

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Independent Auditors' Report

Financial Statements

December 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Manchester Community College Foundation, Inc.

We have audited the accompanying financial statements of Manchester Community College Foundation, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manchester Community College Foundation, Inc. as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
June 8, 2020

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Financial Position

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 215,656	\$ 119,995
Investments	15,857,913	13,627,481
Accounts receivable	27,000	15,000
Pledges receivable, net	9,000	172,403
Prepaid expenses	8,179	4,491
	<u> </u>	<u> </u>
Total assets	<u>\$ 16,117,748</u>	<u>\$ 13,939,370</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 15,542	\$ 114,965
Deferred revenue	15,100	3,000
	<u> </u>	<u> </u>
Total liabilities	<u>30,642</u>	<u>117,965</u>
Net Assets		
Net assets without donor restrictions	11,674,097	9,816,509
Net assets with donor restrictions	4,413,009	4,004,896
	<u> </u>	<u> </u>
Total net assets	<u>16,087,106</u>	<u>13,821,405</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 16,117,748</u>	<u>\$ 13,939,370</u>

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

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Contributions	\$ 1,013,842	\$ 297,157	\$ 1,310,999	\$ 3,336,243	\$ 392,132	\$ 3,728,375
Special events, net	23,034	-	23,034	76,657	-	76,657
MCC on Main program revenue	970	-	970	6,638	-	6,638
Investment return, net of fees	1,730,222	606,525	2,336,747	(268,049)	(499,234)	(767,283)
Net assets released from restrictions:	495,569	(495,569)	-	437,467	(437,467)	-
Total revenues and support	<u>3,263,637</u>	<u>408,113</u>	<u>3,671,750</u>	<u>3,588,956</u>	<u>(544,569)</u>	<u>3,044,387</u>
Expenses						
Program	996,999	-	996,999	881,402	-	881,402
General and administrative	246,895	-	246,895	265,001	-	265,001
Fundraising	162,155	-	162,155	144,077	-	144,077
Total expenses	<u>1,406,049</u>	<u>-</u>	<u>1,406,049</u>	<u>1,290,480</u>	<u>-</u>	<u>1,290,480</u>
Change in net assets	1,857,588	408,113	2,265,701	2,298,476	(544,569)	1,753,907
Net Assets - beginning of year	<u>9,816,509</u>	<u>4,004,896</u>	<u>13,821,405</u>	<u>7,518,033</u>	<u>4,549,465</u>	<u>12,067,498</u>
Net Assets - end of year	<u>\$ 11,674,097</u>	<u>\$ 4,413,009</u>	<u>\$ 16,087,106</u>	<u>\$ 9,816,509</u>	<u>\$ 4,004,896</u>	<u>\$ 13,821,405</u>

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

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Functional Expenses

For the years ended December 31, 2019 and 2018

	2019			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Student and community awards	\$ 965,764	\$ -	\$ -	\$ 965,764
Staffing	26,781	101,615	143,065	271,461
Programs and events	4,454	2,786	1,514	8,754
Professional fees	-	56,694	200	56,894
Outreach and promotion	-	5,584	14,921	20,505
Credit card and banking fees	-	3,926	-	3,926
Consumable supplies	-	17,139	2,455	19,594
Insurance	-	4,341	-	4,341
Professional development	-	1,662	-	1,662
Donor cultivation	-	116	-	116
Bad debt expense	-	53,032	-	53,032
Total	<u>\$ 996,999</u>	<u>\$ 246,895</u>	<u>\$ 162,155</u>	<u>\$ 1,406,049</u>

	2018			
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Student and community awards	\$ 813,872	\$ -	\$ -	\$ 813,872
Staffing	32,263	129,610	127,996	289,869
Programs and events	34,767	4,397	7,039	46,203
Professional fees	-	51,900	800	52,700
Outreach and promotion	114	5,650	8,182	13,946
Credit card and banking fees	-	6,075	-	6,075
Consumable supplies	386	31,956	60	32,402
Insurance	-	4,684	-	4,684
Professional development	-	5,611	-	5,611
Donor cultivation	-	601	-	601
Bad debt expense	-	24,517	-	24,517
Total	<u>\$ 881,402</u>	<u>\$ 265,001</u>	<u>\$ 144,077</u>	<u>\$ 1,290,480</u>

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

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,265,701	\$ 1,753,907
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Unrealized (gains)/losses on investments	(1,852,137)	1,136,674
Realized (gains) on investments	(125,985)	(140,151)
(Increase)/decrease in:		
Accounts receivable	(12,000)	(15,000)
Receivable from donor estate	-	5,575,000
Pledges receivable, net	163,403	475,969
Prepaid expenses	(3,688)	7,476
Increase/(decrease) in:		
Accounts payable and accrued expenses	(99,423)	84,296
Deferred revenue	12,100	-
Net change in cash from operating activities	<u>347,971</u>	<u>8,878,171</u>
Cash flows from investing activities:		
Purchases of investments	(853,832)	(10,852,020)
Sales of investments	601,522	1,827,269
Net change in cash from investing activities	<u>(252,310)</u>	<u>(9,024,751)</u>
Net change in cash and cash equivalents	95,661	(146,580)
Cash and cash equivalents - beginning of year	<u>119,995</u>	<u>266,575</u>
Cash and cash equivalents - end of year	<u>\$ 215,656</u>	<u>\$ 119,995</u>

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

MANCHESTER COMMUNITY COLLEGE FOUNDATION, INC.

Notes to Financial Statements

For the years ended December 31, 2019 and 2018

NOTE 1 - ORGANIZATION

Manchester Community College Foundation, Inc. (the “Foundation”) is a not-for-profit corporation organized under Connecticut law. The Foundation’s principal activity is to solicit, invest and distribute funds for the benefit of Manchester Community College (the “College”) and/or its students, faculty or personnel in order to further the educational purpose of the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (FASB) Codification. Under this topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

Net assets with donor restrictions – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation. This classification includes investment income and appreciation, which can be expended, but for which restrictions have not yet been met.

Endowment Assets and Investment Policies - The Foundation complies with the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification.

Scholarships may be awarded out of current interest and dividends from the donor restricted portion of the endowment funds. The Board is committed to making these annual awards not to exceed the current dividend and interest return.

Contributions - Contributions are recorded as income when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Cash and Cash Equivalents - The Foundation considers all highly liquid cash and investments with original maturities of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of providing various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based on time and effort. All other expenses are directly charged.

Fair Value Measurement - The Foundation follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the Foundation's own credit risk.

In addition to defining fair value, the Fair Value Measurements topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1* Quoted prices in active markets for identical assets or liabilities.
- Level 2* Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active; and model-based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3* Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Investment Income and Gains/(Losses) - Investment income and gains/(losses) restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains/(losses) are recognized.

Fixed Assets - Leasehold improvements and equipment are recorded at cost. Depreciation is computed by the straight-line method over the term of the lease. As of December 31, 2019 and 2018, all fixed assets are fully depreciated.

Federal Income Taxes - The Foundation is not a private foundation under Section 509(a) of the Internal Revenue Code and has been granted tax-exempt status from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services - The College provides administrative staffing to the Foundation at no cost. Wage expense and the corresponding in-kind contribution from the College have been included in the statements of activities. Total salaries provided by the College totaled \$257,449 and \$281,588 for the years ended December 31, 2019 and 2018, respectively.

Adoption of New Accounting Pronouncement - Effective January 1, 2019, the Foundation adopted ASU No. 2018-08 – Not-For-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The update clarifies guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution accounted for under Subtopic 958-605, or an exchange transaction accounted for under other guidance (for example, Topic 606). The application of this guidance did not have an impact on the financial statements.

Effective January 1, 2019, the Foundation adopted ASU No. 2014-09 – “Revenue from Contracts with Customers (Topic 606).” This ASU establishes a single comprehensive model for an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, and will supersede nearly all existing revenue recognition guidelines. The update requires more comprehensive disclosures relating to quantitative and qualitative information for amounts, timing, the nature and uncertainty of revenue and cash flows arising from contracts with customers. The application of this guidance did not have an impact on the financial statements.

Subsequent Events Measurement Date - The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for year ended December 31, 2019 through June 8, 2020, the date on which financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Foundation’s operating activities, liquidity, cash flows, and forecasts may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the Foundation expects this matter to negatively impact the operations, the related financial impact cannot be reasonably estimated at this time. In addition, there has generally been a steep decline in all investment securities. The Foundation does not have the intention to liquidate these investments and has the ability to hold these investments for the foreseeable future.

NOTE 3 - AVAILABILITY AND LIQUIDITY OF RESOURCES

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships. The Foundation considers investment income without donor restrictions and appropriated earnings from donor-restricted endowments to be available to meet cash needs for general expenditures.

The quasi endowment fund is for as needed purposes in funding programs and scholarships. In order to preserve the spending power of the endowment, the Board will periodically approve a spending rate based upon the percentage of the market value of the investment that would be available for operations. The Foundation shall apply the spending rate of between 3-6% to an average of the “pooled investment market value for the 12 trailing quarterly periods ending as of September 30th of the prior fiscal year.” Any contributions without donor restrictions or allocated investment income, net of expenses, will be added to the Foundation’s Endowment Fund (FENDOW) and will be used to support its administrative and operating budget.

NOTE 3 - AVAILABILITY AND LIQUIDITY OF RESOURCES (CONTINUED)

The Foundation manages its financial assets available to meet general expenditures with the following guiding principles: 1) operating within a prudent range of financial soundness and stability, 2) maintaining adequate liquid assets, and 3) maintaining sufficient reserves to provide reasonable assurance that long term scholarship commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The following represents the Foundation's financial assets as of December 31, 2019 and 2018 which are available for general expenditure in the next twelve months:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 215,656	\$ 119,995
Accounts and pledges receivable	36,000	187,403
Investments	<u>15,857,913</u>	<u>13,627,481</u>
Total financial assets	16,109,569	13,934,879
Less amounts with donor restrictions	(4,413,009)	(4,004,896)
Less amounts designated as quasi endowment	(11,188,448)	(9,816,509)
Plus amounts with donor restrictions expected to be released	248,800	266,279
Plus expected spending policy draw	<u>732,437</u>	<u>855,472</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,489,349</u>	<u>\$ 1,235,225</u>

NOTE 4 - INVESTMENTS

All Foundation investments are valued using level 1 inputs. The fair value of the Foundation's investments is as follows at December 31,:

	<u>2019</u>	<u>2018</u>
Short term investments	\$ 78,243	\$ 3,407,817
Equity mutual funds	10,578,164	6,831,004
Fixed income mutual funds	<u>5,201,506</u>	<u>3,388,660</u>
Total investments	<u>\$ 15,857,913</u>	<u>\$ 13,627,481</u>

NOTE 5 - ENDOWMENT FUNDS

The change in the Foundation's endowment is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Balance January 1, 2018	\$ 1,169,339	\$ 3,406,167	\$ 4,575,506
Net depreciation	(555,728)	(209,758)	(765,486)
Additions	8,615,186	56,665	8,671,851
Appropriation for expenditures	<u>(39,235)</u>	<u>(123,541)</u>	<u>(162,776)</u>
Balance December 31, 2018	9,189,562	3,129,533	12,319,095
Net appreciation	1,717,102	616,343	2,333,445
Additions	656,212	62,925	719,137
Appropriation for expenditures	<u>(374,428)</u>	<u>(248,359)</u>	<u>(622,787)</u>
Balance December 31, 2019	<u>\$ 11,188,448</u>	<u>\$ 3,560,442</u>	<u>\$ 14,748,890</u>

NOTE 6 - PLEDGES RECEIVABLE

The Foundation has multiple pledges to be received over several years. Pledges receivable are discounted at 4% to reflect the present value of their estimated future cash flows. All pledges are deemed collectible, therefore there is no allowance for doubtful accounts at December 31, 2019 and 2018.

The net pledges receivable amount is calculated as follows as of December 31,:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 9,000	\$ 135,000
One through five years	<u>-</u>	<u>45,000</u>
Total pledges	9,000	180,000
Less discount	<u>-</u>	<u>(7,597)</u>
Pledges receivable, net	<u>\$ 9,000</u>	<u>\$ 172,403</u>

NOTE 7 - NET ASSETS

Net assets without donor restrictions are comprised of the following board designated net assets at December 31,:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 11,058,204	\$ 9,060,593
Alumni Association	130,244	128,969
Subtotal of Quasi Endowment Fund	<u>11,188,448</u>	<u>9,189,562</u>
Retention and completion microgrants	114,518	185,261
Major library upgrades	233,392	235,187
Other board designated funds	<u>137,739</u>	<u>206,499</u>
Net assets without donor restrictions	<u><u>\$ 11,674,097</u></u>	<u><u>\$ 9,816,509</u></u>

Net assets with donor restrictions were comprised of the following at December 31,:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 3,251,605	\$ 2,818,446
Programs	<u>1,161,404</u>	<u>1,186,450</u>
	<u><u>\$ 4,413,009</u></u>	<u><u>\$ 4,004,896</u></u>

Net assets were released from donor restrictions for the following purpose during the years ended December 31,:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 362,173	\$ 334,730
Programs	<u>133,396</u>	<u>102,737</u>
	<u><u>\$ 495,569</u></u>	<u><u>\$ 437,467</u></u>

NOTE 8 - COMMITMENTS

The Foundation had a lease with the Town of Manchester that expired January 31, 2019 and was not renewed for space occupied by the MCC on Main program. Rent payments were \$1,425 per month. Rent expense for the years ended December 31, 2019 and 2018 was \$1,425 and \$27,700, respectively.

NOTE 9 - CONCENTRATIONS

The Foundation maintains its cash in bank accounts which, at times, may exceed the federally insured limits of \$250,000 per customer, per bank. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Board of Directors
Manchester Community College Foundation, Inc.

We have audited the accompanying statement of financial position of Manchester Community College Foundation, Inc. (the "Foundation") as of December 31, 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated June 8, 2020.

Compliance and Other Matters

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of CGS Sec. 4-37(e) to 4-37(i), inclusive. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed a test of the Foundation's compliance with CGS Sec. 4-37(e) to 4-37(i), inclusive.

The results of our tests indicate that, with respect to the items tested, the Foundation complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Foundation had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Directors, management, and the State of Connecticut. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Hartford, Connecticut
June 8, 2020

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