

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

FINANCIAL STATEMENTS

JUNE 30, 2012



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

(a component unit of Massachusetts College of Liberal Arts)

Financial Statements

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Massachusetts College of Liberal Arts Foundation, Inc. (a component unit of the Massachusetts College of Liberal Arts) (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year's summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated September 22, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based upon our audits, the financial statements referred to above presents fairly, in all material respects, the financial position of the Massachusetts College of Liberal Arts Foundation, Inc., as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012 on our consideration of the Massachusetts College of Liberal Arts Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our 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* and should be read in conjunction with this report in considering the results of our audits.


Certified Public Accountants

September 27, 2012

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

(a component unit of Massachusetts College of Liberal Arts)

Statements of Financial Position

June 30, 2012 and 2011

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

(a component unit of Massachusetts College of Liberal Arts)

Statements of Financial Position

June 30,

Assets

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and equivalents	\$ 1,458,274	\$ 1,310,621
Investments	8,099,688	7,725,938
Unconditional promises to give	273,281	1,062,903
Prepaid expenses	<u>5,883</u>	<u>5,133</u>
Total Current Assets	<u>9,837,126</u>	<u>10,104,595</u>
Property and Equipment	2,338,451	2,932,436
Other Assets:		
Unconditional promises to give, net of current portion	571,215	187,831
Other assets	<u>8,962</u>	<u>9,502</u>
Total Other Assets	<u>580,177</u>	<u>197,333</u>
Total Assets	<u>\$ 12,755,754</u>	<u>\$ 13,234,364</u>

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

Liabilities and Net Assets

	<u>2012</u>	<u>2011</u>
Current Liabilities:		
Current portion of long-term debt	\$ 40,012	\$ 37,574
Accounts payable and accrued expenses	52,810	57,026
Due to affiliates	<u>35,642</u>	<u>38,096</u>
Total Current Liabilities	<u>128,464</u>	<u>132,696</u>
Long-Term Liability:		
Long-term debt, net of current portion	<u>1,047,081</u>	<u>1,087,088</u>
Total Liabilities	<u>1,175,545</u>	<u>1,219,784</u>
Net Assets:		
Unrestricted	2,950,034	3,610,521
Temporarily restricted	1,131,530	1,548,839
Permanently restricted	<u>7,498,645</u>	<u>6,855,220</u>
Total Net Assets	<u>11,580,209</u>	<u>12,014,580</u>
Total Liabilities and Net Assets	<u>\$ 12,755,754</u>	<u>\$ 13,234,364</u>

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

Statements of Activities and Changes in Net Assets

**For the Year Ended June 30, 2012
(with comparative totals for the year ended June 30, 2011)**

	2012			2011	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues:					
Contributions and grants	\$ 604,463	\$ 998,652	\$ 643,425	\$ 2,246,540	\$ 1,633,265
Special fundraising revenue	24,369	-	-	24,369	18,658
Investment return	(4,236)	40,126	-	35,890	1,247,164
Rental income	209,630	-	-	209,630	209,630
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>1,456,087</u>	<u>(1,456,087)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>2,290,313</u>	<u>(417,309)</u>	<u>643,425</u>	<u>2,516,429</u>	<u>3,108,717</u>
Contributions, Scholarships and Expenses:					
Program services:					
Contributions to Massachusetts College of Liberal Arts (MCLA)	1,997,414	-	-	1,997,414	1,037,440
Scholarships for benefit of MCLA Students	220,403	-	-	220,403	177,018
Functional expenses:					
Building	172,022	-	-	172,022	170,724
Management and general	386,046	-	-	386,046	264,064
Fundraising	<u>174,915</u>	<u>-</u>	<u>-</u>	<u>174,915</u>	<u>129,990</u>
Total Expenses	<u>2,950,800</u>	<u>-</u>	<u>-</u>	<u>2,950,800</u>	<u>1,779,236</u>
Changes in Net Assets	<u>(660,487)</u>	<u>(417,309)</u>	<u>643,425</u>	<u>(434,371)</u>	<u>1,329,481</u>
Net assets, Beginning of Year	<u>3,610,521</u>	<u>1,548,839</u>	<u>6,855,220</u>	<u>12,014,580</u>	<u>10,685,099</u>
Net assets, End of Year	<u>\$ 2,950,034</u>	<u>\$ 1,131,530</u>	<u>\$ 7,498,645</u>	<u>\$ 11,580,209</u>	<u>\$ 12,014,580</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>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>(434,371)</u>	\$ <u>1,329,481</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	81,823	83,071
Realized gains on sale of investments	(213,057)	(305,829)
Donation of land and land improvements	523,926	-
Unrealized (gains) losses on investments	427,502	(714,034)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(210)	(1,387)
Unconditional promises to give	406,238	(38,492)
Accounts payable and accrued expenses	(4,216)	(11,657)
Due to affiliates	<u>(2,454)</u>	<u>3,826</u>
Net Adjustments	<u>1,219,552</u>	<u>(984,502)</u>
Net Cash Provided by Operating Activities	<u>785,181</u>	<u>344,979</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	<u>(37,569)</u>	<u>(35,621)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(11,764)	-
Purchase of investments	(4,286,620)	(3,399,991)
Proceeds from sale of investments	<u>3,698,425</u>	<u>3,484,015</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(599,959)</u>	<u>84,024</u>
Net Increase in Cash and Equivalents	147,653	393,382
Cash and Equivalents, Beginning of Year	<u>1,310,621</u>	<u>917,239</u>
Cash and Equivalents, End of Year	\$ <u>1,458,274</u>	\$ <u>1,310,621</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

June 30, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies

Organization

Massachusetts College of Liberal Arts Foundation, Inc. (the "Foundation") is a nonprofit organization, whose purpose is to raise funds for aiding and participating in the development and improvement of the Massachusetts College of Liberal Arts (the "College"). In addition, the Foundation also 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 and a matching incentive program sponsored by the Commonwealth of Massachusetts.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Method of Accounting

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

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Financial Statement Presentation - Continued

Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently.

Cash and Equivalents

The Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash and 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. At June 30, 2012 and 2011, the carrying amount of the Foundation's deposits were \$1,458,274 and \$1,310,621 with the entire balance being insured by specific depository insurance

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted contributions.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - Continued

Income Taxes

Generally accepted accounting principles as practiced in the United States of America require an entity to assess the probability that a tax position has a “more likely than not” (“MLTN”) sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Interest and penalties, if any, related to assessments by tax authorities, will be classified as a component of management and general expense in the statement of activities. A tax position may be considered as taken any time a taxpayer chooses amongst alternatives that affect the amount of their tax obligations and include for example: tax exempt status; status as a pass-through entity (S Corporations, etc.); decisions made in the process of conforming with tax laws; decisions not to file in certain jurisdictions; allocation of income between jurisdictions and the characterization of income or expenses. 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.

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. Since the continuance of this status is based upon continuing qualification, the Foundation has identified this as a tax position. However, it has determined that this tax position meets MLTN sustainability and does not result in an uncertainty requiring recognition.

The Foundation does not expect any material changes in its position regarding this matter in the next twelve months.

Unconditional Promises to Give

Unconditional promises to give are recorded when made and considered to be available for unrestricted use unless specifically restricted by the donor. A present value is determined on all promises when it is determined the promise will not be received within a year, or it cannot be determined when it will be received.

Investments

Investments are recorded at fair market value.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - Continued

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. 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.

In-Kind Support

Donated materials are recorded at fair market value as both revenue and expense in the statement of activities. 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.

Endowment Funds

Effective July 1, 2009, Massachusetts put into law a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), originally proposed by the Uniform Law Commission in 2006. Prior to enacting UPMIFA, Massachusetts operated under the Uniform Management of Institutional Funds Act (UMIFA) which focused on prudent spending of net appreciation of the fund and emphasized the historic dollar value concept, an amount below which an organization could not spend from the fund. In the absence of overriding, explicit donor stipulations, UPMIFA prescribes new guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, in lieu of the historical dollar concept of UMIFA. 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.

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Endowment Funds - Continued

Under UPMIFA, donor restricted funds will continue to be classified as permanently restricted net assets. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as temporarily restricted net assets until approved for expenditure by the organization. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as temporarily restricted net assets until approved for expenditure by the organization. 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. Unrealized losses that reduce fair value to an amount below the donated value are charged to unrestricted net assets. Unrealized gains will be classified as unrestricted net assets to the extent fair value again equals donated cost, at which time unrealized gains will be classified in accordance with the Foundation's spending policy.

The investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonable predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 2 - Unconditional Promises to Give

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

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 286,728	\$ 1,097,160
Receivable in one to five years	682,749	216,843
Less: discount to net present value	<u>(124,981)</u>	<u>(63,269)</u>
Present value of unconditional promises to give	844,496	1,250,734
Current unconditional promises to give	<u>(273,281)</u>	<u>(1,062,903)</u>
Unconditional promises to give, net of current portion	\$ <u>571,215</u>	\$ <u>187,831</u>

Note 3 - Investments

Investments recorded at fair market value at June 30, are as follows:

	<u>2012</u>	<u>2011</u>
General Investments:		
Money market funds	\$ 58,490	\$ 26,272
Equities	1,317,783	363,935
Certificates of deposit	372,590	568,250
Mutual funds	<u>6,346,572</u>	<u>6,758,269</u>
Total General Investments	8,095,435	7,716,726
Berkshire Capital Investors Fund II – Limited Partnership	<u>4,253</u>	<u>9,212</u>
Total	\$ <u>8,099,688</u>	\$ <u>7,725,938</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 3 - Investments - Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 270	\$ 250,065	\$ 250,335
Unrealized gains and losses	(4,506)	(422,996)	(427,502)
Realized gains	<u>-</u>	<u>213,057</u>	<u>213,057</u>
Total Investment Return	\$ <u>(4,236)</u>	\$ <u>40,126</u>	\$ <u>35,890</u>
	<u>2011</u>		
Interest and dividends	\$ 486	\$ 226,815	\$ 227,301
Unrealized gains and losses	255,360	458,674	714,034
Realized gains	<u>-</u>	<u>305,829</u>	<u>305,829</u>
Total Investment Return	\$ <u>255,846</u>	\$ <u>991,318</u>	\$ <u>1,247,164</u>

Note 4 - Fair Value Measurements

Financial Accounting Standards Codification (ASC) ASC 820-10 establishes a framework for measuring fair value which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The highest priority is assigned to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
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MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Fair Value Measurements - Continued

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

Common stocks, equities, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

Limited Partnership: Valued based upon a valuation of the market value of entities the partnership invested in.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Fair Value Measurements - Continued

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

Unconditional promises to give: Amortized cost, which approximates fair value.

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 if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The flowing table(s) set forth by level the Foundation's assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income funds	\$ 2,756,037	\$ -	\$ -	\$ 2,756,037
Other funds	3,590,535	-	-	3,590,535
Equities				
Bond index funds	796,235	-	-	796,235
Other index funds	521,548	-	-	521,548
Certificates of deposit	372,590	-	-	372,590
Cash and equivalents	58,490	-	-	58,490
Unconditional promises to give	-	-	844,496	844,496
Limited partnership	-	-	4,253	4,253
Total assets at fair value	\$ 8,095,435	\$ -	\$ 848,749	\$ 8,944,184

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income funds	\$ 3,094,102	\$ -	\$ -	\$ 3,094,102
Other funds	3,664,167	-	-	3,664,167
Equities				
Bond index funds	363,935	-	-	363,935
Certificates of deposit	568,250	-	-	568,250
Cash and equivalents	26,272	-	-	26,272
Unconditional promises to give	-	-	1,250,734	1,250,734
Limited partnership	<u>-</u>	<u>-</u>	<u>9,212</u>	<u>9,212</u>
 Total assets at fair value	 \$ <u>7,716,726</u>	 \$ <u>-</u>	 \$ <u>1,259,946</u>	 \$ <u>8,976,672</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2012.

	<u>Limited Partnership</u>
Balance, beginning of year	\$ 9,212
Realized gains/(losses)	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	(4,959)
Purchases, sales, issuances, and settlements (net)	<u>-</u>
 Balance, End of Year	 \$ <u>4,253</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS FOUNDATION, INC.

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

	<i>Unconditional Promises to Give</i>
Balance, beginning of year, net pledges	\$ 1,250,734
Additional pledges received	1,420,806
Pledges Collected	(1,765,332)
Change in discount on pledges	<u>(61,712)</u>
 Balance, End of Year	 \$ <u>844,496</u>

Note 5 - **Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 368,864	\$ 881,065
Buildings	1,454,495	1,454,495
Furniture and fixtures	15,628	15,628
Improvements	<u>1,248,828</u>	<u>1,263,529</u>
Total	<u>3,087,815</u>	3,614,717
 Less: accumulated depreciation	 <u>(749,364)</u>	 <u>(682,281)</u>
 Land, buildings and improvements, net	 \$ <u>2,338,451</u>	 \$ <u>2,932,436</u>

Note 6 - **Related Party Transactions**

A member of the Board of Directors, who resigned during fiscal year 2011, is a partner in an investment company in which the Foundation has a capital investment. The Foundation entered into an agreement with this entity for an initial capital contribution of \$50,000. As of June 30, 2012 and 2011, \$2,500 remained unpaid and is included in the statement of net assets in "due to affiliates".

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

June 30, 2012 and 2011

Note 6 - Related Party Transactions - Continued

Additionally, a member of the Board is a principal of the certified public accounting firm that provides bookkeeping services to the Foundation. During the year ended June 30, 2012 and 2011, approximately \$220 and \$370, respectively, was paid to the firm for these services.

Several trustees to the College, Foundation directors, and Foundation sub-committee members are board members or employees of banks which have issued mortgage notes to the Foundation. A College trustee is the principal executive officer of the financial services company that manages the Foundation's investments. During the year ended June 30, 2012 and 2011, approximately \$38,000 and \$37,000, respectively, was paid to the firm for these services.

The Foundation donated \$523,926 in land and land improvements to the Commonwealth of Massachusetts Division of Capital Asset Management for use in the building of a new science center for the College

Note 7 - Long-Term Debt

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

	<u>2012</u>	<u>2011</u>
Mortgage note payable to Hoosac Bank, payable in monthly payments of \$4,463 including interest at 5.25% through March 2029. Secured by real property.	\$ 595,735	\$ 617,300
Mortgage note payable to Greylock Federal Credit Union, payable in monthly payments of \$4,087 including interest at 6.5% through December 2028. Secured by real property.	<u>491,358</u>	<u>507,362</u>
	1,087,093	1,124,662
Less: Current portion of long-term debt	<u>40,012</u>	<u>37,574</u>
Total long-term debt, net of current portion	\$ <u>1,047,081</u>	\$ <u>1,087,088</u>

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

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Future principal payments subsequent to June 30, 2012, are as follows:

Years Ending <u>June 30,</u>	
2013	\$ 40,012
2014	42,395
2015	44,935
2016	47,477
2017	50,577
Thereafter	<u>861,797</u>
Total	\$ <u>1,087,093</u>

Line of Credit

The Foundation has a revolving line of credit, with two banks, that is not to exceed \$500,000 combined. The interest rate on the lines of credit is based on the prime rate (3.25% at June 30, 2012 and 2011). The Foundation has no debt related to these agreements at June 30, 2012 and 2011.

Note 8 - **Temporarily Restricted Net Assets**

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

	<u>2012</u>	<u>2011</u>
Educational programs	\$ 662,582	\$ 1,040,403
Student scholarships	<u>468,948</u>	<u>508,436</u>
	\$ <u>1,131,530</u>	\$ <u>1,548,839</u>

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

	<u>2012</u>	<u>2011</u>
Educational programs	\$ 1,235,684	\$ 254,691
Student scholarships	<u>220,403</u>	<u>177,018</u>
	\$ <u>1,456,087</u>	\$ <u>431,709</u>

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

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 9 - **Endowment Net Assets**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at June 30, 2010	\$ (255,433)	\$ 475,472	\$ 6,649,466	\$ 6,869,505
Investment return				
Investment gain	-	532,644	-	532,644
Net appreciation (depreciation)	255,433	458,674	-	714,107
Contributions	-	513,758	205,754	719,512
Amounts appropriated for expenditure	-	(431,709)	-	(431,709)
Endowment net assets, at June 30, 2011	-	1,548,839	6,855,220	8,404,059
Investment return				
Investment gain	-	463,122	-	463,122
Net appreciation (depreciation)	-	(422,996)	-	(422,996)
Contributions	-	998,652	643,425	1,642,077
Amounts appropriated for expenditure	-	(1,456,087)	-	(1,456,087)
Endowment net assets, at June 30, 2012	\$ <u> -</u>	\$ <u>1,131,530</u>	\$ <u>7,498,645</u>	\$ <u>8,630,175</u>

All endowment funds consist of donor-restricted funds. The Foundation has no board-designated endowment funds.

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

(a component unit of Massachusetts College of Liberal Arts)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 10 - **Leases**

The Foundation leases property to the Commonwealth of Massachusetts under a tenant at will agreement as well as a five year agreement expiring in March 2013. Total rental revenues for each of the fiscal years ended 2012 and 2011 was approximately \$209,600. Future minimum rental income under a lease agreement expiring in 2013 is \$39,288.

Note 11 - **Risks and Uncertainties**

Cash

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

Investments

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

Subsequent Events

Management has evaluated subsequent events through September 27, 2012, the date for which the financial statements were available for issuance.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Massachusetts College of Liberal Arts Foundation, Inc. (the "Foundation") (a component unit of the Massachusetts College of Liberal Arts) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Massachusetts College of Liberal Arts Foundation, Inc. in a separate letter dated September 27, 2012.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR & DRUW, P.C.

Certified Public Accountants

September 27, 2012