

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

FINANCIAL STATEMENTS

JUNE 30, 2023

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

(a component unit of Massachusetts College of Liberal Arts)

Financial Statements

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Massachusetts College of Liberal Arts Foundation, Inc. (a component unit of Massachusetts College of Liberal Arts) (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts College of Liberal Arts Foundation, Inc. as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation as of and for the year ended June 30, 2022 were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated October 6, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Audit Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report September 19, 2023, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

September 19, 2023

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

(a component unit of Massachusetts College of Liberal Arts)

Statements of Financial Position

June 30,

Assets

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and equivalents	\$ 183,056	\$ 95,605
Restricted cash	3,201,830	2,025,312
Investments	16,062,038	14,573,975
Unconditional promises to give, net of allowance	1,170,414	774,713
Prepaid expenses	<u>49,365</u>	<u>46,764</u>
Total Current Assets	<u>20,666,703</u>	<u>17,516,369</u>
Property and Equipment, net	<u>3,535,393</u>	<u>3,668,192</u>
Other Asset:		
Unconditional promises to give, net of current portion	<u>1,944,876</u>	<u>1,858,031</u>
Total Assets	<u>\$ 26,146,972</u>	<u>\$ 23,042,592</u>

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

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Current portion of long-term debt	\$ 77,686	\$ 74,991
Current portion of charitable gift annuity liability	3,375	2,250
Accounts payable and accrued expenses	7,427	191,693
Due to Massachusetts College of Liberal Arts	<u>421,025</u>	<u>234,170</u>
Total Current Liabilities	<u>509,513</u>	<u>503,104</u>
Long-Term Liabilities:		
Long-term debt, net of current portion	1,527,793	1,605,616
Charitable gift annuity liability, net of current portion	<u>17,823</u>	<u>20,073</u>
Total Long-Term Liabilities	<u>1,545,616</u>	<u>1,625,689</u>
Total Liabilities	<u>2,055,129</u>	<u>2,128,793</u>
Net Assets:		
Without donor restrictions:		
Board designated	779,860	738,991
Undesignated	1,555,443	1,456,423
With donor restrictions	<u>21,756,540</u>	<u>18,718,385</u>
Total Net Assets	<u>24,091,843</u>	<u>20,913,799</u>
Total Liabilities and Net Assets	<u>\$ 26,146,972</u>	<u>\$ 23,042,592</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Contributions of cash and other financial assets	\$ 525,545	\$ 2,877,422	\$ 3,402,967
Contributions of nonfinancial assets	228,409	-	228,409
Special events	27,604	-	27,604
Investment return	66,408	1,470,891	1,537,299
Lease income	231,132	-	231,132
Net assets released from restrictions	<u>1,310,158</u>	<u>(1,310,158)</u>	<u>-</u>
Total Support and Revenues	<u>2,389,256</u>	<u>3,038,155</u>	<u>5,427,411</u>
Contributions, Scholarships and Expenses:			
Program services	1,463,813	-	1,463,813
Administrative expenses	468,349	-	468,349
Fundraising	<u>288,829</u>	<u>-</u>	<u>288,829</u>
Total Contributions, Scholarships and Expenses	<u>2,220,991</u>	<u>-</u>	<u>2,220,991</u>
Changes in Net Assets from Operating Activities	168,265	3,038,155	3,206,420
Non-Operating Activity:			
Impairment loss	<u>(28,376)</u>	<u>-</u>	<u>(28,376)</u>
Changes in Net Assets	139,889	3,038,155	3,178,044
Net Assets, Beginning of Year	<u>2,195,414</u>	<u>18,718,385</u>	<u>20,913,799</u>
Net Assets, End of Year	<u>\$ 2,335,303</u>	<u>\$ 21,756,540</u>	<u>\$ 24,091,843</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Contributions of cash and other financial assets	\$ 456,676	\$ 2,074,809	\$ 2,531,485
Contributions of nonfinancial assets	131,770	-	131,770
Special events	13,909	-	13,909
Investment return	(117,009)	(2,226,497)	(2,343,506)
Lease income	211,632	-	211,632
Net assets released from restrictions	<u>1,265,306</u>	<u>(1,265,306)</u>	<u>-</u>
Total Support and Revenues	<u>1,962,284</u>	<u>(1,416,994)</u>	<u>545,290</u>
Contributions, Scholarships and Expenses:			
Program services	1,426,218	-	1,426,218
Administrative expenses	379,419	-	379,419
Fundraising	<u>299,280</u>	<u>-</u>	<u>299,280</u>
Total Contributions, Scholarships and Expenses	<u>2,104,917</u>	<u>-</u>	<u>2,104,917</u>
Changes in Net Assets	(142,633)	(1,416,994)	(1,559,627)
Net Assets, Beginning of Year	<u>2,338,047</u>	<u>20,135,379</u>	<u>22,473,426</u>
Net Assets, End of Year	<u>\$ 2,195,414</u>	<u>\$ 18,718,385</u>	<u>\$ 20,913,799</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>2023</u>				<u>2022</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)	\$ 835,460	\$ -	\$ -	\$ 835,460	\$ 750,862	\$ -	\$ -	\$ 750,862
Scholarships for benefits of								
MCLA students	628,353	-	-	628,353	675,356	-	-	675,356
Contributed services	-	169,993	-	169,993	-	128,592	-	128,592
Depreciation	-	120,021	-	120,021	-	92,273	-	92,273
Subscriptions, dues and fees	-	12,903	44,178	57,081	-	18,260	26,545	44,805
Interest	-	62,921	-	62,921	-	45,054	-	45,054
Professional fees	-	28,159	177,450	205,609	-	28,420	247,825	276,245
Special events	-	-	26,345	26,345	-	-	14,144	14,144
Insurance	-	31,262	-	31,262	-	30,084	-	30,084
Office expenses	-	10,416	10,446	20,862	-	633	4,066	4,699
Conferences, meetings and events	-	2,358	2,380	4,738	-	2,801	386	3,187
Advertising and promotion	-	-	18,978	18,978	-	3,103	6,314	9,417
Repairs and maintenance	-	27,717	-	27,717	-	28,645	-	28,645
Real estate taxes	-	493	-	493	-	1,554	-	1,554
Travel	-	2,106	9,052	11,158	-	-	-	-
	<u>\$ 1,463,813</u>	<u>\$ 468,349</u>	<u>\$ 288,829</u>	<u>\$ 2,220,991</u>	<u>\$ 1,426,218</u>	<u>\$ 379,419</u>	<u>\$ 299,280</u>	<u>\$ 2,104,917</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>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	<u>\$ 3,178,044</u>	<u>\$ (1,559,627)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	120,021	92,273
Impairment loss	28,376	-
Investment returns	(1,183,784)	2,572,222
Closing costs	738	2,711
Changes in assets and liabilities:		
Prepaid expenses and other assets	(2,601)	(21,764)
Unconditional promises to give	(482,546)	(438,649)
Accounts payable and accrued expenses	(184,266)	176,630
Deferred revenue	-	(13,300)
Due to Massachusetts College of Liberal Arts	<u>186,855</u>	<u>117,986</u>
Net Adjustments	<u>(1,517,207)</u>	<u>2,488,109</u>
Net Cash Provided by Operating Activities	<u>1,660,837</u>	<u>928,482</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(15,598)	(1,272,683)
Purchase of investments	(2,726,845)	(2,971,272)
Proceeds from sale of investments	<u>2,422,566</u>	<u>3,208,714</u>
Net Cash Applied to Investing Activities	<u>(319,877)</u>	<u>(1,035,241)</u>

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

(a component unit of Massachusetts College of Liberal Arts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	\$ (75,866)	\$ (61,313)
Proceeds on long-term debt	-	755,071
Payments on charitable gift annuity	<u>(1,125)</u>	<u>(2,250)</u>
Net Cash Provided by (Applied to) Financing Activities	<u>(76,991)</u>	<u>691,508</u>
Net Increase in		
Cash, Cash Equivalents, and Restricted Cash	1,263,969	584,749
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,120,917</u>	<u>1,536,168</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 3,384,886</u>	<u>\$ 2,120,917</u>
 Cash, cash equivalents, and restricted cash consist of the following:		
Cash and equivalents	\$ 183,056	\$ 95,605
Restricted cash	<u>3,201,830</u>	<u>2,025,312</u>
Total	<u>\$ 3,384,886</u>	<u>\$ 2,120,917</u>
 Non-cash transactions:		
Refinance of long-term debt	\$ -	\$ 321,963
Loan origination fees	<u>-</u>	<u>8,753</u>
	<u>\$ -</u>	<u>\$ 330,716</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, 2023 and 2022

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.

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 ("US GAAP"), 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.

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.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies - Continued

Use of Estimates

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recognized as revenue at net realizable value in the period in which a formal pledge is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using a risk-free rate of return applicable to the years in which a promise is received. The discounts on those amounts are computed using rates at June 30, 2023 and 2022 of 5.1%. Discount amortization is included in contribution revenue. Conditional promises to give are not recognized as revenue until the condition has been satisfied.

The Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

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 prior to the event occurrence are recognized as deferred revenue on the Statements of Financial Position until the event occurs. 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. The Foundation has no contract assets. The balance of contract liabilities at July 1, 2021 was \$13,300 and there were no contract liabilities at June 30, 2022 and 2023.

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, 2023 and 2022

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. Restricted contributions in which the restrictions are met in the same year are reported as without donor restrictions revenue.

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.

During 2023, the Foundation recorded a loss of \$28,376 to recognized impairment to property resulting from flood damage.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, lease 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 2023 and 2022.

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, 2023 and 2022

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 \$3,115,290 and \$2,632,744 are recorded as with donor restrictions at June 30, 2023 and 2022, 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 has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2023 and 2022, 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, 2023 and 2022

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.

Leases

The Foundation categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Foundation to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

**MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Adoption of new Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the accounting for leases. The Foundation adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Foundation utilized the practical expedient available under the guidance. Further, the Foundation elected to implement the package of practical expedients, whereby the Foundation did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact on the financial statements.

Note 3 - **Unconditional Promises to Give**

Unconditional promises to give are discounted at 5.1% and consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,323,129	\$ 814,078
Receivable in one to five years	2,133,488	1,974,872
Receivable in greater than five years	280,000	280,000
Less: allowance for uncollectible pledges	12,000	-
Less: discount to net present value	<u>609,327</u>	<u>436,206</u>
Present value of unconditional promises to give	3,115,290	2,632,744
Less: current unconditional promises to give	<u>1,170,414</u>	<u>774,713</u>
Unconditional Promises to Give, Net of Current Portion	<u>\$ 1,944,876</u>	<u>\$ 1,858,031</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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.

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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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 at June 30, 2023.

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.

Corporate bonds: Valued at market price quotations.

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

Charitable gift annuity: Valued at the present value of future payments to be made to the donor or other non-charitable beneficiary computed based upon the corresponding life expectancy or set term.

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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

The following tables set forth by level the Foundation's assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 3,072,123	\$ -	\$ -	\$ 3,072,123
Other funds	5,329,890	-	-	5,329,890
Equities:				
Blended index funds	1,030,289	-	-	1,030,289
Other index funds	5,361,053	-	-	5,361,053
Corporate bonds	-	690,163	-	690,163
Certificates of deposit	-	489,619	-	489,619
Cash and equivalents	<u>88,901</u>	<u>-</u>	<u>-</u>	<u>88,901</u>
Total Assets at Fair Value	<u>\$ 14,882,256</u>	<u>\$ 1,179,782</u>	<u>\$ -</u>	<u>\$ 16,062,038</u>
Charitable gift annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,198)</u>	<u>\$ (21,198)</u>

Assets at Fair Value as of June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income funds	\$ 3,000,492	\$ -	\$ -	\$ 3,000,492
Other funds	5,347,711	-	-	5,347,711
Equities:				
Blended index funds	368,538	-	-	368,538
Other index funds	4,637,518	-	-	4,637,518
Corporate bonds	-	663,139	-	663,139
Certificates of deposit	-	498,690	-	498,690
Cash and equivalents	<u>57,887</u>	<u>-</u>	<u>-</u>	<u>57,887</u>
Total Assets at Fair Value	<u>\$ 13,412,146</u>	<u>\$ 1,161,829</u>	<u>\$ -</u>	<u>\$ 14,573,975</u>
Charitable gift annuity Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,323)</u>	<u>\$ (22,323)</u>

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(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

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, 2023 and 2022. 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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 22,323	\$ 24,572
Settlements	<u>1,125</u>	<u>2,250</u>
Balance, end of year	<u>\$ 21,198</u>	<u>\$ 22,323</u>

Note 5 - **Property and Equipment**

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

	<u>2023</u>	<u>2022</u>
Land	\$ 473,882	\$ 473,882
Buildings	1,879,937	1,929,564
Furniture and fixtures	45,613	45,613
Improvements	<u>2,681,527</u>	<u>2,685,276</u>
Total	<u>5,080,959</u>	5,134,335
Less: accumulated depreciation	<u>1,545,566</u>	<u>1,466,143</u>
Land, Property and Equipment, net	<u>\$ 3,535,393</u>	<u>\$ 3,668,192</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 and 2022, approximately \$74,000 and \$86,000, respectively, was paid for investment advisory services; and approximately \$17,000 was paid annually as interest on the mortgage note to the above related party.

The Foundation also has Directors that are employees at the other institutions that have issued mortgage notes to the Foundation. One institution with two employees on the Foundation's Board of Directors was paid mortgage interest of approximately \$21,000 and \$22,000 and the other institution with one employee on the Foundation's Board of Directors was paid mortgage interest of approximately \$24,000 and \$4,000 at June 30, 2023 and 2022, respectively.

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.

Note 7 - **Long-Term Debt**

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

	<u>2023</u>	<u>2022</u>
Mortgage note payable to MountainOne Bank, payable in monthly payments of \$3,024. Interest is fixed at 3.25% for the first five years adjusting to FHLBB 5 Year Classic Advance Rate plus 200 BPS with a floor of 3.25%. Maturing October 2041. Secured by real property.	\$ 498,998	\$ 518,504

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 7 - **Long-Term Debt - Continued**

	<u>2023</u>	<u>2022</u>
Mortgage note payable to Adams Community Bank, payable in monthly payments of \$4,269. Interest is fixed at 4.5% for the first five years adjusting to FHLB Rate plus 2.75% with a floor of 4.5% and ceiling of 16%. Maturing May 2042. Secured by real property.	\$ 534,548	\$ 552,094
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>583,732</u>	<u>622,546</u>
	<u>1,617,278</u>	<u>1,693,144</u>
Less: Loan origination fees	11,799	12,537
Long-Term Debt, net	1,605,479	1,680,607
Less: Current portion of long-term debt	<u>77,686</u>	<u>74,991</u>
Total Long-Term Debt, Net of Current Portion	\$ <u>1,527,793</u>	\$ <u>1,605,616</u>

Future principal payments subsequent to June 30, 2023 are as follows:

Years Ending <u>June 30,</u>	
2024	\$ 78,456
2025	81,490
2026	84,520
2027	87,243
2028	88,409
Thereafter	<u>1,197,160</u>
Total	\$ <u>1,617,278</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 (8.25% and 4.75% at June 30, 2023 and 2022, respectively). The Foundation has no debt related to this agreement at June 30, 2023 and 2022.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Educational programs	\$ 11,874,784	\$ 11,015,008
Student scholarships	9,720,398	7,501,860
Time restrictions	<u>161,358</u>	<u>201,517</u>
	<u>\$ 21,756,540</u>	<u>\$ 18,718,385</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>2023</u>	<u>2022</u>
Educational programs	\$ 8,701,823	\$ 8,463,293
Student scholarships	<u>6,965,994</u>	<u>5,883,998</u>
	<u>\$ 15,667,817</u>	<u>\$ 14,347,291</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>2023</u>	<u>2022</u>
Educational programs	\$ 679,728	\$ 589,950
Student scholarships	<u>630,430</u>	<u>675,356</u>
	<u>\$ 1,310,158</u>	<u>\$ 1,265,306</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Endowment Net Assets**

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, at June 30, 2021	\$ 891,569	\$ 17,941,284	\$ 18,832,853
Investment return	(116,827)	(2,226,497)	(2,343,324)
Contributions	-	1,636,160	1,636,160
Amounts appropriated for expenditure	<u>(35,751)</u>	<u>(1,265,306)</u>	<u>(1,301,057)</u>
Endowment net assets, at June 30, 2022	738,991	16,085,641	16,824,632
Investment return	66,408	1,470,891	1,537,299
Contributions	-	2,382,976	2,382,976
Amounts appropriated for expenditure	<u>(25,539)</u>	<u>(1,310,158)</u>	<u>(1,335,697)</u>
Endowment net assets, at June 30, 2023	<u>\$ 779,860</u>	<u>\$ 18,629,350</u>	<u>\$ 19,409,210</u>

The balance held as endowment net assets consists 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 - **Contributed Nonfinancial Assets**

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Services from College employees	\$ 169,993	\$ 128,592
Equipment and other gifts	<u>58,416</u>	<u>3,178</u>
	<u>\$ 228,409</u>	<u>\$ 131,770</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 10 - **Contributed Nonfinancial Assets - Continued**

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The College provides use of its personnel to the Foundation without charge to assist with accounting and development. The fair value of these services is determined by the cost incurred by the College. Equipment and other gifts are generally restricted by the donor. These amounts are not held by the Foundation but are released over to the College for their proper use. The fair value of the equipment is determined by the donor in conjunction with College personnel.

Note 11 - **Concentrations, Risks and Uncertainties**

Cash

The Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows. At June 30, 2023 and 2022, any deposits exceeding FDIC insurance limits were held by a financial institution where depositors are also insured by the Depositor Insurance Fund, a private, industry-sponsored fund that insures all deposits above the FDIC limit.

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 are not covered under SIPC insurance.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 11 - **Concentrations, Risks and Uncertainties - Continued**

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 12 - **Leases**

The Foundation leases buildings and land to the Commonwealth of Massachusetts for use by the College under a ten-year agreement expiring on September 30, 2027. The lease agreement does not contain an option for renewal by either party. The lease is considered an operating agreement and does not transfer ownership of the leased property and does not provide an option for the lessee to purchase the property. The Foundation also leases a building and parking lot to the College under tenant-at-will agreements. Total lease income for these related party agreements was \$231,132 and \$211,632 for the years ended June 30, 2023 and 2022, respectively.

The carrying amount of the underlying assets related to operating leases is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 400,861	\$ 400,861
Building and building improvements	4,094,869	4,079,269
Less: accumulated depreciations	<u>1,348,459</u>	<u>1,244,425</u>
	<u>\$ 3,147,271</u>	<u>\$ 3,235,705</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 12 - **Leases Continued**

Future minimum undiscounted lease income under the operating lease agreements are as follows:

Years Ending <u>June 30,</u>	
2024	\$ 189,632
2025	189,632
2026	189,632
2027	189,632
2028	<u>31,605</u>
Total	\$ <u>790,133</u>

Note 13 - **Supplemental Cash Flow Information**

During the years ended June 30, 2023 and 2022, the Foundation paid \$62,182 and \$42,343 for interest, respectively.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 14 - **Availability and Liquidity**

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Current assets:		
Cash and equivalents	\$ 3,384,886	\$ 2,120,917
Investments	16,062,038	14,573,975
Unconditional promises to give	<u>1,170,414</u>	<u>774,713</u>
	<u>20,617,338</u>	<u>17,469,605</u>
Less: amounts not available to be used within one year:		
Board designated net assets	779,860	738,991
Net assets with donor restrictions	<u>21,756,540</u>	<u>18,718,385</u>
	<u>22,536,400</u>	<u>19,457,376</u>
Addback: Endowment drawdown for operations	230,087	478,222
Unconditional promises to give available for operations	161,358	201,517
Donor restricted net assets included as, a non-current asset	<u>1,944,876</u>	<u>1,858,031</u>
	<u>2,336,321</u>	<u>2,537,770</u>
Financial assets available to meet general expenditures within one year	\$ <u>417,259</u>	\$ <u>549,999</u>

The Foundation reviews its cash position on a regular basis to ensure that adequate funds are on hand to meet expenses. If funds are needed for expenses, management can liquidate its short-term investments or request the Board undesignate previously designated assets. As allowed under UPMIFA, the Board can elect to draw down 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, 2023 and 2022, management believes the Foundation has no liquidity issues.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 15 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 19, 2023, 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, 2023 requiring disclosure in these financial statements.

INDEPENDENT AUDITOR'S 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.:

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. ("the Foundation"), a component unit of Massachusetts College of Liberal Arts, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, 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 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing the 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith & Brown, PC

September 19, 2023