-period payments over the remaining life of the donor and secondary beneficiary. Contributed assets are recorded at fair value at the date of receipt and a liability is established for the present value of future annuity payments. The assets to fund these liabilities are maintained in separate accounts and are included in investments on the statements of financial position.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Charitable Gift Annuity - Continued

At the date the annuity is entered, the excess of contributed assets over the annuity liability is recorded as unrestricted contribution revenue. Any subsequent gain or loss resulting from the computation of the liability for the present value of future annuity payments performed on an annual basis is recorded as without donor restrictions change in the value of charitable gift annuities.

Upon termination of the annuity contract, any remaining liability is recognized as change in value of charitable gift annuities on the statements of activities.

In-Kind Support

Donated materials are recorded at fair market value as both revenue and expense in the statements of activities and changes in net assets. The Foundation receives a significant amount of contributed time from volunteers that does not meet the requirements of a monetary contribution and accordingly, the value of these services has not been reflected in these 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. A variety of cost allocation techniques are used such as time and effort, and square footage.

New Accounting Pronouncement

FASB issued ASU 2016-02 *Leases*, which is effective for periods beginning after December 15, 2021. The purpose of this pronouncement will require lessees to recognize on their statements of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded.

FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for periods beginning after June 15, 2021. The purpose of this pronouncement is increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 3 - **Unconditional Promises to Give**

Unconditional promises to give are discounted at 5% and consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 522,625	\$ 578,935
Receivable in one to five years	1,838,205	2,248,189
Receivable in greater than five years	280,000	280,000
Less: discount to net present value	<u>446,735</u>	<u>555,106</u>
 Present value of unconditional promises to give	 2,194,095	 2,552,018
Less: current unconditional promises to give	<u>498,723</u>	<u>551,311</u>
 Unconditional Promises to Give, Net of Current Portion	 \$ <u>1,695,372</u>	 \$ <u>2,000,707</u>

Note 4 - **Fair Value Measurements**

Financial Accounting Standards Codification ("ASC") 820-10 establishes a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The highest priority is assigned 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.
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**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or, corroborated by, observable market data by correlation or other means.

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

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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, 2021.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value ("NAV") of the shares held by the Foundation at year-end.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Corporate bonds: Valued at market price quotations.

Certificates of deposit: Valued based upon original investment plus interest accumulated at year-end.

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 the Foundation's assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 3,551,181	\$ -	\$ -	\$ 3,551,181
Other funds	8,134,710	-	-	8,134,710
Equities:				
Blended index funds	420,592	-	-	420,592
Other index funds	4,310,418	-	-	4,310,418
Corporate bonds	-	207,492	-	207,492
Certificates of deposit	707,424	-	-	707,424
Cash and equivalents	<u>51,822</u>	<u>-</u>	<u>-</u>	<u>51,822</u>
Total Assets at Fair Value	<u>\$ 17,176,147</u>	<u>\$ 207,492</u>	<u>\$ -</u>	<u>\$ 17,383,639</u>
Charitable gift annuity liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,573)</u>	<u>\$ (24,573)</u>

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Assets at Fair Value as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 2,383,519	\$ -	\$ -	\$ 2,383,519
Other funds	5,957,415	-	-	5,957,415
Equities:				
Blended index funds	388,419	-	-	388,419
Other index funds	3,482,350	-	-	3,482,350
Corporate bonds	-	416,725	-	416,725
Certificates of deposit	1,024,340	-	-	1,024,340
Cash and equivalents	<u>72,572</u>	<u>-</u>	<u>-</u>	<u>72,572</u>
Total Assets at Fair Value	\$ <u>13,308,615</u>	\$ <u>416,725</u>	\$ <u>-</u>	\$ <u>13,725,340</u>
Charitable gift annuity liability	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(26,823)</u>	\$ <u>(26,823)</u>

Charitable Gift Annuity Liability

The Level 3 charitable gift annuity liability is valued using the income approach, in the form of present value using a payout rate of 4.50% as determined by the 2012 American Council on Gift Annuities ("ACGA") Table as of June 30, 2021 and 2020. The discount rate is the IRS published applicable federal rate. The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 liability for the years ended June 30,:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ <u>26,823</u>	\$ 29,073
Settlements	<u>2,250</u>	<u>2,250</u>
Balance, end of year	\$ <u>24,573</u>	\$ <u>26,823</u>

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Property and Equipment**

Property and equipment consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Land	\$ 438,705	\$ 438,705
Buildings	1,675,972	1,675,972
Furniture and fixtures	45,613	21,344
Improvements	<u>1,701,362</u>	<u>1,520,495</u>
Total	<u>3,861,652</u>	<u>3,656,516</u>
Less: accumulated depreciation	<u>1,373,870</u>	<u>1,290,489</u>
Land, Property and Equipment, net	<u>\$ 2,487,782</u>	<u>\$ 2,366,027</u>

Note 6 - **Related Party Transactions**

Professional Fees

A Foundation Director is an employee of the financial services company that manages the Foundation's investments and has issued a mortgage note to the Foundation. The Board of Directors is aware of the Director's relationship with the financial services company and excludes the Director from votes and discussions related to these matters. During the years ended June 30, 2021 and 2020, approximately \$76,000 and \$65,000, respectively, was paid for investment advisory services; and approximately \$17,000 and \$18,000, respectively, was paid annually as interest on the mortgage note to the above related party.

Due to Massachusetts College of Liberal Arts

Due to Massachusetts College of Liberal Arts represents endowment funds held by the Foundation on behalf of the College and amounts not yet distributed for scholarships and educational programs.

Contributed Services Received from Personnel of an Affiliate

The College provided accounting and development personnel to the Foundation without charge. During the years ended June 30, 2021 and 2020, the Foundation recognized revenue and related expense of \$112,476 and \$95,590, respectively, for contributed services received from the College based on the fair value of comparable services provided by third parties.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Long-Term Debt**

At June 30, long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Mortgage note payable to MountainOne Bank, payable in monthly payments of \$4,269 including interest at 4.82% through March 2029. Secured by real property.	\$ 330,787	\$ 365,165
Mortgage note payable to Greylock Federal Credit Union, payable in monthly payments of \$4,948 including interest at 3.37% through June 2035. The mortgage is secured by real property.	<u>659,847</u>	<u>696,000</u>
	<u>990,634</u>	1,061,165
Less: Current portion of long-term debt	<u>73,540</u>	<u>70,485</u>
Total Long-Term Debt, Net of Current Portion	\$ <u>917,094</u>	\$ <u>990,680</u>

Future principal payments subsequent to June 30, 2021 are as follows:

Years Ending <u>June 30,</u>	
2022	\$ 73,540
2023	76,561
2024	79,717
2025	83,115
2026	86,608
Thereafter	<u>591,093</u>
Total	\$ <u>990,634</u>

Line of Credit

The Foundation has a revolving line of credit with MountainOne Bank of \$250,000. The interest rate on the line of credit is based on the prime rate (3.25% at June 30, 2021 and 2020, respectively). The Foundation has no debt related to this agreement at June 30, 2021 and 2020.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8- **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 assets. Board-designated endowment funds are funds earmarked by the Foundation's Board to be invested to provide income for specific purposes including the library, seminars, and scholarships.

Net Assets with Restrictions

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

	<u>2021</u>	<u>2020</u>
Educational programs	\$ 11,570,732	\$ 10,603,105
Student scholarships	<u>8,564,647</u>	<u>6,677,893</u>
	\$ <u>20,135,379</u>	\$ <u>17,280,998</u>

Included in net assets with restrictions are certain net assets to be held in perpetuity. The purpose for these net assets for the years ended June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Educational programs	\$ 8,631,658	\$ 8,570,846
Student scholarships	<u>5,479,766</u>	<u>5,296,905</u>
	\$ <u>14,111,424</u>	\$ <u>13,867,751</u>

Net Assets Released from Restrictions

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

	<u>2021</u>	<u>2020</u>
Educational programs	\$ 813,290	\$ 461,583
Student scholarships	<u>521,597</u>	<u>477,344</u>
	\$ <u>1,334,887</u>	\$ <u>938,927</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 9 - **Endowment Net Assets**

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, at June 30, 2019	\$ 753,133	\$ 13,632,522	\$ 14,385,655
Investment return	21,095	476,460	497,555
Contributions	-	1,558,925	1,558,925
Amounts appropriated for expenditure	<u>(32,660)</u>	<u>(938,927)</u>	<u>(971,587)</u>
Endowment net assets, at June 30, 2020	741,568	14,728,980	15,470,548
Investment return	167,921	3,504,480	3,672,401
Contributions	-	1,042,711	1,042,711
Amounts appropriated for expenditure	<u>(17,920)</u>	<u>(1,334,887)</u>	<u>(1,352,807)</u>
Endowment net assets, at June 30, 2021	<u>\$ 891,569</u>	<u>\$ 17,941,284</u>	<u>\$ 18,832,853</u>

The balance held as endowment net assets consist of funds held as cash or investments. Contributions to the endowment include both current year revenues as well as collections on receivables from prior years.

Note 10 - **Concentrations, Risks and Uncertainties**

Cash

From time to time, cash balances at financial banking institutions exceeded the federally insured limit. For certain accounts, the Foundation has obtained specific depository insurance to mitigate the risks associated with funds deposited in excess of federally insured limits. For those accounts not insured, management monitors the financial condition of these financial institutions, along with its balances in cash, to keep this potential risk at a minimum. At June 30, 2021 and 2020, uninsured amounts totaled \$0 and \$12,902, respectively.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 10 - Concentrations, Risks and Uncertainties - Continued

Investments

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

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.

Note 11 - Leases

The Foundation leases property to the Commonwealth of Massachusetts under a ten-year agreement expiring on September 30, 2027. Total rental revenue for the fiscal years ended 2021 and 2020 was approximately \$205,000 and \$195,000, respectively. Future minimum rental revenue under the lease agreements are as follows:

Years Ending <u>June 30,</u>	
2022	\$ 189,632
2023	189,632
2024	189,632
2025	189,632
2026	189,632
Thereafter	<u>221,237</u>
Total	\$ <u>1,169,397</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Supplemental Cash Flow Information**

During the years ended June 30, 2021 and 2020, the Foundation paid \$40,072 and \$39,984 for interest, respectively.

During 2020, the Foundation refinanced a mortgage with proceeds of \$241,125 used to pay off the previous mortgage.

Note 13 - **Availability and Liquidity**

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Current assets:		
Cash and equivalents	\$ 1,536,168	\$ 1,940,894
Investments	17,383,639	13,725,340
Unconditional promises to give	<u>498,723</u>	<u>551,311</u>
	<u>19,418,530</u>	<u>16,217,545</u>
Less: amounts not available to be used within one year:		
Board designated net assets	891,569	741,568
Net assets with donor restrictions	<u>20,058,179</u>	<u>17,280,998</u>
	<u>20,949,748</u>	<u>18,022,566</u>
Addback: Endowment drawdown for operations	246,595	234,059
Donor restricted net assets included as a non-current asset	<u>1,695,372</u>	<u>2,000,707</u>
	<u>1,941,967</u>	<u>2,234,766</u>
Financial assets available to meet general Expenditures within one year:	\$ <u>410,749</u>	\$ <u>429,745</u>

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
FOUNDATION, INC.**
(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Availability and Liquidity - Continued**

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 the Board undesignate previously designated assets. As allowed under UPMIFA, the Board can elect to drawdown a percentage of the endowment each year to go towards the operations of the Foundation. This amount is recorded as with donor restrictions until earned in the following fiscal year. The Foundation also has a revolving line of credit of \$250,000 which it could draw upon. In addition, management can review discretionary spending to meet certain cash needs. As of June 30, 2021 and 2020, management believes the Foundation has no liquidity issues.

Note 14 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 14, 2021, 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, 2021 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*

To the Board of Directors of
Massachusetts College of Liberal Arts Foundation, Inc.
North Adams, 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 College of Liberal Arts Foundation Inc. (a component unit of the Massachusetts College of Liberal Arts) (the "Foundation") as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Foundation's basic financial statements, and have issued our report thereon dated September 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits 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 opinions 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 audits 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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

September 14, 2021