

**MASSACHUSETTS EDUCATION AND CAREER
OPPORTUNITIES, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

AND

INDEPENDENT AUDITOR'S REPORT

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Massachusetts Education and Career Opportunities, Inc.

Opinion

We have audited the financial statements of Massachusetts Education and Career Opportunities, Inc. (MassEdCO), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, 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 MassEdCO as of June 30, 2023 and 2022, 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). 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 MassEdCO 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.

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 MassEdCO's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In performing an audit in accordance with GAAS, 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 MassEdCO'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 MassEdCO'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.

Ballus Lynch, LLP

Worcester, Massachusetts
November 2, 2023

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 286,033	\$ 253,516
Federal grants receivable	359,547	302,950
Accounts receivable	-	7,756
Prepaid expenses	24,111	33,736
Investments	<u>847,807</u>	<u>666,288</u>
Total current assets	1,517,498	1,264,246
Property and equipment, net	72,694	92,073
Right of use assets for operating leases, net	<u>505,123</u>	<u>560,132</u>
Total assets	<u>\$ 2,095,315</u>	<u>\$ 1,916,451</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 408,263	\$ 333,886
Accrued and other liabilities	165,046	170,723
Deferred revenue	-	23,000
Current portion of lease liabilities for operating leases	<u>56,493</u>	<u>55,008</u>
Total current liabilities	629,802	582,617
Lease liabilities for operating leases, net of current portion	<u>448,630</u>	<u>505,124</u>
Total liabilities	<u>1,078,432</u>	<u>1,087,741</u>
Net assets		
Without donor restrictions	986,983	791,237
With donor restrictions	<u>29,900</u>	<u>37,473</u>
Total net assets	<u>1,016,883</u>	<u>828,710</u>
Total liabilities and net assets	<u>\$ 2,095,315</u>	<u>\$ 1,916,451</u>

See accompanying independent auditor's report and notes to financial statements.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions		
Revenue and other support		
Federal grants	\$ 3,945,816	\$ 3,547,954
Grants and contracts - other	20,000	97,115
Interest income	7,493	2,862
Sponsorships and contributions of financial assets	15,465	4,814
Contributions of nonfinancial assets	-	4,444
Special event revenue	13,647	5,000
Other	1,000	22,760
Net investment return	76,286	(68,333)
Gain on sale of property and equipment	201,979	-
Net assets released from restrictions		
Satisfaction of purpose restrictions	<u>19,073</u>	<u>104,964</u>
Total	<u>4,300,759</u>	<u>3,721,580</u>
Expenses		
Educational access programs	3,777,954	3,585,847
General and administrative	<u>327,059</u>	<u>289,484</u>
Total	<u>4,105,013</u>	<u>3,875,331</u>
Change in net assets without donor restrictions	<u>195,746</u>	<u>(153,751)</u>
Changes in net assets with donor restrictions		
Contributions of financial assets	11,500	53,500
Net assets released from restrictions		
Satisfaction of purpose restrictions	<u>(19,073)</u>	<u>(104,964)</u>
Change in net assets with donor restrictions	<u>(7,573)</u>	<u>(51,464)</u>
Change in net assets	188,173	(205,215)
Net assets, beginning of year	<u>828,710</u>	<u>1,033,925</u>
Net assets, end of year	<u><u>\$ 1,016,883</u></u>	<u><u>\$ 828,710</u></u>

See accompanying independent auditor's report and notes to financial statements.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Educational Access Programs					General &	
	Educational Opportunity Center	Talent Search	Gear Up	Other	Total	Administrative	Total
Salaries, wages and benefits	\$ 1,153,329	\$ 307,965	\$ 484,535	\$ 21,540	\$ 1,967,369	\$ 169,112	\$ 2,136,481
Payments to sub-grantees	373,980	84,744	1,009,032	-	1,467,756	-	1,467,756
Operations	112,008	25,599	95,847	990	234,444	65,749	300,193
Professional services	56,995	10,615	28,941	893	97,444	72,331	169,775
Insurance expense	6,342	1,634	2,841	124	10,941	8,534	19,475
Depreciation expense	-	-	-	-	-	10,024	10,024
Other expenses	-	-	-	-	-	1,309	1,309
Total expenses	1,702,654	430,557	1,621,196	23,547	3,777,954	327,059	4,105,013
Indirect cost allocation							
Federal grants	116,641	28,353	68,880	-	213,874	(213,874)	-
	<u>\$ 1,819,295</u>	<u>\$ 458,910</u>	<u>\$ 1,690,076</u>	<u>\$ 23,547</u>	<u>\$ 3,991,828</u>	<u>\$ 113,185</u>	<u>\$ 4,105,013</u>

See accompanying independent auditor's report and notes to financial statements.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Educational Access Programs					General &	
	Educational Opportunity Center	Talent Search	Gear Up	Other	Total	Administrative	Total
Salaries, wages and benefits	\$ 1,094,225	\$ 291,536	\$ 458,156	\$ 117,081	\$ 1,960,998	\$ 106,805	\$ 2,067,803
Payments to sub-grantees	352,181	98,250	870,438	-	1,320,869	-	1,320,869
Operations	150,822	20,638	34,509	8,931	214,900	95,967	310,867
Professional services	42,723	9,850	20,068	6,440	79,081	66,463	145,544
Insurance expense	5,692	1,428	2,283	596	9,999	7,019	17,018
Depreciation expense	-	-	-	-	-	12,216	12,216
Other expenses	-	-	-	-	-	1,014	1,014
Total expenses	1,645,643	421,702	1,385,454	133,048	3,585,847	289,484	3,875,331
Indirect cost allocation							
Federal grants	86,802	21,119	41,603	-	149,524	(149,524)	-
	<u>\$ 1,732,445</u>	<u>\$ 442,821</u>	<u>\$ 1,427,057</u>	<u>\$ 133,048</u>	<u>\$ 3,735,371</u>	<u>\$ 139,960</u>	<u>\$ 3,875,331</u>

See accompanying independent auditor's report and notes to financial statements.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 188,173	\$ (205,215)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,024	12,216
Amortization of right of use assets for operating leases	55,009	9,198
Net realized and unrealized investment (gains) losses	(53,779)	88,193
Gain on sale of property and equipment	(201,979)	-
(Increase) decrease in operating assets:		
Federal grants receivable	(56,597)	142,300
Accounts receivable	7,756	(2,239)
Prepaid expenses	9,625	(11,660)
Increase (decrease) in operating liabilities:		
Accounts payable	155,903	(22,586)
Accrued and other liabilities	(5,677)	(42,047)
Deferred revenue	(23,000)	23,000
Lease liabilities for operating leases	(55,009)	(9,198)
Net cash provided by (used in) operating activities	<u>30,449</u>	<u>(18,038)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(81,526)	-
Proceeds from sale of property and equipment	211,334	-
Purchases of investments	(127,740)	(22,396)
Net cash provided by (used in) investing activities	<u>2,068</u>	<u>(22,396)</u>
Net increase (decrease) in cash	32,517	(40,434)
Cash, beginning of year	<u>253,516</u>	<u>293,950</u>
Cash, end of year	<u><u>\$ 286,033</u></u>	<u><u>\$ 253,516</u></u>

See accompanying independent auditor's report and notes to financial statements.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Massachusetts Education and Career Opportunities, Inc. ("MassEdCO") provides access to educational and career opportunities that empower people from diverse backgrounds to achieve their potential.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MassEdCO prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by MassEdCO are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The financial statements of MassEdCO have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when MassEdCO obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, MassEdCO's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. MassEdCO's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of MassEdCO, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of MassEdCO may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; MassEdCO must continue to use the resources in accordance with the donor's instructions.

MassEdCO's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by MassEdCO, unless the donor provides more specific directions about the period of its use.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash

For purposes of these financial statements, MassEdCO considers all short-term investments with original maturities of three months or less to be cash equivalents.

MassEdCO maintains accounts at various financial institutions that are part of the Massachusetts Depositors Insurance Fund (DIF). Deposits are protected by FDIC/DIF insurance. FDIC insurance protects the first \$250,000 of cash deposits and DIF insures all deposits above that threshold. MassEdCO has not experienced any losses in such accounts. MassEdCO believes it is not exposed to any significant credit risk on cash.

Federal grants and accounts receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that all outstanding grants and accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leases

MassEdCO determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. MassEdCO also considers whether its service arrangements include the right to control the use of an asset.

MassEdCO recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of earnings.

MassEdCO made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, MassEdCO made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

MassEdCO has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its equipment asset class. The non-lease components typically represent additional services transferred to MassEdCO, such as maintenance, which are variable in nature and recorded in variable lease expense in the period incurred.

Investments

Investments, with the exception of annuity contract deposits, are reported at fair value. Annuity contract deposits are reported at contract value. Managed investments, which do not have readily determinable fair values, are carried at estimated fair values using the per-unit market value. Assets are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the period within which the transactions took place. Income is distributed based on the number of units subscribed to at the end of each month.

MassEdCO transferred funds to the Greater Worcester Community Foundation (“GWCF”) to establish a managed investment fund. MassEdCO has reserved the right to request a full distribution of the funds. The amounts transferred are included in net assets without donor restrictions.

The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Contributions of cash and other financial assets and grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of nonfinancial assets

MassEdCO receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If MassEdCO receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets MassEdCO's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

MassEdCO benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in MassEdCO's program operations. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. There were no services that met these criteria in 2023. Donated moving services of \$4,444 met these criteria in 2022.

Expense recognition and allocation

The cost of providing MassEdCO's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on time and effort activity reports prepared by all personnel.
- Occupancy is allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services and IT support miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.
- Insurance expense is allocated on the basis of direct operating costs for each program and supporting activity.
- Indirect expenses are charged to the programs funded by government grants based upon contract terms.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of MassEdCO.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. MassEdCO generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was \$613 and \$650 in 2023 and 2022, respectively.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-exempt status

MassEdCO is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to MassEdCO are tax deductible to donors under Section 170 of the IRC. MassEdCO is not classified as a private foundation.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 286,033	\$ 253,516
Federal grants receivable	359,547	302,950
Accounts receivable	-	7,756
Investments	<u>847,807</u>	<u>666,288</u>
Total financial assets available for general expenditures within one year	<u>\$ 1,493,387</u>	<u>\$ 1,230,510</u>

The above table does not reflect net assets with donor restrictions as unavailable for spending because the funds are restricted for MassEdCO's programs with no restrictions regarding the period of use. MassEdCO has the ability and intention to use these resources within one year.

MassEdCO regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, MassEdCO has various sources of liquidity at its disposal, including a line of credit. See Note 7 for information about MassEdCO's line of credit. Further, MassEdCO operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

4 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	<u>Estimated Useful Lives</u>	<u>2023</u>	<u>2022</u>
Building	14 years	\$ -	\$ 221,548
Building improvements	3 - 14 years	-	131,419
Computer and office equipment	3 - 7 years	5,000	57,250
Leasehold improvements	Lease term	<u>81,526</u>	<u>81,526</u>
		86,526	491,743
Less: Accumulated depreciation		<u>13,832</u>	<u>399,670</u>
		<u>\$ 72,694</u>	<u>\$ 92,073</u>

Depreciation expense was \$10,024 and \$12,216 in 2023 and 2022, respectively.

In August 2022, the Worcester Redevelopment Authority ("WRA") purchased three condominium units owned by MassEdCO as part of the WRA's Downtown Urban Revitalization Plan. The net proceeds from the sale were \$211,334, resulting in a gain of \$201,979.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS

Investments are composed of the following:

	<u>2023</u>	<u>2022</u>
Investments at fair value		
Mutual funds		
Equity based	\$ 444,949	\$ 312,385
Fixed income	204,326	162,395
Managed investments	<u>19,326</u>	<u>17,535</u>
	668,601	492,315
Investments at contract value		
Annuity contract deposits	<u>179,206</u>	<u>173,973</u>
	<u>\$ 847,807</u>	<u>\$ 666,288</u>

The net investment return for 2023 and 2022 is composed of the following:

	<u>2023</u>	<u>2022</u>
Investment income	\$ 22,507	\$ 19,860
Net realized and unrealized investment gains (losses)	<u>53,779</u>	<u>(88,193)</u>
	<u>\$ 76,286</u>	<u>\$ (68,333)</u>

MassEdCO entered into an annuity contract with MassMutual Financial Group, a AAA rated insurance company, in August 2009. MassEdCO made an initial contract deposit of \$220,754. Per the terms of the contract, MassEdCO will earn a guaranteed minimum interest rate of 2% for the first 10 years and 3% thereafter. As of August 2014, funds can be withdrawn at any point by MassEdCO.

6 - GRANTS

Federal

MassEdCO received funding of five grants from the Department of Education for \$4,459,290 in 2023. The grants are subject to certain spending restrictions and are to be applied over annual fiscal periods beginning in September and October of each year. Total funds expended with regard to these grants were \$3,945,816 in 2023, including unexpended funds of \$1,073,403 as of June 30, 2022. The unexpended balance of \$1,586,877 represents funds available for periods after fiscal year ended June 30, 2023.

MassEdCO is supported primarily through federal grants and programs. Approximately 92% and 97% of MassEdCO's support came from federal grants in 2023 and 2022, respectively. A significant reduction in the level of any of this support and revenue, if this were to occur, may have an adverse effect on MassEdCO's programs and services.

Other grants and contributions

Other grants and contributions totaling \$31,500 were received from private foundations and non-federal government agencies for various educational purposes in 2023. The grants are subject to spending restrictions. Total funds expended with regard to these grants were \$39,073 in 2022, including unexpended funds of \$37,473 as of June 30, 2022. The unexpended balance of \$29,900 represents funds available for periods after fiscal year ended June 30, 2023.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - NOTE PAYABLE

MassEdCO has a \$300,000 line of credit with a bank. The line of credit is unsecured. Interest is charged at the prime rate (8.25% as of June 30, 2023). There were no amounts outstanding on this line of credit as of June 30, 2023 and 2022. MassEdCO has agreed to various affirmative and financial covenants.

8 - LEASES

MassEdCO leases its administrative office and certain office equipment through operating lease agreements ranging from three to ten years. The administrative office lease includes a five-year renewal period and an early termination clause in the event of a substantial decrease in the amount of federal funding received by MassEdCO. These options are not included in the lease term and are not reflected in the right of use asset or lease liability, as MassEdCO is not currently able to determine whether it is reasonably certain that either option will be exercised.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in operations expense on the statement of functional expenses. Lease expense was \$70,438 and \$9,198 in 2023 and 2022, respectively.

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Real estate	\$ 547,665	\$ 547,665
Office equipment	<u>21,665</u>	<u>21,665</u>
	569,330	569,330
Less: Accumulated amortization	<u>64,207</u>	<u>9,198</u>
Right-of-use assets for operating leases, net	<u>\$ 505,123</u>	<u>\$ 560,132</u>
Weighted-average remaining lease term	8.67 years	9.68 years
Weighted-average discount rate	2.90%	2.87%

Future undiscounted cash flows and a reconciliation to the operating lease liabilities recognized on the statement of financial position are as follows as of June 30, 2023:

2024	\$ 70,438
2025	66,417
2026	63,123
2027	63,123
2028	63,123
Thereafter	<u>247,232</u>
Total minimum lease payments	573,456
Less: Amount representing interest	<u>68,333</u>
Present value of minimum lease payments	<u>\$ 505,123</u>

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - LEASES (Continued)

Supplemental cash flow information related to leases is as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	\$ 70,438	\$ 9,198
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ -	\$ 569,330

9 - NON-CASH DONATIONS

During fiscal 2007, MassEdCO received a non-cash donation of an office condominium unit. MassEdCO was not able to estimate the extent of the marketing period or the ultimate disposition price of this asset at the time of donation and no contribution revenue was recognized for this donation. During 2023, the condominium unit was purchased by the WRA. See Note 4 for additional information related to the sale of the property.

10 - PENSION PLAN

MassEdCO has a defined contribution plan for certain employees. Contributions to the plan are based on a percentage of payroll. Contributions were \$146,964 and \$111,571 in 2023 and 2022, respectively.

11 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Cook Memorial Scholarship	<u>\$ 29,900</u>	<u>\$ 37,473</u>

During 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Purpose restrictions		
On Our Way Program	\$ 9,000	\$ 50,293
Educational Opportunity Centers	-	10,000
Talent Search	2,500	29,922
Cook Memorial Scholarship	<u>7,573</u>	<u>14,749</u>
	<u>\$ 19,073</u>	<u>\$ 104,964</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

12 - FAIR VALUE MEASUREMENTS

MassEdCO reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, MassEdCO measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that MassEdCO is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in MassEdCO's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2023.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by MassEdCO are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by MassEdCO are deemed to be actively traded.

Managed investments: MassEdCO estimates the fair value of managed investments based on the per-unit market value of the pooled funds as calculated and reported by GWCF. MassEdCO has evaluated the valuation policies of GWCF and the reported value of its holdings as of the balance sheet date and believes that the reported value is reasonable and reflects the value at which MassEdCO can redeem its holdings. Classification within the fair value hierarchy is based on the existence of restrictions on MassEdCO's ability to direct the underlying investments of the pooled funds.

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 MassEdCO 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.

MASSACHUSETTS EDUCATION AND CAREER OPPORTUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

MassEdCO's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2023 as follows:

	June 30, 2023			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual funds	\$ 649,275	\$ -	\$ -	\$ 649,275
Managed investments	-	-	19,326	19,326
Total investments at fair value	<u>\$ 649,275</u>	<u>\$ -</u>	<u>\$ 19,326</u>	<u>\$ 668,601</u>

MassEdCO's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2022 as follows:

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual funds	\$ 474,780	\$ -	\$ -	\$ 474,780
Managed investments	-	-	17,535	17,535
Total investments at fair value	<u>\$ 474,780</u>	<u>\$ -</u>	<u>\$ 17,535</u>	<u>\$ 492,315</u>

There were no transfers between levels or purchases or sales of Level 3 assets during the year.

MassEdCO does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

13 - CONCENTRATIONS OF RISK

MassEdCO's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. Further, because of the significance of the investments to MassEdCO's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 2, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.