

**COLLEGES OF WORCESTER CONSORTIUM, INC.**

***FINANCIAL STATEMENTS***

***YEARS ENDED JUNE 30, 2010 AND 2009***

***(WITH INDEPENDENT AUDITOR'S REPORT)***

COLLEGES OF WORCESTER CONSORTIUM, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Colleges of Worcester Consortium, Inc.

We have audited the accompanying statements of financial position of the Colleges of Worcester Consortium, Inc. (the "Consortium") as of June 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit's in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit's provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium as of June 30, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bollus Lynch, LLP*

Worcester, Massachusetts  
October 8, 2010

COLLEGES OF WORCESTER CONSORTIUM, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| Assets   |                     |                     |
| Current assets   |                     |                     |
| Cash and cash equivalents  | \$ 679,014          | \$ 1,117,951        |
| Federal grants receivable  | 514,376             | 517,492             |
| Accounts receivable, net of allowance of<br>\$1,451 in 2010 and 2009 | 20,140              | 37,257              |
| Prepaid expense  | <u>31,142</u>       | <u>35,570</u>       |
| Total current assets   | 1,244,672           | 1,708,270           |
| Property and equipment, net  | 195,991             | 221,692             |
| Annuity contract deposits  | <u>226,284</u>      | <u>-</u>            |
| Total assets   | <u>\$ 1,666,947</u> | <u>\$ 1,929,962</u> |
| Liabilities and Net Assets   |                     |                     |
| Liabilities  |                     |                     |
| Accounts payable   | \$ 277,146          | \$ 381,990          |
| Accrued and other liabilities  | 180,136             | 132,089             |
| Deferred revenue   | 200                 | 5,080               |
| Grant funds received in advance                                      | <u>309,918</u>      | <u>551,841</u>      |
| Total current liabilities  | <u>767,400</u>      | <u>1,071,000</u>    |
| Net assets   |                     |                     |
| Unrestricted   | 899,547             | 855,962             |
| Temporarily restricted   | <u>-</u>            | <u>3,000</u>        |
| Total net assets   | <u>899,547</u>      | <u>858,962</u>      |
| Total liabilities and net assets                                     | <u>\$ 1,666,947</u> | <u>\$ 1,929,962</u> |

See accompanying notes to financial statements

COLLEGES OF WORCESTER CONSORTIUM, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

|  | <u>2010</u>       | <u>2009</u>       |
|--|-------------------|-------------------|
| Changes in unrestricted net assets           |                   |                   |
| Revenue and other support                    |                   |                   |
| Federal grants                               | \$ 2,971,200      | \$ 3,232,301      |
| Membership dues and fees                     | 731,545           | 796,929           |
| Grants and contracts - other                 | 158,963           | 186,198           |
| Interest income                              | 30,851            | 32,601            |
| Sponsorships                                 | 40,300            | 55,100            |
| Other  | 81,310            | 80,899            |
| Net assets released from restrictions        |                   |                   |
| Satisfaction of purpose restrictions         | <u>3,000</u>      | <u>27,000</u>     |
| Total  | <u>4,017,169</u>  | <u>4,411,028</u>  |
| Expenses                                     |                   |                   |
| Programs                                     |                   |                   |
| Consortium                                   | 666,220           | 916,360           |
| Educational access                           | 2,967,762         | 3,205,836         |
| General and administrative                   | <u>339,602</u>    | <u>350,805</u>    |
| Total  | <u>3,973,584</u>  | <u>4,473,001</u>  |
| Change in unrestricted net assets            | <u>43,585</u>     | <u>(61,973)</u>   |
| Changes in temporarily restricted net assets |                   |                   |
| Contributions                                | -                 | 3,000             |
| Net assets released from restrictions        |                   |                   |
| Satisfaction of purpose restrictions         | <u>(3,000)</u>    | <u>(27,000)</u>   |
| Change in temporarily restricted net assets  | <u>(3,000)</u>    | <u>(24,000)</u>   |
| Change in net assets                         | 40,585            | (85,973)          |
| Net assets, beginning of year                | <u>858,962</u>    | <u>944,935</u>    |
| Net assets, end of year                      | <u>\$ 899,547</u> | <u>\$ 858,962</u> |

See accompanying notes to financial statements

COLLEGES OF WORCESTER CONSORTIUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

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|                              | Consortium                    |                           |                      |                   | Educational Access             |                   |                     |                   |                     | General & Administrative | Total               |
|------------------------------|-------------------------------|---------------------------|----------------------|-------------------|--------------------------------|-------------------|---------------------|-------------------|---------------------|--------------------------|---------------------|
|                              | Academic Cooperation Services | Academic Support Services | Information Services | Total             | Educational Opportunity Center | Talent Search     | Gear Up             | Other             | Total               |                          |                     |
| Salaries, wages and benefits | \$ 213,779                    | \$ 127,098                | \$ 27,879            | \$ 368,756        | \$ 340,262                     | \$ 141,717        | \$ 354,857          | \$ 128,827        | \$ 965,663          | \$ 204,276               | \$ 1,538,695        |
| Payments to sub-grantees     | -                             | -                         | -                    | -                 | 676,466                        | 142,610           | 1,028,920           | 9,670             | 1,857,666           | -                        | 1,857,666           |
| Operations                   | 39,965                        | 224,365                   | 7,508                | 271,838           | 41,607                         | 12,311            | 66,126              | 5,034             | 125,078             | 95,720                   | 492,636             |
| Professional services        | 21,531                        | -                         | -                    | 21,531            | 5,000                          | 1,000             | 6,378               | -                 | 12,378              | 9,097                    | 43,006              |
| Insurance expense            | 1,673                         | 2,219                     | 203                  | 4,095             | 2,328                          | 948               | 2,822               | 879               | 6,977               | 4,713                    | 15,785              |
| Depreciation expense         | -                             | -                         | -                    | -                 | -                              | -                 | -                   | -                 | -                   | 25,701                   | 25,701              |
| Other expenses               | -                             | -                         | -                    | -                 | -                              | -                 | -                   | -                 | -                   | 95                       | 95                  |
| <b>Total expenses</b>        | <b>276,948</b>                | <b>353,682</b>            | <b>35,590</b>        | <b>666,220</b>    | <b>1,065,663</b>               | <b>298,586</b>    | <b>1,459,103</b>    | <b>144,410</b>    | <b>2,967,762</b>    | <b>339,602</b>           | <b>3,973,584</b>    |
| Indirect cost allocation     |                               |                           |                      |                   |                                |                   |                     |                   |                     |                          |                     |
| Federal grants               | -                             | -                         | -                    | -                 | 50,156                         | 15,745            | 47,220              | -                 | 113,121             | (113,121)                | -                   |
|                              | <u>\$ 276,948</u>             | <u>\$ 353,682</u>         | <u>\$ 35,590</u>     | <u>\$ 666,220</u> | <u>\$ 1,115,819</u>            | <u>\$ 314,331</u> | <u>\$ 1,506,323</u> | <u>\$ 144,410</u> | <u>\$ 3,080,883</u> | <u>\$ 226,481</u>        | <u>\$ 3,973,584</u> |

See accompanying notes to financial statements

COLLEGES OF WORCESTER CONSORTIUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

|                              | Consortium                    |                           |                      |                   | Educational Access             |                   |                     |                   |                     | General & Administrative | Total               |
|------------------------------|-------------------------------|---------------------------|----------------------|-------------------|--------------------------------|-------------------|---------------------|-------------------|---------------------|--------------------------|---------------------|
|                              | Academic Cooperation Services | Academic Support Services | Information Services | Total             | Educational Opportunity Center | Talent Search     | Gear Up             | Other             | Total               |                          |                     |
| Salaries, wages and benefits | \$ 270,494                    | \$ 135,612                | \$ 92,508            | \$ 498,614        | \$ 260,501                     | \$ 121,822        | \$ 347,663          | \$ 110,695        | \$ 840,681          | \$ 201,620               | \$ 1,540,915        |
| Payments to sub-grantees     | -                             | -                         | -                    | -                 | 711,314                        | 154,554           | 1,238,413           | 11,233            | 2,115,514           | -                        | 2,115,514           |
| Operations                   | 54,607                        | 254,289                   | 11,470               | 320,366           | 46,372                         | 16,743            | 152,990             | 6,612             | 222,717             | 121,747                  | 664,830             |
| Professional services        | 85,884                        | 6,448                     | -                    | 92,332            | 1,900                          | 1,900             | 16,867              | -                 | 20,667              | 6,475                    | 119,474             |
| Insurance expense            | 2,273                         | 2,264                     | 511                  | 5,048             | 1,569                          | 774               | 3,192               | 722               | 6,257               | 5,859                    | 17,164              |
| Depreciation expense         | -                             | -                         | -                    | -                 | -                              | -                 | -                   | -                 | -                   | 15,061                   | 15,061              |
| Other expenses               | -                             | -                         | -                    | -                 | -                              | -                 | -                   | -                 | -                   | 43                       | 43                  |
| Total expenses               | 413,258                       | 398,613                   | 104,489              | 916,360           | 1,021,656                      | 295,793           | 1,759,125           | 129,262           | 3,205,836           | 350,805                  | 4,473,001           |
| Indirect cost allocation     |                               |                           |                      |                   |                                |                   |                     |                   |                     |                          |                     |
| Federal grants               | -                             | -                         | -                    | -                 | 45,343                         | 14,977            | 55,200              | -                 | 115,520             | (115,520)                | -                   |
|                              | <u>\$ 413,258</u>             | <u>\$ 398,613</u>         | <u>\$ 104,489</u>    | <u>\$ 916,360</u> | <u>\$ 1,066,999</u>            | <u>\$ 310,770</u> | <u>\$ 1,814,325</u> | <u>\$ 129,262</u> | <u>\$ 3,321,356</u> | <u>\$ 235,285</u>        | <u>\$ 4,473,001</u> |

See accompanying notes to financial statements

COLLEGES OF WORCESTER CONSORTIUM, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

|  | <u>2010</u>       | <u>2009</u>         |
|--|-------------------|---------------------|
| Cash flows from operating activities:  |                   |                     |
| Change in net assets   | \$ 40,585         | \$ (85,973)         |
| Adjustments to reconcile change in net assets to<br>net cash provided by (used in) operating activities: |                   |                     |
| Depreciation   | 25,701            | 15,061              |
| (Increase) decrease in operating assets:   |                   |                     |
| Federal grants receivable  | 3,116             | (90,650)            |
| Accounts receivable  | 17,117            | 587,855             |
| Prepaid expense  | 4,428             | (1,624)             |
| Increase (decrease) in operating liabilities:  |                   |                     |
| Accounts payable   | (104,844)         | (79,698)            |
| Accrued and other liabilities  | 48,047            | (30,517)            |
| Deferred revenue   | (4,880)           | (626,821)           |
| Grant funds received in advance  | (241,923)         | (364,388)           |
|  | <u>(212,653)</u>  | <u>(676,755)</u>    |
| Net cash used in operating activities  |                   |                     |
| Cash flows from investing activities:  |                   |                     |
| Expenditures for property and equipment  | -                 | (15,944)            |
| Annuity contract deposits  | (226,284)         | -                   |
|  | <u>(226,284)</u>  | <u>(15,944)</u>     |
| Net cash used in investing activities  |                   |                     |
| Net decrease in cash   | (438,937)         | (692,699)           |
| Cash and cash equivalents, beginning of year   | <u>1,117,951</u>  | <u>1,810,650</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 679,014</u> | <u>\$ 1,117,951</u> |

See accompanying notes to financial statements

COLLEGES OF WORCESTER CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Colleges of Worcester Consortium, Inc. (the "Consortium") was organized to explore and effect ways to broaden and enrich academic programs for faculties and students; expand continuing educational opportunities and public service activities; and to effect fiscal efficiency through comprehensive cooperative purchasing programs and information management systems (primarily in Central Massachusetts). The Consortium is supported primarily through federal grants, programs and assessments. Approximately 74% and 73% for 2010 and 2009, respectively, of the Consortium's support came from federal grants.

Method of accounting

The financial statements of the Consortium have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Consortium 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 in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Consortium has evaluated the financial statement impact of subsequent events occurring through October 8, 2010, the date that the financial statements were available to be issued.

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Consortium 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 Consortium and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Consortium. Generally, the donors of these assets permit the Consortium to use all or part of the income earned on any related investments for general or specific purposes.

Concentration of credit risk

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

The Consortium maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Consortium has not experienced any losses in such accounts. The Consortium believes it is not exposed to any significant credit risk on cash.

COLLEGES OF WORCESTER CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received

Allocation of expenses

Direct project expenses are charged to the specific project. Overhead expenditures are allocated to the various projects based upon management's estimate of the percentage of general and administrative costs attributable to each project. Indirect expenses are charged to the projects funded by government grants based upon contract terms.

2 - PROPERTY AND EQUIPMENT

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

|                                | Estimated<br>Useful Lives | 2010              | 2009              |
|--------------------------------|---------------------------|-------------------|-------------------|
| Building                       | 25 years                  | \$ 221,548        | \$ 221,548        |
| Building improvements          | 3 - 10 years              | 60,845            | 60,845            |
| Computer and office equipment  | 3 - 7 years               | 74,108            | 74,108            |
|                                |                           | 356,501           | 356,501           |
| Less: accumulated depreciation |                           | 160,510           | 134,809           |
|                                |                           | <u>\$ 195,991</u> | <u>\$ 221,692</u> |

Depreciation expense for property and equipment was \$25,701 and \$15,061 in 2010 and 2009, respectively.

3 - ANNUITY CONTRACT DEPOSITS

The Consortium entered into an annuity contract with MassMutual Financial Group, a AAA rated insurance company, in August 2009. The Consortium made an initial contract deposit of \$220,754. Per the terms of the contract, the Consortium will earn a guaranteed minimum interest rate of 2% for the first 10 years and 3% thereafter. Funds can be withdrawn at any point by the Consortium, however certain withdrawals within the first five years of the issue date of the contract, are subject to surrender charges. The agreement is carried at contract value in the financial statements.

COLLEGES OF WORCESTER CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - GRANTS

Federal

The Consortium received funding of three grants from the Department of Education for \$2,697,664 and \$2,737,056 in 2010 and 2009, respectively. The grants are subject to certain spending restrictions and are to be applied over annual fiscal periods beginning in September of each year. Total funds expended with regard to these grants were \$2,936,472 and \$3,192,094 in 2010 and 2009, respectively. Unexpended balances of \$834,282 and \$1,065,228 represent funds available for periods after fiscal year end June 30, 2010 and 2009, respectively. Cash from federal grants is in a separate account as required.

Other

Other grants and contracts totaling \$158,963 and \$147,198 were received from private foundations and state agencies for various educational purposes in 2010 and 2009, respectively. The grants are subject to spending restrictions. Total funds expended with regard to these grants were \$144,410 and \$129,262 in 2010 and 2009, respectively. The unspent balances of \$41,393 and \$26,840 represent funding available for periods after fiscal years end June 30, 2010 and 2009, respectively.

5 - NOTE PAYABLE, BANK

The Consortium has a \$300,000 line of credit with a bank secured by substantially all assets of the Consortium. Interest is charged at the prime rate. There were no amounts outstanding on this line of credit as of June 30, 2010 and 2009. The Consortium has agreed to various affirmative and financial covenants.

6 - NON-CASH DONATIONS

During fiscal 2007, the Consortium received a non-cash donation of an office condominium. Presently, the Consortium is not able to estimate the extent of the marketing period or the ultimate disposition price. Due to this situation, combined with the existence of condominium fees and other executory costs being incurred during the marketing period, the Consortium believes it is not currently able to estimate the fair value of this donated property. As such, the financial statements do not include any contribution revenue associated with this donation. The Consortium is currently leasing certain floors of the condominium on a tenant-at-will basis.

7 - PENSION PLAN

The Consortium has a defined contribution plan for certain administrative employees. Contributions to the plan are based on a percentage of payroll. Contributions were \$90,681 and \$91,167 in 2010 and 2009, respectively. The employer contribution will be put on hold starting in July 2010.

8 - TAX-EXEMPT STATUS

The Consortium qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Consortium has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Consortium's statements of financial position, or the related statements of activities, or cash flows. The Consortium files income tax returns in the U.S. federal jurisdiction. The Consortium is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007.