

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

FINANCIAL STATEMENTS

JUNE 30, 2021

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**

(a component unit of North Shore Community College)

Financial Statements

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Shore Community College Foundation, Inc.
Danvers, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of North Shore Community College Foundation, Inc. (a component unit of North Shore Community College) (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

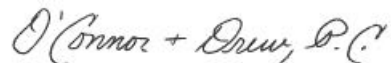
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

September 14, 2021

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Statements of Financial Position

June 30,

Assets

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and equivalents	\$ 677,160	\$ 668,527
Restricted cash	165,653	140,029
Current portion of pledges receivable	<u>20,200</u>	<u>335,700</u>
Total Current Assets	<u>863,013</u>	<u>1,144,256</u>
Other Assets:		
Pledges receivable, net of current portion	4,950	32,535
Investments	<u>11,448,944</u>	<u>9,170,739</u>
Total Assets	<u>\$ 12,316,907</u>	<u>\$ 10,347,530</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 14,394	\$ 18,863
Funds held for others	<u>165,653</u>	<u>140,029</u>
Total Current Liabilities	<u>180,047</u>	<u>158,892</u>
Net Assets:		
Without donor restrictions	990,137	865,522
With donor restrictions	<u>11,146,723</u>	<u>9,323,116</u>
Total Net Assets	<u>12,136,860</u>	<u>10,188,638</u>
Total Liabilities and Net Assets	<u>\$ 12,316,907</u>	<u>\$ 10,347,530</u>

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

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Statements of Activities and Changes in Net Assets

For the Years Ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue:						
Investment return, net	\$ 151,401	\$ 2,203,675	\$ 2,355,076	\$ 40,438	\$ 393,352	\$ 433,790
Contributions	269,939	677,917	947,856	24,243	711,861	736,104
In-kind services	127,330	-	127,330	153,366	-	153,366
Event revenue	79,560	-	79,560	71,887	-	71,887
Net assets released from restrictions	<u>1,057,985</u>	<u>(1,057,985)</u>	<u>-</u>	<u>745,221</u>	<u>(745,221)</u>	<u>-</u>
Total Revenue	<u>1,686,215</u>	<u>1,823,607</u>	<u>3,509,822</u>	<u>1,035,155</u>	<u>359,992</u>	<u>1,395,147</u>
Expenses:						
Program services	1,382,948	-	1,382,948	837,353	-	837,353
Management and general	101,419	-	101,419	114,270	-	114,270
Fundraising	<u>77,233</u>	<u>-</u>	<u>77,233</u>	<u>97,109</u>	<u>-</u>	<u>97,109</u>
Total Expenses	<u>1,561,600</u>	<u>-</u>	<u>1,561,600</u>	<u>1,048,732</u>	<u>-</u>	<u>1,048,732</u>
Changes in Net Assets	124,615	1,823,607	1,948,222	(13,577)	359,992	346,415
Net Assets, Beginning of Year	<u>865,522</u>	<u>9,323,116</u>	<u>10,188,638</u>	<u>879,099</u>	<u>8,963,124</u>	<u>9,842,223</u>
Net Assets, End of Year	<u>\$ 990,137</u>	<u>\$ 11,146,723</u>	<u>\$ 12,136,860</u>	<u>\$ 865,522</u>	<u>\$ 9,323,116</u>	<u>\$ 10,188,638</u>

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

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Statements of Functional Expenses

For the Years Ended June 30,

	2021				2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Scholarships and grants to the college	\$ 1,362,422	\$ -	\$ -	\$ 1,362,422	\$ 817,108	\$ -	\$ -	\$ 817,108
In-kind services	20,526	68,203	38,601	127,330	20,245	78,957	54,164	153,366
Fundraising event	-	-	30,320	30,320	-	-	40,689	40,689
Subscriptions	-	14,170	-	14,170	-	14,490	-	14,490
Professional fees	-	13,455	-	13,455	-	12,649	-	12,649
Postage and mailing services	-	952	7,015	7,967	-	241	1,536	1,777
Insurance - general	-	3,134	-	3,134	-	2,808	-	2,808
Credit card and bank fees	-	-	1,297	1,297	-	-	720	720
Meetings	-	989	-	989	-	3,000	-	3,000
Office expenses	-	266	-	266	-	1,625	-	1,625
Filing fees	-	250	-	250	-	500	-	500
Total Expenses	<u>\$ 1,382,948</u>	<u>\$ 101,419</u>	<u>\$ 77,233</u>	<u>\$ 1,561,600</u>	<u>\$ 837,353</u>	<u>\$ 114,270</u>	<u>\$ 97,109</u>	<u>\$ 1,048,732</u>

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

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**

(a component unit of North Shore Community College)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,948,222	\$ 346,415
Adjustments to reconcile changes in net assets to cash flows provided by (applied to) operating activities:		
Discount on pledges receivable	(80)	(15)
Net realized and unrealized gains on investments	(2,243,183)	(340,526)
Net changes in assets and liabilities:		
Prepaid expenses	-	11,950
Pledges receivable	343,165	(49,896)
Accounts payable	(4,469)	(1,730)
Funds held for others	<u>25,624</u>	<u>26,723</u>
Net Adjustments	<u>(1,878,943)</u>	<u>(353,494)</u>
Cash Flows Provided by (Applied to) Operating Activities	<u>69,279</u>	<u>(7,079)</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	1,145,495	1,268,876
Purchases of investments	<u>(1,180,517)</u>	<u>(1,459,556)</u>
Cash Flows Used by Investing Activities	<u>(35,022)</u>	<u>(190,680)</u>
Net Change in Cash and Equivalents	34,257	(197,759)
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>808,556</u>	<u>1,006,315</u>
Cash and Equivalents and Restricted Cash, End of Year	<u>\$ 842,813</u>	<u>\$ 808,556</u>
Cash and equivalents and restricted cash consist of the following at June 30:		
Cash and equivalents	\$ 677,160	\$ 668,527
Restricted cash	<u>165,653</u>	<u>140,029</u>
Total	<u>\$ 842,813</u>	<u>\$ 808,556</u>

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

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements

June 30, 2021 and 2020

Note 1 - **Organization**

North Shore Community College Foundation, Inc. (the “Foundation”) is a not-for-profit organization whose purpose is to receive donations, which provide scholarships for eligible students and grants for the benefit of North Shore Community College (the “College”).

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis has created disruptions in the financial markets and the overall economy. The Foundation did fundraise during the state of the emergency through online fundraising events. Management continually monitors its effect on the operations of the Foundation.

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

Method of Accounting

The accompanying financial statements have been prepared in conformity with the accrual basis of accounting in accordance with generally accepted accounting principles (“U.S. GAAP”).

Financial Statement Presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the objectives of the Foundation.

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.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Measure of Operations

The statements of activities report all changes in net assets. Operating activities consist of those items attributable to the Foundation's ongoing purpose and the return earned on investments. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 value of pledges receivable.

Cash and Equivalents

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

Restricted Cash

The Foundation's restricted cash consists of funds held on behalf of North Shore Community College Alumni Association ("the Association").

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contributions revenue. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2021 and 2020, management has concluded an allowance for doubtful accounts is not required.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Investments

Investments are stated at fair value. Publicly traded securities are valued based upon quoted market prices at the close of business on the last day of the fiscal year. Unrealized gains and losses are included in the change in net assets. Realized investment gains and losses are determined by using the average cost of the investment. Purchases and sales of investments are recorded at cost of the trade date.

Securities received as gifts are recorded at fair value at the date of the gift.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Fair Value Measurements - continued

Level 2	If the asset or liability has a specified (contractual) term, the 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.

Management establishes the fair value measurement valuation policies for the valuation of all investments. Annually, at a minimum, management reviews the continuing viability of the valuation techniques used to establish fair value measurements and evaluates and adjusts, as necessary, the unobservable inputs used in the fair value measurements based on current market conditions and other third-party information. The Board of Directors assesses and approves these policies. Any transfers between levels of the fair value hierarchy are recognized at the end of a reporting period.

Funds Held for Others

The Foundation acts as a fiscal agent on behalf the Association. The Foundation is responsible for the management and administration of these funds on behalf of the Association and reflects these funds in restricted cash and equivalents and funds held for others on the statements of financial position.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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 donor stipulations must be classified as net assets with donor restrictions until approved for expenditure by the Foundation. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the Foundation.

The Foundation’s Board of Directors 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, 2021 and 2020, the Foundation did not have endowment funds below the amount of the donor-required levels.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Contributions

Contributions are recognized as revenue when the conditions contained in the respective agreements 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.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

Revenue Recognition

The Foundation holds special events for the general public. The transaction price is the consideration that the Foundation expects to receive for the entrance fee and sponsorship. The Foundation collects payment at the time of registration, or shortly after. The Foundation considers the performance obligation to be the event and recognizes revenue at the time that the event occurs. The Foundation's revenues and cash flows are correlated to the general conditions of the economy. Contract liabilities represents payments the Foundation receives in advance of the event. Contract liabilities are presented in the statement of financial position as deferred revenue, if applicable, and are recognized as income in the period in which the event takes place.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

In-Kind

The Foundation received donated advertising and management/administrative services from personnel of the College. Such amounts, which are based upon time and effort, are reported as in-kind services on the accompanying statements of activities and changes in net assets and statement of functional expenses. The following in-kind services met the Foundation's recognition criteria as of June 30,:

	<u>2021</u>	<u>2020</u>
Personnel	\$ 117,180	\$ 127,210
Advertising	<u>10,150</u>	<u>26,156</u>
	<u>\$ 127,330</u>	<u>\$ 153,366</u>

Income Taxes

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

U.S. GAAP requires 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 exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

Functional Allocations of Expenses

Expenses are categorized by program services, management and general, or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques are used such as time and effort and square footage.

**NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Accounting Pronouncement

FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for periods beginning after June 15, 2021. The pronouncement will require not-for-profit entities to present contributed non-financial assets in the statement of activities as a line that is separate from other contributions. It will also require additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category.

Management is in the process of evaluating this pronouncement and has not yet determined its impact on the financial statements.

Note 3 - **Pledges Receivable**

Pledges receivable at June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 20,200	\$ 335,700
Due in one to five years	4,800	31,000
Due in more than five years	<u>230</u>	<u>1,550</u>
Total pledges receivable	25,230	368,250
Less: discount to net present value	<u>80</u>	<u>15</u>
Net pledges receivable	25,150	368,235
Less: current portion	<u>20,200</u>	<u>335,700</u>
Pledges receivable, net of current portion	<u>\$ 4,950</u>	<u>\$ 32,535</u>

The long-term portion of pledges receivable is discounted at 0.46% and 0.12% at June 30, 2021 and 2020, respectively.

**NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Conditional Grant**

During fiscal year 2019, the Foundation was awarded a \$1,000,000 grant to expand one of the College's programs. Payment was conditional upon meeting certain conditions and College matching requirements and is payable in installments over four fiscal years (2019 - 2022). As of June 30, 2021, approximately \$755,000 of the grant has been recognized as revenue. No conditions were met during fiscal year 2021 because of the COVID-19 crisis. The remaining portion's conditions and matching requirements have not been met; however, they are expected to be met during fiscal year 2022.

Note 5 - **Fair Value Measurements**

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, 2021 for the investments.

Fixed income: Valued at the net asset value ("NAV") of the shares held at fiscal year end.

Equities: Valued at quoted market value of the shares held at fiscal year end.

Commonfund Investments: Commonfund investments are measured at NAV and consist of pools of investments managed by an investment management team selected by the Board of Directors. However, these funds are not available to the general public, but the investment manager does produce a daily price of its pooled investments. The Commonfund allows redemptions once per month.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Fair Value Measurements - Continued**

The following table set forth, by level, the Foundation's investments as of June 30,:

	2021			
	Level 1	Level 2	Level 3	Total
Commonfund investments	\$ -	\$ 6,176,799	\$ -	\$ 6,176,799
Fixed income	1,624,728	-	-	1,624,728
Equities	<u>3,647,417</u>	<u>-</u>	<u>-</u>	<u>3,647,417</u>
Total investments at fair value	<u>\$ 5,272,145</u>	<u>\$ 6,176,799</u>	<u>\$ -</u>	<u>\$ 11,448,944</u>
	2020			
	Level 1	Level 2	Level 3	Total
Commonfund investments	\$ -	\$ 4,908,104	\$ -	\$ 4,908,104
Fixed income	1,613,412	-	-	1,613,412
Equities	<u>2,649,223</u>	<u>-</u>	<u>-</u>	<u>2,649,223</u>
Total investments at fair value	<u>\$ 4,262,635</u>	<u>\$ 4,908,104</u>	<u>\$ -</u>	<u>\$ 9,170,739</u>

Note 6 - **Net Assets**

Net assets with donor restrictions consists of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Scholarships and grants (for purpose)	\$ 8,416,817	\$ 6,835,924
Endowment (for perpetuity)	<u>2,729,906</u>	<u>2,487,192</u>
	<u>\$ 11,146,723</u>	<u>\$ 9,323,116</u>

**NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Net Assets - Continued**

Net Assets Released from Restrictions

Net assets with donor restrictions that were released from restriction by incurring expenses satisfying the purpose specified by the donors for the years ended June 30, 2021 and 2020 were \$1,057,985 and \$745,221, respectively.

Note 7 - **Endowment**

Changes to the endowment for the years ended June 30, 2021 and 2020 are as follows:

June 30, 2019	\$ 2,616,553
Investment return	99,417
Contributions	<u>132,311</u>
June 30, 2020	2,848,281
Investment return	222,883
Contributions	<u>242,714</u>
June 30, 2021	<u>\$ 3,313,878</u>

Note 8 - **Related Party Transaction**

The Foundation has two members of its Board of Directors who are associated with two banks that conduct business with the Foundation. During the years ended June 30, 2021 and 2020, the Foundation had its cash and investment accounts with these banks. The two members abstain from voting on any business matters relating to the banks.

**NORTH SHORE COMMUNITY COLLEGE
FOUNDATION, INC.**
(a component unit of North Shore Community College)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 9 - **Concentrations, Risks, and Uncertainties**

Cash

The Foundation maintains cash balances at financial institutions. From time to time, the Foundation's cash balances at the financial institutions may exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). At June 30, 2021, uninsured balances in excess of FDIC limits were approximately \$30,900.

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 fixed income and equities 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 is not covered under SIPC insurance.

Contributions

Contributions from two donors represent 39% and 68% of contribution revenue for the years ended June 30, 2021 and 2020, respectively.

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.

The COVID-19 crisis as discussed in Note 1 is ongoing. Although operations at the Foundation have not been severely impacted to date, there is continued uncertainty about the economy and donors' ability to give going into the future. Foundation management has been able to work remotely and continue to accomplish tasks in a timely manner. The Foundation continues to monitor operational expenses as well as their investment portfolio during these uncertain times. Management cannot reasonably estimate the duration or impact on finances and operations.

**NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 10 - **Availability and Liquidity**

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and equivalents, and marketable securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing financial support to the College through scholarships, and grants, and fundraising efforts, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. At June 30, 2021 and 2020, management believes the Foundation has no liquidity issues.

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and equivalents	\$ 677,160	\$ 668,527
Current portion of pledges receivable	<u>20,200</u>	<u>335,700</u>
Total financial assets	<u>\$ 657,360</u>	<u>\$ 1,004,227</u>

Note 11 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through September 14, 2021, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to June 30, 2021 requiring disclosure in the financial statements.

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



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

The Board of Directors of
North Shore Community College Foundation, Inc.
Danvers, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of North Shore Community College Foundation, Inc. (a component unit of North Shore Community College) (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 14, 2021.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

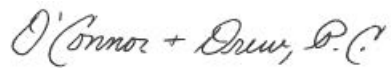
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

September 14, 2021