

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

(a component unit of Massachusetts Bay Community College)

FINANCIAL STATEMENTS

JUNE 30, 2018

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

Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 statement of financial position as of June 30, 2018, the related statement of activities, change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 auditors consider 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 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 June 30, 2018 financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Bay Community College Foundation, Inc. as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Massachusetts Bay Community College Foundation, Inc. as of June 30, 2017, were audited by other auditors whose report dated November 15, 2017, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of Massachusetts Bay Community College Foundation, Inc.'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 Massachusetts Bay Community College Foundation, Inc.'s internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 20, 2018

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

Statements of Financial Position

June 30,

Assets

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 248,761	\$ 234,300
Investments	4,209,627	4,101,064
Other current assets	<u>-</u>	<u>-</u>
Total Current Assets	<u>4,458,388</u>	<u>4,346,964</u>
Other assets:		
Long-term contributions receivable, net	-	2,146
Long-term investments	<u>1,343,136</u>	<u>1,178,633</u>
Total Other Assets	<u>1,343,136</u>	<u>1,180,779</u>
Total Assets	<u>\$ 5,801,524</u>	<u>\$ 5,527,743</u>

Liabilities and Net Assets

Liability:		
Total liabilities	<u>\$ -</u>	<u>\$ 500</u>
Net assets:		
Unrestricted	2,455,738	1,893,936
Temporarily restricted	1,787,214	2,200,503
Permanently restricted	<u>1,558,572</u>	<u>1,432,804</u>
Total Net Assets	<u>5,801,524</u>	<u>5,527,243</u>
Total Liabilities and Net Assets	<u>\$ 5,801,524</u>	<u>\$ 5,527,743</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Contributions	\$ 30,155	\$ 208,291	\$ 125,768	\$ 364,214
Net assets released from restrictions	863,749	(863,749)	-	-
Equipment donations	10,000	-	-	10,000
Donated services received from College	81,931	-	-	81,931
Total Operating Revenues	<u>985,835</u>	<u>(655,458)</u>	<u>125,768</u>	<u>456,145</u>
Operating Expenses:				
Program Services:				
Scholarships and grants	271,937	-	-	271,937
Other program costs	256,952	-	-	256,952
Equipment contributions	10,000	-	-	10,000
Total Program Services	<u>538,889</u>	<u>-</u>	<u>-</u>	<u>538,889</u>
Supporting Services:				
Management and general	56,246	-	-	56,246
Fundraising and development	45,298	-	-	45,298
Total Supporting Services	<u>101,544</u>	<u>-</u>	<u>-</u>	<u>101,544</u>
Total Operating Expenses	<u>640,433</u>	<u>-</u>	<u>-</u>	<u>640,433</u>
Change in Net Assets From Operations	<u>345,402</u>	<u>(655,458)</u>	<u>125,768</u>	<u>(184,288)</u>
Other Income:				
Investment return	216,400	242,169	-	458,569
Increase (Decrease) in Net Assets	561,802	(413,289)	125,768	274,281
Net Assets, Beginning of the Year	<u>1,893,936</u>	<u>2,200,503</u>	<u>1,432,804</u>	<u>5,527,243</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Contributions	\$ 35,805	\$ 165,109	\$ 128,784	\$ 329,698
Net assets released from restrictions	175,549	(175,549)	-	-
Equipment donations	4,000	-	-	4,000
Donated services received from College	<u>82,861</u>	<u>-</u>	<u>-</u>	<u>82,861</u>
Total Operating Revenues	<u>298,215</u>	<u>(10,440)</u>	<u>128,784</u>	<u>416,559</u>
Transfers to permanent endowment funds	<u>-</u>	<u>(6,900)</u>	<u>6,900</u>	<u>-</u>
Operating Expenses:				
Program Services:				
Scholarships and grants	232,058	-	-	232,058
Other program costs	133,754	-	-	133,754
Equipment contributions	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total Program Services	<u>369,812</u>	<u>-</u>	<u>-</u>	<u>369,812</u>
Supporting Services:				
Management and general	35,133	-	-	35,133
Fundraising and development	<u>47,314</u>	<u>-</u>	<u>-</u>	<u>47,314</u>
Total Supporting Services	<u>82,447</u>	<u>-</u>	<u>-</u>	<u>82,447</u>
Total Operating Expenses	<u>452,259</u>	<u>-</u>	<u>-</u>	<u>452,259</u>
Change in Net Assets From Operations	(154,044)	(17,340)	135,684	(35,700)
Other Income:				
Investment return	<u>237,970</u>	<u>389,782</u>	<u>-</u>	<u>627,752</u>
Increase in Net Assets	83,926	372,442	135,684	592,052
Net Assets, Beginning of the Year	<u>1,810,010</u>	<u>1,828,061</u>	<u>1,297,120</u>	<u>4,935,191</u>
Net Assets, End of the Year	<u>\$ 1,893,936</u>	<u>\$ 2,200,503</u>	<u>\$ 1,432,804</u>	<u>\$ 5,527,243</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>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ <u>274,281</u>	\$ <u>592,052</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gains on investments	(178,988)	(511,024)
Realized gains on investments	(199,499)	(57)
Equipment contributions received	(10,000)	(4,000)
Equipment contributions made	10,000	4,000
Changes in assets and liabilities:		
Contributions receivable	13,746	13,951
Due to affiliate	<u>(500)</u>	<u>(19,516)</u>
Net adjustments	<u>(365,241)</u>	<u>(516,646)</u>
Net cash provided by (used in) operating activities	<u>(90,960)</u>	<u>75,406</u>
Cash Flows From Investing Activities:		
Proceeds from sales of investments	514,538	321,589
Purchase of investments	<u>(409,117)</u>	<u>(415,229)</u>
Net cash provided by (used in) investing activities	<u>105,421</u>	<u>(93,640)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,461	(18,234)
Cash and Cash Equivalents, Beginning of Year	<u>234,300</u>	<u>252,534</u>
Cash and Cash Equivalents, End of Year	<u>\$ 248,761</u>	<u>\$ 234,300</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, 2018 and 2017

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

Organization

Massachusetts Bay Community College Foundation, Inc. (the "Foundation") is a nonprofit corporation, classified under Section 501(c)(3) of the Internal Revenue Code, whose purposes are 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 towards 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.

Management 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 donated services received from an affiliate.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Financial Statement Presentation - continued

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be maintained permanently. The donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Equivalents

The Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Marketable Securities

The Foundation carries investments in marketable securities with readily determinable fair values, and all investments in debt securities, at their fair market values, in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Restricted investment income and gains are reported as increases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

The Foundation's investments consist of mutual funds and fixed income securities. In order to minimize excessive risk in geographical, industry and market sectors, the Board of Directors meets periodically with its investment advisors and reviews the portfolio for such concentrations and other matters.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Contributions

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Foundation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Temporarily restricted contributions received during the year meeting donor-imposed stipulations are recorded as unrestricted contributions.

In-Kind Contributions

The Foundation receives in-kind contributions of equipment for the College's automotive technology and STEM programs, including vehicles, automotive parts, scientific equipment and laboratory consumables. It is the policy of the Foundation to donate all such equipment and supplies to the College. During the years ended June 30, 2018 and 2017, the Foundation received in-kind contributions in the amount of \$10,000 and \$4,000, respectively, and donated the equipment to the College.

Income Taxes

Massachusetts Bay Community College Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Income Taxes - continued

Accounting principles as practiced in the United States of America require an entity to assess the probability that a tax position has a more likely than not (“MLTN”) 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 exempt from income taxes, the Association may, however, be subject to tax on unrelated business income.

Endowment Funds

The Foundation’s endowments consist of approximately 20 individual funds that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. No funds have been designated by the Board of Directors to function as endowments as of June 30, 2018 and 2017, respectively. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 Foundation make its decisions in light of the donor’s intended purpose of the endowment fund, stipulated or otherwise.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Endowment Funds - continued

The Board of Directors of the Foundation has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Foundation and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Foundation, and (vii) the investment policies of the Foundation.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds, if any. Under this policy, as approved by the Board of Directors, the endowment assets are invested in an index fund portfolio (the "Portfolio").

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Investment and Spending Policies - continued

The primary financial objectives of the Portfolio are (1) to preserve and enhance the inflation-adjusted purchasing power of the Portfolio; and (2) to provide a stream of stable and constant earnings sufficient both to fund the operating expenses of the Foundation, and to support the mission of the College as determined by the Board of Directors of the Foundation. The long-term investment objectives of the Portfolio are (1) to realize a 4% real return (defined as the percentage return after deducting inflation (CPI) and management fees); and (2) to meet or exceed the Portfolio's benchmark within the Prudent Man Rule. The benchmark for the portfolio is the S&P 500 for equities and Barclays Aggregate Bond Index for bonds.

To preserve and enhance the real purchasing power of the Portfolio, the Board of Directors each year will draw down no more than 4.5% of the Portfolio's average market value as of each March 31 for the preceding three years. At its discretion, the Board of Directors may spend less than the 4.5% annual maximum, but it must at a minimum always cover the Foundation's annual operating expenses.

The purpose of establishing an asset allocation for the Portfolio is to construct a "policy portfolio" — based on long-term return, risk, and correlation assumptions — that properly balances the need for liquidity, preservation of purchasing power, and risk tolerance. The Finance and Audit Committee of the Foundation shall periodically examine the policy portfolio targets and consider adjustments to the asset allocation as may be appropriate. Changes to the policy portfolio targets will be reviewed and approved by the Finance and Audit Committee of the Foundation and recommended to the Board of Directors for approval.

The Foundation's Investment Policy dictates that the Portfolio's investments shall be diversified by asset class (for example, equities or bonds) and within asset classes (for example, within equities by cap size [e.g., "large-cap"], or style [e.g., "value"]). The purpose of diversification is to provide reasonable assurance that no investment will have a disproportionate impact on the Portfolio's aggregate results. The Foundation targets an asset allocation of 60% to 80% equity securities, 20% to 40% domestic fixed income and cash and 0% to 6% cash. In fiscal 2017, the Foundation revised its Investment Policy to permit up to 20% of the bond portfolio to be invested in international bonds.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Investment and Spending Policies - continued

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There was zero deficiency between the fair value of the investments of the endowment fund and the levels required by donor stipulation at June 30, 2018 and 2017, respectively.

Permanently Restricted Endowment Funds

The Foundation's endowment policy states that new gifts with a minimum of \$5,000 can, at the donor's request, be permanently endowed.

Contributions totaling \$0 and \$6,900 during fiscal year 2018 and 2017, respectively, were transferred to permanently restricted funds.

Beginning in Fiscal Year 2014, as an incentive to raise funds, the Foundation promised a \$1,000 match for the first 10 endowed scholarships. Contributions received as a result of the incentive totaled \$0 and \$4,633 during fiscal year 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncements

FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment to Topic 958, Not-for-Profit Entities in June 2016 with an effective date for fiscal years beginning after December 15, 2017. The purpose of this amendment is to improve the transparency and utility information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management does not expect implementation to have a material effect on financial position or results of operations.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

New Accounting Pronouncements - continued

FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an amendment to Topic 958 - Not for Profit Entities was issued by FASB in June 2018. The purpose of this amendment is to provide guidance in determining whether resource providers and resource recipients are participating in an exchange transaction, or if the transfer of funds is a contribution, by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this update should be applied on a modified prospective basis, however, retrospective application is permitted. For resource recipients involved in public markets, including over-the-counter exchanges, the amendments are effective for periods beginning after June 15, 2018. For all other resource recipient entities, it is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Although management has not concluded its review of this standards update, based on the nature of the Organization's activities, it does not believe implementation will have a material effect on the financial statements.

Management's Acceptance of Financial Statements

Management has evaluated subsequent events through September 20, 2018, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to June 30, 2018 requiring disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and change in net assets are unchanged due to these reclassifications.

Note 2 - **Marketable Securities**

The Foundation invests in equity and debt securities. Equity investments are made predominantly in large capitalization, high-quality United States companies, many of which are multinational in terms of revenues and earnings. Some high quality international companies may be included on an opportunistic basis. Corporate debt investments are required to have a minimum rating at time of purchase of A or better by Moody's or Standard & Poor's.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 2 - Marketable Securities - Continued

Investments at June 30, are comprised of the following:

	<u>2018</u>	<u>2017</u>
Equity funds	4,162,516	3,951,930
Bond funds	1,390,247	1,243,343
Cash restricted for investments	<u>-</u>	<u>84,424</u>
	<u>\$ 5,552,763</u>	<u>\$ 5,279,697</u>

At June 30, the Foundation's bond funds along with their investment maturities are as follows:

Investment type	<u>2018</u>				
	Fair Value	Investment maturities (in years)			
		Less Than 1	1-5	6-10	Greater than 10
Vanguard Intermediate-term (VFIDX)	\$ 332,725	\$ 13,309	\$ 134,088	\$ 170,022	\$ 15,306
Vanguard Short-term (VFSUX)	218,052	31,836	151,328	31,618	3,270
Vanguard Total Bond Market (VBTLX)	557,941	558	239,357	223,176	94,850
Vanguard International Bond (VTABX)	<u>281,529</u>	<u>1,408</u>	<u>114,864</u>	<u>85,866</u>	<u>79,391</u>
	<u>\$ 1,390,247</u>	<u>\$ 47,111</u>	<u>\$ 639,637</u>	<u>\$ 510,682</u>	<u>\$ 192,817</u>

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 2 - **Marketable Securities - Continued**

		2017			
		Investment maturities (in years)			
Investment type	Fair Value	Less Than 1	1-5	6-10	Greater than 10
Vanguard Intermediate-term (VFIDX)	\$ 376,587	\$ 15,063	\$ 122,014	\$ 224,069	\$ 15,440
Vanguard Short-term (VFSUX)	235,964	42,238	155,028	36,338	2,360
Vanguard Total Bond Market (VBTLX)	<u>625,887</u>	<u>2,504</u>	<u>271,635</u>	<u>246,599</u>	<u>105,149</u>
	<u>\$ 1,238,438</u>	<u>\$ 59,805</u>	<u>\$ 548,677</u>	<u>\$ 507,007</u>	<u>\$ 122,949</u>

At June 30, 2018 and 2017, management intends to hold all bond investments to maturity.

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

		2018		
		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Realized gains	\$	94,026	105,473	\$ 199,499
Unrealized gains		84,359	94,629	178,988
Interest and dividends		46,173	51,219	97,392
Less: Investment fees		<u>(8,158)</u>	<u>(9,152)</u>	<u>(17,310)</u>
Total Investment Return	\$	<u>216,400</u>	<u>242,169</u>	<u>\$ 458,569</u>

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 2 - **Marketable Securities - Continued**

	2017		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Realized gains	\$ 24	\$ 33	\$ 57
Unrealized gains	216,789	294,235	511,024
Interest and dividends	27,335	103,900	131,235
Less: Investment fees	<u>(6,178)</u>	<u>(8,386)</u>	<u>(14,564)</u>
Total Investment Return	<u>\$ 237,970</u>	<u>\$ 389,782</u>	<u>\$ 627,752</u>

Note 3 - **Promises to Give**

Unconditional promises to give consist of temporarily restricted amounts to be received by the Foundation in future periods and are deemed to be fully collectible by management. The long-term portion of unconditional promises to give are discounted at a discount rate determined by management at the time of the contribution.

Unconditional promises to give are as follows at June 30, 2017:

Receivable in less than one year	\$ 11,600
Receivable in one to five years	<u>2,500</u>
Total unconditional promises	14,100
Less: discounts to net present value	<u>(354)</u>
Net contributions receivable	<u>13,746</u>
Contributions receivable, current	<u>11,600</u>
Contributions receivable, net of current	<u>\$ 2,146</u>

There were no unconditional promises at June 30, 2018.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 4 - **Fair Value Measurements**

Financial Accounting Standards Codification (ASC) 820-10 established a framework for measuring fair value. That framework provides a fair value 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 under ASC 820-10 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; 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.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from the prior year. Equity and bond funds consist of:

Common stocks, corporate bonds and U.S. government securities: 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.

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. At June 30, 2018 and 2017, all investments of the Foundation are classified as Level 1 assets within the fair value hierarchy. There are no unfunded commitments or liquidity restrictions associated with the investments.

Note 5 - **Restricted Net Assets**

Temporarily restricted net assets are available as follows at June 30:

	<u>2018</u>	<u>2017</u>
Student scholarships and grants	<u>\$ 1,787,214</u>	<u>\$ 2,200,503</u>

During the years ended June 30, 2018 and 2017, net assets in the amount of \$863,749 and \$175,549, respectively, were released from restrictions for scholarships and other approved expenditures.

Permanently restricted net assets in the amount of \$1,558,572 and \$1,432,804 as of June 30, 2018 and 2017, respectively, are invested in perpetuity. Income from these investments is expendable for the program services of the Foundation, including the granting of scholarships and to fund other academic and cultural programs.

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - Restricted Net Assets - Continued

During fiscal 2018 and 2017, \$0 and \$6,900, respectively, was transferred from temporarily restricted net assets to permanently restricted net assets. In accordance with the donors' restrictions, these amounts together with current period donations met the Foundation's minimum requirement to establish permanent endowments. Accordingly, these amounts were transferred to permanently restricted net assets during these years.

Note 6 - Endowment Net Assets

Endowment funds consist of donor-restricted funds. Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 1,567,080	\$ 1,297,120	\$ 2,864,200
Investment return:			
Investment income	81,167	-	81,167
Appreciation (depreciation), realized and unrealized	308,615	-	308,615
Contributions	9,945	128,784	138,729
Transfers	(6,900)	6,900	-
Amounts appropriated for expenditure	<u>(6,950)</u>	<u>-</u>	<u>(6,950)</u>
Endowment net assets, June 30, 2017	\$ 1,952,957	\$ 1,432,804	\$ 3,385,761
Investment return:			
Investment income	42,067	-	42,067
Appreciation (depreciation), realized and unrealized	200,102	-	200,102
Contributions	16,450	125,768	142,218
Transfers	(642,223)	-	(642,223)
Amounts appropriated for expenditure	<u>(30,900)</u>	<u>-</u>	<u>(30,900)</u>
Endowment net assets, June 30, 2018	<u>\$ 1,538,453</u>	<u>\$ 1,558,572</u>	<u>\$ 3,097,025</u>

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

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 7 - **Related Party Transactions**

During the years ended June 30, 2018 and 2017, the Foundation recognized revenue and related expense of \$81,931 and \$82,861, respectively, for contributed administrative services received from the College based on the fair value of comparable services provided by third parties.

As of June 30, 2017, the Foundation owed the College \$500 for insurance costs paid by the college on behalf of the Foundation.

Note 8 - **Risks and Uncertainties**

Cash

From time to time, the Foundation's cash balances at financial banking institutions exceed the federally insured limit. Management monitors the financial condition of the banking institution along with its balances in cash to keep this potential risk at a minimum.

Investments

The Foundation maintains an investment portfolio consisting of a combination of equity securities and mutual funds that are invested in equity securities, bonds and other investment securities. The Foundation's investments in equity securities, bond and mutual funds include both domestic and foreign investments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Foundation's investment account balances. It is the responsibility of the Finance Audit and Compliance Committee of the Board of Directors of the Foundation to balance the benefits of investment appreciation and return with the risks associated with holding certain classes of portfolio assets. The Committee reviews investment performance on a regular basis and recommends policy change when appropriate.

Note 9 - **Major Donors**

During fiscal 2018, the Foundation received temporarily and permanently restricted donations totaling \$143,000 from two donors which represent approximately 39% of total contributions revenue during 2018. During fiscal 2017, the Foundation received temporarily and permanently restricted donations totaling \$177,000 from two donors which represent approximately 54% of total contributions revenue during 2017.

**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.
Wellesley, Massachusetts

We have audited, 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, the financial statements of Massachusetts Bay Community College Foundation, Inc. (a component unit of Massachusetts Bay Community College) (the "Foundation") as of and for the year ended June 30, 2018, 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 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 20, 2018