

**Massachusetts College of Liberal Arts Foundation, Inc.
(A Component Unit of Massachusetts College of Liberal Arts)
Financial Statements
June 30, 2025 and 2024
With Independent Auditor's Report**

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
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June 30, 2025 and 2024

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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 financial statements of Massachusetts College of Liberal Arts Foundation, Inc. (the Foundation) (a component unit of Massachusetts College of Liberal Arts), which comprise the statements of financial position as of June 30, 2025 and 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Massachusetts College of Liberal Arts Foundation, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Massachusetts College of Liberal Arts Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the balances of investments have been restated. Our opinion is not modified with respect to this matter.

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 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 Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2025 on our consideration of Massachusetts College of Liberal Arts 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 solely 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 effectiveness of Massachusetts College of Liberal Arts Foundation, Inc.'s 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 College of Liberal Arts Foundation, Inc.'s internal control over financial reporting and compliance.

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

November 4, 2025

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Financial Position
June 30, 2025 and 2024

	2024	
	2025	(As Restated)
Assets		
Current assets		
Cash and equivalents	\$ 483,186	\$ 188,869
Restricted cash and equivalents	4,002,065	3,226,624
Accounts receivable	43,504	183,940
Unconditional promises to give	4,951,898	1,087,533
Assets held for sale	400,000	-
Prepaid expenses	60,342	37,501
Total current assets	<u>9,940,995</u>	<u>4,724,467</u>
Property and equipment, net	<u>2,522,491</u>	<u>3,431,368</u>
Other assets		
Investments	22,934,692	19,100,888
Unconditional promises to give, net of current portion	3,034,681	1,318,046
Total other assets	<u>25,969,373</u>	<u>20,418,934</u>
Total assets	<u>\$ 38,432,859</u>	<u>\$ 28,574,769</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 72,384	\$ 80,720
Current portion of charitable gift annuity liability	2,250	2,250
Accounts payable and accrued expenses	53,120	29,819
Due to Massachusetts College of Liberal Arts	295,234	311,533
Total current liabilities	<u>422,988</u>	<u>424,322</u>
Long-term liabilities		
Long-term debt, net of current portion	1,089,592	1,447,098
Charitable gift annuity liability, net of current portion	13,323	15,573
Total long-term liabilities	<u>1,102,915</u>	<u>1,462,671</u>
Total liabilities	<u>1,525,903</u>	<u>1,886,993</u>
Net assets		
Without donor restrictions		
Board designated	853,768	828,189
Undesignated	1,476,747	1,302,785
With donor restrictions	34,576,441	24,556,802
Total net assets	<u>36,906,956</u>	<u>26,687,776</u>
Total liabilities and net assets	<u>\$ 38,432,859</u>	<u>\$ 28,574,769</u>

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Support and revenue			
Contribution revenue	\$ 321,092	\$ 10,578,313	\$ 10,899,405
Contributions of nonfinancial assets	165,034	-	165,034
Special events revenue	19,004	-	19,004
Investment return	108,588	2,321,330	2,429,918
Lease income	174,962	-	174,962
Net assets released from restrictions	2,880,004	(2,880,004)	-
Total support and revenues	3,668,684	10,019,639	13,688,323
 Contributions, scholarships, and expenses			
Program services	2,406,109	-	2,406,109
Administrative expenses	662,786	-	662,786
Fundraising	188,716	-	188,716
Total contributions, scholarships, and expenses	3,257,611	-	3,257,611
 Non operating activity			
Impairment loss	(224,192)	-	(224,192)
Gain on disposition of property and equipment	12,660	-	12,660
Total non operating activity	(211,532)	-	(211,532)
 Change in net assets	199,541	10,019,639	10,219,180
 Net assets			
Beginning of year	2,130,974	24,556,802	26,687,776
End of year	<u>\$ 2,330,515</u>	<u>\$ 34,576,441</u>	<u>\$ 36,906,956</u>

The Notes to Financial Statements are an integral part of this statement.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions of cash and other financial assets	\$ 333,025	\$ 2,637,968	\$ 2,970,993
Contributions of nonfinancial assets	190,613	-	190,613
Loss on pledge receivable	-	(237,221)	(237,221)
Special events	14,833	-	14,833
Investment return	116,161	1,948,313	2,064,474
Lease income	183,940	-	183,940
Net assets released from restrictions	1,548,798	(1,548,798)	-
Total support and revenues	2,387,370	2,800,262	5,187,632
Contributions, scholarships and expenses			
Program services	1,834,650	-	1,834,650
Administrative expenses	467,794	-	467,794
Fundraising	289,255	-	289,255
Total contributions, scholarships and expenses	2,591,699	-	2,591,699
Changes in net assets	(204,329)	2,800,262	2,595,933
Net assets			
Beginning of year	2,335,303	21,756,540	24,091,843
End of year	\$ 2,130,974	\$ 24,556,802	\$ 26,687,776

The Notes to Financial Statements are an integral part of this statement.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contributions to Massachusetts College of Liberal Arts (MCLA)	\$ 1,631,112	\$ -	\$ -	\$ 1,631,112	\$ 1,037,991	\$ -	\$ -	\$ 1,037,991
Scholarships for benefits of MCLA students	774,997	-	-	774,997	796,659	-	-	796,659
Contributed services	-	164,879	-	164,879	-	170,154	-	170,154
Depreciation	-	90,720	-	90,720	-	116,875	-	116,875
Subscriptions, dues and fees	-	14,781	47,306	62,087	-	17,229	41,800	59,029
Interest	-	53,263	-	53,263	-	60,387	-	60,387
Professional fees	-	53,906	85,700	139,606	-	25,808	185,250	211,058
Special events	-	-	16,645	16,645	-	-	23,621	23,621
Insurance	-	41,259	-	41,259	-	35,065	-	35,065
Office expenses	-	5,413	6,304	11,717	-	1,908	4,431	6,339
Conferences, meetings and events	-	3,379	1,979	5,358	-	2,892	500	3,392
Advertising and promotion	-	1,960	6,840	8,800	-	735	18,671	19,406
Repairs and maintenance	-	28,134	-	28,134	-	34,900	-	34,900
Demolition	-	205,092	-	205,092	-	-	-	-
Real estate tax	-	-	-	-	-	43	-	43
Travel	-	-	23,942	23,942	-	1,798	14,982	16,780
Total expenses	\$ 2,406,109	\$ 662,786	\$ 188,716	\$ 3,257,611	\$ 1,834,650	\$ 467,794	\$ 289,255	\$ 2,591,699

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating activities:		
Change in net assets	\$ 10,219,180	\$ 2,595,933
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	90,720	116,875
Gain on sale of property and equipment	(12,660)	-
Donated securities	(506,220)	-
Impairment loss	224,192	-
Investment returns	(1,789,446)	(1,571,128)
Closing costs	740	738
Loss on pledge receivable	-	237,221
Change in assets and liabilities		
Prepaid expenses and other assets	(22,841)	11,864
Unconditional promises to give	(5,581,000)	472,490
Accounts receivable	140,436	(183,940)
Accounts payable and accrued expenses	23,300	22,392
Due to Massachusetts College of Liberal Arts	(16,299)	(109,492)
Net adjustments	(7,449,078)	(1,002,980)
Net cash provided by operating activities	2,770,102	1,592,953
Investing activities		
Purchase of property and equipment	(104,694)	(12,850)
Proceeds from sale of property and equipment	311,319	-
Purchase of investments	(8,117,465)	(36,165,690)
Proceeds from sale of investments	6,579,328	34,697,968
Net cash used in investing activities	(1,331,512)	(1,480,572)
Financing activities		
Payments of long-term debt	(366,582)	(78,399)
Payments on charitable gift annuity	(2,250)	(3,375)
Net cash used in financing activities	(368,832)	(81,774)
Net increase in cash and equivalents and restricted cash and equivalents	1,069,758	30,607
Cash, cash equivalents, and restricted cash		
Beginning of Year	3,415,493	3,384,886
End of Year	\$ 4,485,251	\$ 3,415,493

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash and equivalents and restricted cash and equivalents		
consist of the following:		
Cash and equivalents	\$ 483,186	\$ 188,869
Restricted cash and equivalents	4,002,065	3,226,624
	<u>\$ 4,485,251</u>	<u>\$ 3,415,493</u>

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Notes to Financial Statements
June 30, 2025 and 2024

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 Western Massachusetts and receives most of its revenues from donations.

2. Summary of Significant Accounting Policies

a. 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.

b. Measure of Operations

The statements of activities and changes in net assets 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.

c. 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, fair value levels of investments, allowance for doubtful accounts, and estimating depreciation.

d. 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.

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e. Restricted Cash

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

f. 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 and changes in net assets.

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 and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

g. 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, 2025 and 2024 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 unconditional promises to give.

h. 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 and contract liabilities at June 30, 2023, 2024 and 2025.

i. 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.
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Notes to Financial Statements
June 30, 2025 and 2024

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 and changes in net assets as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

j. 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 20-40 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 the years ended June 30, 2025 and 2024, the Foundation recorded a loss of \$224,192 and \$0 to recognize impairment to property resulting from reduction in fair market value.

k. Assets held for Sale

Assets held for sale consist of a building and land currently used as office space by the Foundation. Assets held for sale is expected to be sold at prices in excess of cost.

l. Advertising

The Foundation's policy is to charge the cost of advertising to expense as incurred resulting in advertising expense of \$8,800 and \$19,406 for the years ended June 30, 2025 and 2024, respectively.

m. 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 2025 and 2024.

Massachusetts College of Liberal Arts Foundation, Inc.
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Notes to Financial Statements
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n. Endowment Funds

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as 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 \$7,986,579 and \$2,405,579 are recorded as with donor restrictions at June 30, 2025 and 2024, 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, 2025 and 2024, the Foundation did not have endowment funds below the amount of the donor required levels.

o. 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.

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 and changes in net assets.

p. 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.

Massachusetts College of Liberal Arts Foundation, Inc.
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June 30, 2025 and 2024

q. Accounts Receivable

Accounts receivable consist of amounts due for lease outstanding to related and unrelated parties. Allowances for potential credit losses are determined by considering the financial condition, other economic factors, and reasonable and supportable forecasts affecting the Foundation and its lessees.

r. 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

s. Functional Allocation 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.

3. Correction of Error

The Foundation has determined that it had improperly classified long-term investments held in the endowment as current within the June 30, 2024 financial statements. Investments with the intention to be held in excess of one-year should be classified as non-current under generally accepted accounting principles in the United States of America as prescribed by FASB. There was no effect on net assets as of June 30, 2024 and July 1, 2023. The effects of the correction of the error on the June 30, 2024 Statement of Financial Position are increasing non-current investments from \$0 to \$19,100,888 and decreasing current investments from \$19,100,888 to \$0.

4. Unconditional Promises to Give

Unconditional promises to give are discounted at 5.1% and consist of the following at June 30, 2025 and 2024:

	2025	2024
Receivable in less than one year	\$ 5,465,708	\$ 1,170,535
Receivable in one to five years	3,645,014	1,574,912
Less: discount to net present value	1,124,143	339,868
Present value of unconditional promises to give	7,986,579	2,405,579
Less: current unconditional promises to give	4,951,898	1,087,533
Unconditional Promises to Give, Net of Current Portion	<u>\$ 3,034,681</u>	<u>\$ 1,318,046</u>

Massachusetts College of Liberal Arts Foundation, Inc.
(a component unit of Massachusetts College of Liberal Arts)
Notes to Financial Statements
June 30, 2025 and 2024

5. 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 - Fair value measurements based on quoted prices (unadjusted) in active markets that the has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such instruments

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Fair value measurements based on valuation techniques that use significant unobservable inputs. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the Foundation must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Common Stock and equities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

US Treasury obligations and 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. 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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The following tables set forth by level the Foundation's assets measured on a recurring basis:

Assets at fair value as of June 30, 2025					
	Level 1	Level 2	Level 3	Total	
Mutual funds					
High yield bond fund	\$ 768,487	\$ -	\$ -	\$	768,487
International stock fund	468,988	-	-		468,988
Emerging markets fund	745,712	-	-		745,712
Exchange-traded funds					
Domestic stock funds	1,103,293	-	-		1,103,293
Mortgage backed funds	869,703	-	-		869,703
Inflation protected funds	372,139	-	-		372,139
Taxable bond funds	576,063	-	-		576,063
Common stock	10,231,700	-	-		10,231,700
Corporate bonds	-	1,732,772	-		1,732,772
US Treasury obligations	-	4,445,301	-		4,445,301
Cash and equivalents	1,620,534	-	-		1,620,534
Total assets at fair value	16,756,619	6,178,073	-		22,934,692
Charitable gift annuity liability	\$ -	\$ -	\$ (15,573)	\$	(15,573)

Assets at fair value as of June 30, 2024					
	Level 1	Level 2	Level 3	Total	
Mutual funds					
High yield bond fund	\$ 714,381	\$ -	\$ -	\$	714,381
International stock fund	408,182	-	-		408,182
Emerging markets fund	470,175	-	-		470,175
Exchange-traded funds					
Domestic stock funds	938,122	-	-		938,122
Mortgage backed funds	850,436	-	-		850,436
Government bond funds	217,130	-	-		217,130
Inflation protected funds	359,307	-	-		359,307
Taxable bond funds	493,536	-	-		493,536
Common stock	8,068,924	-	-		8,068,924
Corporate bonds	-	3,853,811	-		3,853,811
US Treasury obligations	-	1,472,455	-		1,472,455
Cash and equivalents	1,254,429	-	-		1,254,429
Total assets at fair value	13,774,622	5,326,266	-		19,100,888
Charitable gift annuity liability	\$ -	\$ -	\$ (17,823)	\$	(17,823)

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, 2025 and 2024. 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:

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	2025	2024
Balance, beginning of year	\$ 17,823	\$ 21,198
Settlements	2,250	3,375
Balance, end of year	\$ 15,573	\$ 17,823

6. Property and Equipment

Property and equipment consist of the following at June 30, 2025 and 2024:

	2025	2024
Land	\$ 403,714	\$ 473,882
Buildings	1,399,650	1,879,937
Construction in progress	95,681	-
Improvements	1,907,306	2,694,377
Furniture and fixtures	45,613	45,613
	3,851,964	5,093,809
Less: Accumulated depreciation	(1,329,473)	(1,662,441)
Property and equipment, net	\$ 2,522,491	\$ 3,431,368

The Board of Directors approved the future demolition of buildings and improvements currently being used as office space of the College. The demolition is for the construction of an art center the Foundation has committed to build. The buildings and improvements have a carrying value of approximately \$111,000 at June 30, 2025. Demolition is expected to begin during fiscal year 2026 and the art center is expected to cost approximately \$8.7 million.

7. Related Party Transactions

Professional Fees

The Foundation has Directors that are employees at all three financial institutions that have issued mortgage notes to the Foundation. Total interest paid on mortgages to these related party institutions was approximately \$53,000 and \$60,000 at June 30, 2025 and 2024, 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.

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8. Debt

Long-Term Debt

At June 30, 2025 and 2024, long-term debt consists of the following:

	2025	2024
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.	\$ 458,053	\$ 478,884
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. In April 2025, the Foundation made an extra principal payment of approximately \$288,000. At that time, the loan was re-amortized with monthly payment of \$1,505.	211,937	516,250
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.	502,307	543,745
	1,172,297	1,538,879
Less: Loan origination	10,321	11,061
Long-term debt, net	1,161,976	1,527,818
Less: Current portion of long-term debt	72,384	80,720
Total Long-Term Debt, Net of Current Portion	\$ 1,089,592	\$ 1,447,098

Future principal payments subsequent to June 30, 2025 are as follows:

2026	\$ 73,124
2027	75,505
2028	77,189
2029	80,108
2030	83,095
Thereafter	783,276
Total	\$ 1,172,297

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 (7.50% and 8.50 % at June 30, 2025 and 2024, respectively). The Foundation has no debt related to this agreement at June 30, 2025 and 2024.

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9. Net Assets

Net Assets Without Donor 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 Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	2025	2024
Educational programs	\$ 15,221,670	\$ 14,042,985
Student scholarships	11,327,420	10,447,430
Art Center	8,016,020	-
Time restrictions	11,331	66,387
	<u>\$ 34,576,441</u>	<u>\$ 24,556,802</u>

Included in net assets with donor restrictions are certain net assets to be held in perpetuity. The purpose of these net assets as of June 30, 2025 and 2024, are as follows:

	2025	2024
Educational programs	\$ 9,742,681	\$ 9,630,636
Student scholarships	7,822,379	7,196,496
	<u>\$ 17,565,060</u>	<u>\$ 16,827,132</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, 2025 and 2024, are as follows:

	2025	2024
Educational programs	\$ 2,105,007	\$ 752,139
Student scholarships	774,997	796,659
	<u>\$ 2,880,004</u>	<u>\$ 1,548,798</u>

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10. Endowment Net Assets

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2023	\$ 779,860	\$ 18,629,350	\$ 19,409,210
Investment return	116,161	1,948,313	2,064,474
Contributions	-	3,122,358	3,122,358
Amounts appropriated for expenditure	(67,832)	(1,548,798)	(1,616,630)
Endowment net assets at June, 30, 2024	828,189	22,151,223	22,979,412
Investment return	108,588	2,321,330	2,429,918
Contributions	-	4,997,313	4,997,313
Amounts appropriated for expenditure	(83,009)	(2,880,004)	(2,963,013)
Endowment net assets at June 30, 2025	\$ 853,768	\$ 26,589,862	\$ 27,443,630

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.

11. Contributed Nonfinancial Assets

During the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included:

	2025	2024
Services from College employees	\$ 164,879	\$ 170,154
Equipment and other gifts	155	20,459
	\$ 165,034	\$ 190,613

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 which approximates fair market value. 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 through program services in the statement of activities and changes in net assets. The fair value of the equipment is determined by the donor in conjunction with College personnel.

12. 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, 2025 and 2024, 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.

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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.

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.

13. 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 \$174,962 and \$183,940 for the years ended June 30, 2025 and 2024, respectively.

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

	2025	2024
Land	\$ 400,861	\$ 436,038
Building and building improvements	3,714,162	4,395,318
Less: Accumulated depreciations	1,113,244	1,449,679
	<u>\$ 3,001,779</u>	<u>\$ 3,381,677</u>

Future minimum undiscounted lease income under the operating lease agreements is as follows at June 30, 2025:

2026	\$ 123,016
2027	123,016
2028	20,503
	<u>\$ 266,535</u>

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14. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures within one year at June 30, 2025 and 2024:

	2025	2024
Financial assets at year-end		
Cash and cash equivalents	\$ 4,485,251	\$ 3,415,493
Investments	22,934,692	19,100,888
Accounts receivable	43,504	183,940
Unconditional promises to give	7,986,579	2,405,579
	<u>35,450,026</u>	<u>25,105,900</u>
Less: Amounts not available to be used within one year		
Board designated net assets	853,768	828,189
Net assets with donor restrictions	34,576,441	24,556,802
	<u>35,430,209</u>	<u>25,384,991</u>
Addback		
Endowment drawdown for operations	250,000	248,372
Unconditional promises to give available for operations	11,331	66,387
	<u>261,331</u>	<u>314,759</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 281,148</u></u>	<u><u>\$ 35,668</u></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 to undesignated 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, 2025 and 2024, management believes the Foundation has no liquidity issues.

15. Supplemental Cash Flow Information

During the years ended June 30, 2025 and 2024, the Foundation paid \$52,523 and \$59,648 for interest, respectively.

During the year ended June 30 2025, the Foundation reclassified \$400,000 of property and equipment to assets held for sale.

16. Management's Acceptance of Financial Statements

Management has evaluated subsequent events through November 4, 2025, the date for which the financial statements were available for issuance. Management did not identify any events subsequent to June 30, 2025 requiring disclosure in these financial statements.

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, 2025, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 4, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described below as item 2025-001, that we consider to be a material weakness.

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*.

Foundation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the finding identified in our audit and described above. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in blue ink that reads 'Withum Smith & Brown, PC'.

November 4, 2025

Current Year Findings

Finding 2025-001

Criteria

Investments with the intention to be held in excess of one-year should be classified as non-current under generally accepted accounting principles in the United States of America (U.S. GAAP).

Condition

The Foundation has determined that it had improperly classified long-term investments held in the endowment as current within the June 30, 2024 financial statements.

Cause

Year-end financial reporting procedures did not identify the need to reclassify endowment investments to noncurrent assets.

Effect

The misclassification resulted in current investments being overstated and noncurrent investments understated by approximately \$19.1 million at June 30, 2024.

Recommendation

We recommend that the Foundation implement enhanced year-end financial reporting procedures, including review checklists and supervisory review, to ensure that investments with the intention to be held in excess of one-year are classified as noncurrent assets.

Management Response

Management accepts the Finding 2025-001 regarding the classification of investments between current and non-current as prescribed by generally accepted accounting principles and recommended by the Foundation's auditors. Reporting investments as current reflects past practice in audits conducted by O'Connor and Drew and Withum. This change was a presentation matter only and had no impact on our investment balance in total. The Foundation will implement the change to bring the financial reporting in line with generally accepted principles and best practices.