



**AND AFFILIATE**

**COMBINED BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

# COMMONWEALTH CORPORATION AND AFFILIATE

Contents  
June 30, 2025 and 2024

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	<u>Pages</u>
<b>Independent Auditor's Report</b> .....	1 - 1A
<b>Management's Discussion and Analysis</b> .....	2 - 8
<b>Combined Basic Financial Statements:</b>	
Combined Statements of Net Position .....	9
Combined Statements of Revenues, Expenses and Changes in Net Position .....	10
Combined Statements of Cash Flows .....	11
Notes to Combined Basic Financial Statements .....	12 - 22

## Independent Auditor's Report

To the Boards of Directors of  
Commonwealth Corporation and Affiliate:

### **Opinion**

We have audited the combined financial statements of the business-type activities of Commonwealth Corporation, a component unit of the Commonwealth of Massachusetts, and its blended component unit of Commonwealth Corporation Foundation (a Massachusetts corporation, not for profit) (collectively, the Agency) as of and for the years then ended June 30, 2025 and 2024, and the related notes to the combined financial statements, which collectively comprise the Agency's combined basic financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the respective combined financial position of the business-type activities of Commonwealth Corporation and its blended component unit of Commonwealth Corporation Foundation as of June 30, 2025 and 2024, and the respective changes in their net position and their 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 the Agency 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 these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for the twelve months beyond the combined financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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 combined financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements (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 combined 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 combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 2 through 8 be presented to supplement the combined basic financial statements. Such information, although not a part of the combined basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*AAFCPA, Inc.*

Boston, Massachusetts  
February 10, 2026

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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This Management's Discussion and Analysis provides an overview of the Commonwealth Corporation (the Corporation) and Affiliate's (collectively, the Agency) financial activities for the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the Agency's combined basic financial statements and related footnotes, which begin on page 12.

### Description of Major Programs by Division

The Corporation designs and executes workforce development programs for youth and adults in partnership with businesses, training providers, and other community partners across the Commonwealth of Massachusetts (the Commonwealth). These programs address persistent workforce challenges – such as the skills gap for targeted industries and populations – with sensitivity to regional and economic differences.

The Corporation envisions a world where meaningful employment can lead to upward mobility for all. Its strategy is to invest in the development of regional training partnerships among businesses, education, and workforce organizations in high demand and emerging industry sectors, as well as workforce programs for youth that combine work and learning. The Corporation's vision and strategy are advanced through grant-making, technical assistance, and research and evaluation activities. In partnership with the Massachusetts Executive Office of Labor and Workforce Development, it strives to inform policy and the development and dissemination of tools, resources, and models that enhance service delivery and performance for workforce development programs in Massachusetts.

The Corporation invests in programs in three primary areas:

- Preparing and connecting unemployed and underemployed individuals to in-demand jobs.
- Providing work readiness skills, work experience, and employment opportunities for youth, young adults with disabilities, and justice-impacted populations.
- Upgrading the skills of incumbent workers, so that Massachusetts businesses can improve their competitiveness.

Commonwealth Corporation Foundation:

The Corporation provides oversight of the Commonwealth Corporation Foundation (the Foundation). The Foundation, a Massachusetts registered 501(c)(3) nonprofit organization, was created to support the work of the Corporation and Workforce Development in the Commonwealth as a whole. The Foundation is included in the audited combined basic financial statements presented in this report. Work continued on Governor Healey's Inter Agency Task Force on Child Care and Early Education, culminating in a final report provided to the Legislature in January 2025. In addition to this work, the Foundation engaged in two key funding initiatives during fiscal year 2025. First, the Foundation collaborated with an Early Education funding consortium to allocate financial resources to the Executive Office of Administration and Finance (A&F). These funds were used to contract a consultant for a nine-month period, aimed at advancing implementation of the State Task Force's recommendations. This contract concluded in December 2025.

Second, the Foundation is serving as the fiscal administrator for a grant program funded jointly by the GE Vernova Foundation and operated in partnership with the Executive Office of Education (EOE). This program supports the deployment of Clean Energy trainers in participating the Corporation's Career Technical Institute (CTI) schools. The grant program has a defined end date of June 2026.

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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### Description of Major Programs (Continued)

The following major programs are being administered:

- **The Workforce Training Fund Program (WTFP)**, which helps Massachusetts businesses address productivity and competitiveness by providing them with resources to upgrade the skills of their employees. The grant program is funded through quarterly assessments on Massachusetts unemployment insurance contributions. Assessments accumulate in a trust fund to be distributed to businesses in the form of training grants. In fiscal year 2025, funds were awarded in two programs: (1) General Program - 112 training grants involving 133 businesses, for a total awarded amount of \$9.4 million to train 7,324 workers; and (2) Express Program - 2,399 training grants involving 1,484 small businesses, for a total awarded amount of \$14.6 million to train 13,740 employees.
- **The Workforce Competitiveness Trust Fund (WCTF)**, invests in demand-driven, industry/sector partnerships that train and place unemployed and underemployed workers. Grants are awarded to a consortia of workforce training providers, employers, and other regional partners, and are focused on high-need occupations across Massachusetts. WCTF programs serve individuals across the Commonwealth whose life experiences and circumstances make it difficult for them to succeed in employment without targeted support. WCTF grants awarded since 2023 are projected to train over 8,500 unemployed, underemployed, and incumbent workers. During fiscal year 2025, with targeted funding from the state budget, WCTF also introduced two specific grant opportunities to serve English for Speakers of Other Languages (ESOL) with vocational and job-readiness training plus wraparound supports.
- **Career Technical Initiative (CTI)** is a program designed to address the persistent demand for skilled workers in the construction/trades and manufacturing sector. The goal is to transform vocational high schools into Career Technical Institutes, running three shifts per day to expand enrollment of high school students and adults. The Corporation manages grant funding provided to the vocational schools to provide adult training programs. CTI grants awarded since 2023 are projected to train over 6,090 unemployed and underemployed individuals.
- **YouthWorks** is an at-risk youth program that represents a \$23 million state budget appropriation to provide subsidized employment and work-readiness training for low-income youth (ages 14-25) in more than thirty cities and towns across Massachusetts. The Corporation's staff works with workforce boards, career centers and their community providers to organize and structure summer and year-round employment, and work-based learning and career pathway skills training opportunities for more than 4,500 youth each year. **Signal Success** is a work readiness and career exploration curriculum developed by Corporation staff on the Youth Pathways team and is aimed at improving long-term employment outcomes for young people.
- The Corporation is under contract to deliver workforce transition services to all youth who are committed to the Commonwealth's **Department of Youth Services (DYS)**. The work helps ensure that youth and teens committed to **DYS** have access to high-quality education and employability opportunities. Corporation staff helped design core standards that define educational quality in **DYS'** residential programs, and support programs in meeting these standards through assessment and technical assistance. Corporation staff also play a key role in organizing the employment and career services system for all **DYS** committed youth across **DYS** departments, non-contracted nonprofit partners, and contracted nonprofits.

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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### Description of Major Programs (Continued)

- **The Safe and Successful Youth Initiative (SSYI)** is a multi-faceted effort led by the Executive Office of Health and Human Services (EOHHS) to reduce youth violence in Massachusetts. The program seeks to engage young men and women aged seventeen to twenty-four who have been identified by local law enforcement as 'proven risk', or at the highest risk for being perpetrators and/or victims of violence. EOHHS provides funding to fourteen cities to implement a coordinated intervention strategy that includes identification of potential participants by law enforcement, constant outreach and in-reach to incarcerated individuals, trauma counseling, and case management support as well as education, employability and transitional employment services. The Corporation is under contract to provide program management and deliver technical assistance to the fourteen SSYI communities. Our staff works to ensure that state monies are spent according to budget, local partners are providing evidence-based services, provide professional development, and that supports each community in collecting and reporting data that document services and outcomes.
- **Demonstration Workforce Development Re-Entry Program (Re-Entry Program)** is a justice-focused initiative. The purpose of this program is to support the development and implementation of programs to enhance worker skills, incomes, productivity, and retention and to increase the quality and competitiveness of Massachusetts companies. Re-Entry programs serve men and women across the Commonwealth who are returning to the community from incarceration. The program participants are individuals between two months pre-release and twelve months post-release who need intensive support so they can successfully gain skills and meaningful industry-focused employment.

### The Combined Statements of Net Position (Page 9)

The combined statements of net position show comparative financial data from June 30, 2025 and 2024, and include all assets and liabilities of the Agency, as a whole. Additionally, these statements report total net position and the changes in net position.

- **Total Assets** in the amount of \$102.5 million increased by \$24.9 million from the previous year's total of \$77.6 million:
  - Cash and cash equivalents in the amount of \$73.2 million increased by \$9.5 million from last year's \$63.7 million.
    - Cash for operations is deposited in a bank account and includes non-interest-bearing checking accounts and an interest-bearing operations/sweep account.
    - The Agency has substantial cash balances as a result of contract advances.
  - Grants, contracts and other receivables in the amount of \$26.7 million increased by \$15.5 million from last year's \$11.2 million.
  - Right-to-use assets, net relates largely to the Agency's facilities lease and decreased by \$265,765 due to amortization.
  - Subscriptions assets, net relates to certain software contracts and increased to \$243,990 during fiscal year 2025.
  - Capital assets, net consist largely of office and computer equipment, decreased by approximately \$38,000 due to depreciation.

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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### The Combined Statements of Net Position (Page 9) (Continued)

- **Total Liabilities and Net Position** increased by \$24.9 million.
  - Grants and other payables increased by approximately \$142 thousand from approximately \$7.7 million as of June 30, 2024, to approximately \$7.8 million as of June 30, 2025.
  - Lease liability relates to the right-to-use assets and decreased by approximately \$247,000.
  - Subscription liability relates to the subscription assets and increased by to \$243,990 during fiscal year 2025.
  - Accrued contract expenses totaled \$7 million, a decrease of \$5.4 million compared to \$12.4 million last year.
  - Deferred revenue totaled \$78.5 million; an increase of \$26.3 million compared to \$52.2 million last year and consists of cash received on contracts in advance of expenditures.
  - The Net Position balance of approximately \$5.9 million represents an approximate increase of \$3.9 million from last year's balance of approximately \$2 million. The total Net Position balance consists of unrestricted net position of \$3,217,609 and \$1,467,986; restricted net position of \$2,477,692 and \$302,805; and invested in capital assets of \$170,443 and \$208,420 as of June 30, 2025 and 2024, respectively.

### The Combined Statements of Revenues, Expenses and Changes in Net Position (Page 10)

The combined statements of revenues, expenses and changes in net position account for two basic fund groups:

- **Unrestricted Funds:** This fund group is unrestricted in nature, and the related assets have no external restrictions imposed upon their use.
  - **General Fund:** This component accounts for unrestricted financial activity that is not specific to other funds.
  - **Indirect Cost Pools:** This component includes costs that are not identifiable with a particular cost objective but are necessary for the general operation of the Agency. The Agency's four indirect cost pools are Corporate General and Administrative (G&A); Field (Subrecipient contracts) G&A; Facilities/Occupancy and Information Technology.
- **Restricted Grants and Contract Funds:** This fund group includes resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms and conditions, and donor/foundation requirements. The vast majority of funds received by the Agency are restricted by nature.

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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### The Combined Statements of Revenues, Expenses and Changes in Net Position (Page 10) (Continued)

#### Operating Revenues and Expenses

Fiscal year 2025 shows a \$1 million increase in revenue and a \$2.7 million decrease in expenditures from fiscal year 2024. Annual revenue and expenditures totaled \$100.8 million and \$96.9 million, respectively, for the year ended June 30, 2025.

- Operating Revenues
  - There are two ways revenue is billed for and received: (1) expenditures have been incurred and billing takes place on a cost reimbursement basis; or (2) no expenditures have been incurred yet and billing takes place on an advance basis. Any grants and contracts revenue received in advance will be deferred and will not be recognized until an actual expense has occurred. Revenue each year will be recognized as part of a balanced budget (i.e. budget revenue will match budget expenses and actual fiscal year expenses incurred by the fund will match total revenue recognized by the fund).
  - Interest income totaled approximately \$3 million. Interest earned on assets is distributed on a prorated cash balance basis.
- Operating Expenses
  - Salaries and wages in the amount of \$7 million increased by approximately \$273,000 as compared to last year's total of \$6.7 million. This increase is due to cost-of-living increases and promotions.
  - Payroll taxes and fringe benefits increased by approximately \$81,000.
  - Professional services in the amount of \$2 million increased by approximately \$648,000 as compared to last year's total of \$1.4 million.
  - Other program costs of approximately \$66,000 include program supplies, stipends, and program start-up costs.
  - Subrecipient contracts in the amount of \$84.1 million decreased by \$3.6 million as compared to last year's total of \$87.7 million.
  - Meetings, conferences, and travel increase by a combined \$46,000.

The table below compares current and last year subrecipient expenditures:

<u>Fund Description</u>	<u>2025</u>	<u>2024</u>	<u>Change</u>
Workforce Training Fund Program	\$ 25,176,394	\$ 27,854,322	\$ (2,677,928)
YouthWorks	19,102,719	31,422,801	(12,320,082)
Workforce Competitiveness Trust Fund	22,688,074	12,288,480	10,399,594
Other ARPA Funded Programs	239,449	2,195,927	(1,956,478)
Career Technical Initiative	12,328,041	9,209,973	3,118,068
Re-Entry	2,218,718	2,217,964	754
Department of Youth Services	1,612,919	1,585,411	27,508
Young Adults with Disabilities	697,404	906,808	(209,404)
Miscellaneous	41,600	47,615	(6,015)
	<u>\$ 84,105,318</u>	<u>\$ 87,729,301</u>	<u>\$ (3,623,983)</u>

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

### Analysis of Significant Actual to Budget Variances

Managing the corporate budget and accounting for actual to budget variances allows for timely measurement of fiscal performance against annual corporate expense and revenue forecasts; quarterly reviews allow for corrective action if required. The table below lists fiscal year 2025 corporate expenditures against the 2025 fiscal year budget:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Grants and contracts	\$ 97,757,349	\$ 103,712,091	\$ (5,954,742)
Interest income and other	3,078,380	-	3,078,380
Total operating revenues	<u>100,835,729</u>	<u>103,712,091</u>	<u>(2,876,362)</u>
<b>Operating Expenses:</b>			
Salaries and wages	6,974,915	7,740,934	(766,019)
Payroll taxes and fringe benefits	2,152,367	2,554,508	(402,141)
Professional services	2,052,599	2,041,694	10,905
Equipment and facilities	1,159,807	1,248,093	(88,286)
Other program costs	66,122	76,228	(10,106)
Office costs and supplies	283,891	213,591	70,300
Travel	47,915	66,700	(18,785)
Depreciation	37,977	-	37,977
Meetings and conferences	58,815	76,209	(17,394)
Interest	9,470	-	9,470
Total operating expenses before sub-recipient contracts	12,843,878	14,017,957	(1,174,079)
Sub-recipient contracts	<u>84,105,318</u>	<u>89,694,134</u>	<u>(5,588,816)</u>
Total operating expenses	<u>96,949,196</u>	<u>103,712,091</u>	<u>(6,762,895)</u>
Changes in net position	<u>\$ 3,886,533</u>	<u>\$ -</u>	<u>\$ 3,886,533</u>

The Agency's total operating revenue and expenses for fiscal year 2025 were lower than budget by approximately \$2.9 million and \$6.8 million, respectively.

Operating expenses before subrecipient contracts were under budget by approximately \$1.2 million and subrecipient expenditures were under budget by approximately \$5.6 million.

- Salaries and wages were below budget by 10%, as there were key vacancies in staffing during fiscal year 2025. Salaries and wages account for the second largest corporate expense and it is closely managed against budget. Salaries and wages from the last five years compared to operating expenses before sub-recipient contracts and total operating expenses:

	<u>Salaries</u>	<u>Expenses Before Contracts</u>	<u>%</u>	<u>Total Corporate</u>	<u>%</u>
2025	\$ 6,974,915	\$ 12,843,878	54.31%	\$ 96,949,196	7.19%
2024	\$ 6,701,911	\$ 11,901,093	56.31%	\$ 99,630,394	6.73%
2023	\$ 6,753,698	\$ 14,051,686	48.06%	\$ 103,877,056	6.50%
2022	\$ 5,503,511	\$ 12,706,626	43.31%	\$ 89,314,515	6.16%
2021	\$ 4,059,661	\$ 7,142,562	56.84%	\$ 59,988,068	6.77%

## COMMONWEALTH CORPORATION AND AFFILIATE

Management's Discussion and Analysis  
June 30, 2025 and 2024

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### Analysis of Significant Actual to Budget Variances (Continued)

- Fiscal year 2025 executive staff salaries:
  - Chief Executive Officer/President \$ 223,850
  - Vice President of Sector \$ 163,012
  - Vice President of Finance \$ 160,000
- Payroll taxes and fringe benefits in the amount of approximately \$2.2 million were lower than the approximate \$2.6 million budget total by approximately \$402,000. This is a result of salaries and wages being lower than budgeted.
- Professional services were higher than budget by approximately \$11,000.
- The budget for sub-recipient contracts was \$89.7 million and sub-recipient expenditures in the amount of \$84.1 million were below budget by approximately \$5.6 million.

### Current Known Facts, Decisions, and Conditions

The Agency takes pride in the leadership role it plays across workforce development, youth empowerment, and economic progress in the Commonwealth. Its programs serve tens of thousands of individuals in Massachusetts each year, and program outcomes – measured through metrics such as retention throughout the training period; job placement; and wage gains – are consistently high. As Massachusetts employers confront persistent labor shortages and skills gaps, the Agency's mandate remains clear.

In fiscal year 2025, we began to plan for the sunset of one-time, pandemic-era funding, while also navigating uncertainty at the Federal policy level. Appropriately, the Agency will take a conservative approach to staffing and internal spending. Key strategic priorities for the current period include:

1. Expanding awareness of the Agency's programs while strengthening and expanding partnerships across the Commonwealth.
2. Continuing to improve and smooth program operations, including engagement with grantees, speed of grantmaking, and communication with the Executive Office of Labor and Workforce Development and other stakeholders.
3. Promoting equitable outcomes for un/under-employed job-seekers, opportunity youth, and other target populations; and continuing to expand our work in Gateway cities, Western Massachusetts, and other critical communities.

Additionally, and in partnership with the Massachusetts Gubernatorial Administration, our focus extends to key sectors such as healthcare, manufacturing, construction, and the skilled trades; as well as on re-skilling incumbent workers to meet new workforce trends.

### Contacting the Agency's Financial Management

This Management's Discussion and Analysis has been designed to provide the reader with a general overview of Commonwealth Corporation and Affiliate's finances and to show accountability for the funds it receives. If you have questions about this report or need additional information, please contact the Finance Department of the Agency at [info@commcorp.org](mailto:info@commcorp.org).

**COMMONWEALTH CORPORATION AND AFFILIATE**

Combined Statements of Net Position  
June 30, 2025 and 2024

Assets	2025			2024		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
Current Assets:						
Cash and cash equivalents	\$ 1,119,325	\$ 72,081,590	\$ 73,200,915	\$ 1,278,034	\$ 62,425,936	\$ 63,703,970
Grants, contracts and other receivables	-	26,664,004	26,664,004	-	11,186,879	11,186,879
Due from (to) funds	2,878,006	(2,878,006)	-	1,003,316	(1,003,316)	-
Prepaid expenses and other	166,260	-	166,260	137,065	-	137,065
Total current assets	<u>4,163,591</u>	<u>95,867,588</u>	<u>100,031,179</u>	<u>2,418,415</u>	<u>72,609,499</u>	<u>75,027,914</u>
Right-to-Use Assets, net	2,090,465	-	2,090,465	2,356,230	-	2,356,230
Subscription Assets, net	243,990	-	243,990	-	-	-
Capital Assets, net	170,443	-	170,443	208,420	-	208,420
Total assets	<u>\$ 6,668,489</u>	<u>\$ 95,867,588</u>	<u>\$ 102,536,077</u>	<u>\$ 4,983,065</u>	<u>\$ 72,609,499</u>	<u>\$ 77,592,564</u>
<b>Liabilities and Net Position</b>						
Current Liabilities:						
Current portion of lease liability	\$ 263,422	\$ -	\$ 263,422	\$ 246,950	\$ -	\$ 246,950
Current portion of subscription liability	100,688	-	100,688	-	-	-
Grants and other payables	-	7,849,525	7,849,525	71,312	7,635,459	7,706,771
Accrued contract expenses	-	7,012,702	7,012,702	-	12,433,331	12,433,331
Accrued payroll and other	900,826	18,640	919,466	739,629	44,793	784,422
Advance on conditional grant	-	-	-	113,147	-	113,147
Deferred revenue	-	78,509,029	78,509,029	-	52,193,111	52,193,111
Total current liabilities	<u>1,264,936</u>	<u>93,389,896</u>	<u>94,654,832</u>	<u>1,171,038</u>	<u>72,306,694</u>	<u>73,477,732</u>
Subscription Liability, net of current portion	143,302	-	143,302	-	-	-
Lease Liability, net of current portion	1,872,199	-	1,872,199	2,135,621	-	2,135,621
Total liabilities	<u>3,280,437</u>	<u>93,389,896</u>	<u>96,670,333</u>	<u>3,306,659</u>	<u>72,306,694</u>	<u>75,613,353</u>
Net Position:						
Unrestricted net position	3,217,609	-	3,217,609	1,467,986	-	1,467,986
Restricted net position	-	2,477,692	2,477,692	-	302,805	302,805
Invested in capital assets	170,443	-	170,443	208,420	-	208,420
Total net position	<u>3,388,052</u>	<u>2,477,692</u>	<u>5,865,744</u>	<u>1,676,406</u>	<u>302,805</u>	<u>1,979,211</u>
Total liabilities and net position	<u>\$ 6,668,489</u>	<u>\$ 95,867,588</u>	<u>\$ 102,536,077</u>	<u>\$ 4,983,065</u>	<u>\$ 72,609,499</u>	<u>\$ 77,592,564</u>

The accompanying notes are an integral part of these combined basic statements.

**COMMONWEALTH CORPORATION AND AFFILIATE**

Combined Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Unrestricted	Restricted Grant and Contract Fund	Total	Unrestricted	Restricted Grant and Contract Fund	Total
<b>Operating Revenues:</b>						
Grants and contracts	\$ 811,920	\$ 96,945,429	\$ 97,757,349	\$ 10,000	\$ 97,197,730	\$ 97,207,730
Interest income	1,633,896	1,411,858	3,045,754	390,955	2,170,665	2,561,620
Other income	32,626	-	32,626	200	-	200
Net assets released from restrictions	285,000	(285,000)	-	15,000	(15,000)	-
Total operating revenues	<u>2,763,442</u>	<u>98,072,287</u>	<u>100,835,729</u>	<u>416,155</u>	<u>99,353,395</u>	<u>99,769,550</u>
<b>Operating Expenses:</b>						
Salaries and wages	2,144,076	4,830,839	6,974,915	1,902,229	4,799,682	6,701,911
Payroll taxes and fringe benefits	643,335	1,509,032	2,152,367	550,875	1,520,087	2,070,962
Professional services	989,384	1,063,215	2,052,599	625,845	778,945	1,404,790
Equipment and facilities	900,726	259,081	1,159,807	865,684	261,601	1,127,285
Office costs and supplies	197,486	86,405	283,891	129,279	35,928	165,207
Other program costs	10,847	55,275	66,122	-	339,632	339,632
Meetings and conferences	33,225	25,590	58,815	3,896	15,934	19,830
Travel	1,566	46,349	47,915	250	40,257	40,507
Depreciation	37,977	-	37,977	30,969	-	30,969
Interest	9,470	-	9,470	-	-	-
Indirect operating expense allocation	(3,921,296)	3,921,296	-	(3,705,856)	3,705,856	-
Total operating expenses before subrecipient contracts	<u>1,046,796</u>	<u>11,797,082</u>	<u>12,843,878</u>	<u>403,171</u>	<u>11,497,922</u>	<u>11,901,093</u>
Subrecipient contracts	5,000	84,100,318	84,105,318	108,333	87,620,968	87,729,301
Total operating expenses	<u>1,051,796</u>	<u>95,897,400</u>	<u>96,949,196</u>	<u>511,504</u>	<u>99,118,890</u>	<u>99,630,394</u>
Changes in net position	1,711,646	2,174,887	3,886,533	(95,349)	234,505	139,156
<b>Net Position:</b>						
Beginning of year	<u>1,676,406</u>	<u>302,805</u>	<u>1,979,211</u>	<u>1,771,755</u>	<u>68,300</u>	<u>1,840,055</u>
End of year	<u>\$ 3,388,052</u>	<u>\$ 2,477,692</u>	<u>\$ 5,865,744</u>	<u>\$ 1,676,406</u>	<u>\$ 302,805</u>	<u>\$ 1,979,211</u>

The accompanying notes are an integral part of these combined basic statements.

**COMMONWEALTH CORPORATION AND AFFILIATE**

Combined Statements of Cash Flows  
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from contracting agencies and grantors	\$ 108,482,995	\$ 73,082,527
Collections of interest and other income	3,078,380	2,561,820
Payments to employees	(6,897,346)	(6,671,991)
Payments of payroll taxes and employee benefits	(2,054,076)	(2,000,648)
Payments to subrecipients	(89,311,881)	(82,249,139)
Payments to vendors and suppliers	(3,801,127)	(3,213,411)
	<u>9,496,945</u>	<u>(18,490,842)</u>
<b>Net Change in Cash and Cash Equivalents</b>	9,496,945	(18,490,842)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>63,703,970</u>	<u>82,194,812</u>
End of year	<u>\$ 73,200,915</u>	<u>\$ 63,703,970</u>
<b>Reconciliation of Changes in Net Position to Net Cash Provided by (Used in) Operating Activities:</b>		
Changes in net position	\$ 3,886,533	\$ 139,156
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:		
Depreciation	37,977	30,969
Non-cash lease expense	18,815	26,341
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(15,477,125)	(79,863)
Prepaid expenses and other	(29,195)	(43,202)
Grants and other payables	142,754	1,417,916
Accrued contract expenses	(5,420,629)	4,035,308
Accrued payroll and other	135,044	27,873
Advance on conditional grant	(113,147)	-
Deferred revenue	26,315,918	(24,045,340)
	<u>\$ 9,496,945</u>	<u>\$ (18,490,842)</u>

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

Commonwealth Corporation (the Corporation) is a quasi-public agency established by the Commonwealth of Massachusetts (the Commonwealth) and signed into law by the Governor on August 13, 1996. The Corporation is governed, and its corporate powers exercised, by a Board of Directors whose members are appointed for a fixed term by the Governor of the Commonwealth. The Corporation strengthens the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organizations. The Corporation seeks to meet the immediate and emerging needs of businesses and workers so they can thrive in our dynamic economy.

The Corporation maintains control of the Commonwealth Corporation Foundation (the Foundation) (see Note 10). The Foundation, a Massachusetts corporation, was created during the year ended June 30, 2011, to support and further the charitable and educational purposes of the Corporation.

#### Nonprofit Status

The Corporation is a quasi-public organization and an instrumentality of the Commonwealth, and it is exempt from Federal and state income taxes under Internal Revenue Code (IRC) Section 115.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation - GASB Standards

The accompanying combined basic financial statements were prepared on the accrual basis of accounting. Because the Corporation is a quasi-public organization, its accounting policies and financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). The Corporation follows GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 outlines financial reporting requirements for state and local governments. The Corporation is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB standards and, therefore, only has enterprise funds within its proprietary fund. The Corporation has no governmental funds. As such, the Corporation is not required to present government-wide financial statements, but rather only the accompanying proprietary business-type financial statements. In applying the GASB provisions, organizations like the Corporation can use standards applicable to proprietary fund accounting and need not follow the provisions of governmental fund accounting.

Consistent with the provisions of GASB standards for the Reporting Entity and Component Unit Presentation of Disclosure, as clarified by GASB Statement 61, *The Financial Reporting Entity: Omnibus*, the Foundation is blended in these combined basic financial statements as a component unit of the Corporation. The Foundation is presented in accordance with the provisions of the Financial Accounting Standards Codification, as established by the Financial Accounting Standards Board (FASB). See Note 10 for the Foundation's condensed financial statements.

The Corporation follows the GASB standard, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Corporation has elected to apply the provisions of all relevant pronouncements of FASB that do not conflict with or contradict GASB codifications. References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC) and the GASB Codification.

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Principles of Combination

The Corporation is related to the Foundation through common Boards of Directors membership. The combined basic financial statements include the activity and net assets of the Corporation and the Foundation (collectively, the Agency). All intercompany balances and transactions have been eliminated in the accompanying combined basic financial statements.

#### Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents consist of checking, money market, and savings accounts, and other highly liquid investment instruments issued with maturities of ninety days or less, including amounts held in the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see below and Note 3).

The MMDT cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The MMDT cash portfolio adheres to GASB Statement 79 (GASB 79), *Certain External Investment Pools and Pool Participants*, which amends GASB 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity.

#### Grants, Contracts and Other Receivables

Grants, contracts and other receivables (see Note 4) include revenue amounts due from state and Federal agencies (see page 14), as well as advance payments to subrecipients. Advance payments to subrecipients (see page 14) are made under specific grant awards that allow the subrecipients to receive advance payments to fund program operations. The Agency reclassifies these advance payments to operating expenses as the subrecipient provides evidence of grant expenditures applicable to the advance.

#### Capital Assets

Capital assets (see Note 5) consist of office equipment, furniture and fixtures, and leasehold improvements, which are depreciated on the straight-line method over the lesser of their estimated useful lives of three to five years or the life of the lease (see Note 6).

#### Net Position

Resources are classified for accounting purposes into the following net position categories:

**Unrestricted net position** - Represents the portion of unrestricted expendable funds that are used to support the Agency's operations and accounts for funds for which the Agency has met imposed restrictions in accordance with funding agreements or management contracts.

**Restricted net position** - Represent resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms and conditions, and donor requirements. The vast majority of funds received by the Agency is restricted by nature.

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Position (Continued)

**Invested in capital assets** - Account for net position related to capital assets purchased by the Agency and used in operations.

#### Revenue Recognition

Grants and contracts revenue (including state and Federal grants received through the Commonwealth) is earned in accordance with funding agreements as expenses are incurred. Substantially all grants and contracts have constraints imposed by grantors and are accordingly classified as restricted revenue (Restricted Grant and Contract Fund). Interest and other income are recognized on an accrual basis when earned. Deferred revenue consists of contract funds received for which program expenses have not yet been incurred.

The Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. The Foundation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 9 for disclosure of the Foundation's conditional grants at June 30, 2025 and 2024.

#### Subrecipient Contracts

Subrecipient contracts are recorded when expenses are incurred and supporting documentation has been provided by subrecipients.

#### Indirect Operating Expenses

The Agency's indirect costs are cost categories that are not directly charged to programs. These costs are accumulated in cost pools and allocated to programs based on actual time worked and historical cost trends. These indirect cost pools are included in unrestricted operating expenses and include occupancy, information technology, and fringe benefits as well as administrative costs. Indirect operating expenses totaled \$3,921,296 and \$3,705,856 for the years ended June 30, 2025 and 2024, respectively.

#### Leases

The Agency accounts for any lease (see Note 6) with a term greater than one year in accordance with GASB Statement No. 87, *Leases*. The lease term is defined as the non-cancellable period of any lease, plus any options to extend under such leases, when management is reasonably certain those options will be exercised. Accordingly, the net present value of the estimated future minimum payments is reflected as right-to-use assets and lease liability for the Agency. The right-to-use asset - facility lease will be recognized on a straight-line basis over the lesser of the life of the assets or the remaining lease periods, or ten years. The right-to-use asset - equipment lease will be recognized on a straight-line basis over the lesser of the life of the assets or the remaining lease periods, or five years.

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to GASB 72, *Fair Value Measurements and Application*, and ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

#### Estimates

The preparation of the combined basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined basic financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent events have been evaluated through February 10, 2026, which is the date the combined basic financial statements were available to be issued. There were no events that met the criteria for disclosure.

### 3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS

The Agency holds investments in the Massachusetts Municipal Depository Trust's (MMDT) cash portfolio (see Note 2) in the amount of \$9,581,555 and \$32,659,306 at June 30, 2025 and 2024, respectively. MMDT is an investment program, founded in 1977 under the supervision of the State Treasurer of the Commonwealth, in which municipalities may pool excess cash for investment. MMDT was established to provide professionally managed investment funds to meet the investment needs of the Commonwealth and its political subdivisions.

**COMMONWEALTH CORPORATION AND AFFILIATE**

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

**3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS (Continued)**

The table below represents the maturities of instruments held by MMDT in its cash portfolio. The MMDT cash portfolio is managed independently, and the Agency cannot influence how investments are allocated among the categories, which are disclosed as follows as of June 30:

<u>Securities With an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2025</u>	<u>2024</u>
1 - 30 Days	59.6%	72.5%
31 - 90 Days	20.2	12.7
91 - 180 Days	13.6	3.7
181 - Days or more	<u>6.6</u>	<u>11.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The MMDT cash portfolio may only invest in securities rated in the highest rating category (if rated) or evaluated by the portfolio's investment adviser to be of equivalent credit quality (if unrated) and bank deposits meeting the portfolio credit quality requirements of GASB 79 (see Note 2). Investments that were permissible at the time acquired may continue to be held to the extent consistent with GASB 79.

Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. The MMDT cash portfolio follows applicable regulations in determining whether a security is rated and whether a security rated by multiple nationally recognized statistical rating organizations in different rating categories should be identified as a First or Second Tier security.

Credit ratings for the securities in the cash portfolio are shown in the table below based on total market value as of June 30:

	<u>Cash Portfolio Quality Diversification</u>	
	<u>First Tier</u>	<u>Second Tier</u>
2025	100.0%	- %
2024	100.0%	- %

**4. GRANTS, CONTRACTS AND OTHER RECEIVABLES**

Grants, contracts and other receivables consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
State agencies	\$ 20,778,883	\$ 7,813,796
Net advance payments	3,173,436	3,221,726
Private grants	2,475,000	-
Other	<u>236,685</u>	<u>151,357</u>
	<u>\$ 26,664,004</u>	<u>\$ 11,186,879</u>

**COMMONWEALTH CORPORATION AND AFFILIATE**

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

**5. CAPITAL ASSETS AND RIGHT-TO-USE ASSETS**

The following schedule presents the changes in capital assets for the year ended June 30, 2025:

	<b>Balance at July 1, 2024</b>	<b>2025 Additions</b>	<b>2025 Disposals</b>	<b>Balance at June 30, 2025</b>
Capital assets, depreciable:				
Equipment	\$ 145,826	\$ -	\$ -	\$ 145,826
Leasehold improvements	78,656	-	-	78,656
Furniture and fixtures	<u>102,328</u>	-	-	<u>102,328</u>
Total	<u>326,810</u>	-	-	<u>326,810</u>
Less - accumulated depreciation:				
Equipment	82,198	19,878	-	102,076
Leasehold improvements	15,731	7,866	-	23,597
Furniture and fixtures	<u>20,461</u>	<u>10,233</u>	-	<u>30,694</u>
Total accumulated depreciation	<u>118,390</u>	<u>37,977</u>	-	<u>156,367</u>
Capital assets, net	<u>\$ 208,420</u>	<u>\$ (37,977)</u>	<u>\$ -</u>	<u>\$ 170,443</u>

The following schedule presents the changes in capital assets for the year ended June 30, 2024:

	<b>Balance at July 1, 2023</b>	<b>2024 Additions</b>	<b>2024 Disposals</b>	<b>Balance at June 30, 2024</b>
Capital assets, depreciable:				
Equipment	\$ 145,826	\$ -	\$ -	\$ 145,826
Leasehold improvements	78,656	-	-	78,656
Furniture and fixtures	<u>102,328</u>	-	-	<u>102,328</u>
Total	<u>326,810</u>	-	-	<u>326,810</u>
Less - accumulated depreciation:				
Equipment	69,326	12,872	-	82,198
Leasehold improvements	7,866	7,865	-	15,731
Furniture and fixtures	<u>10,229</u>	<u>10,232</u>	-	<u>20,461</u>
Total accumulated depreciation	<u>87,421</u>	<u>30,969</u>	-	<u>118,390</u>
Capital assets, net	<u>\$ 239,389</u>	<u>\$ (30,969)</u>	<u>\$ -</u>	<u>\$ 208,420</u>

Changes in right-to-use assets are as follows for the years ended June 30:

	<b>Balance June 30, 2024</b>	<b>2025 Additions</b>	<b>Balance June 30, 2025</b>
Right-to-use assets	\$ 2,825,062	\$ -	\$ 2,825,062
Less - accumulated amortization	<u>(468,832)</u>	<u>(265,765)</u>	<u>(734,597)</u>
Right-to-use assets, net	<u>\$ 2,356,230</u>	<u>\$ (265,765)</u>	<u>\$ 2,090,465</u>

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

### 5. CAPITAL ASSETS AND RIGHT-TO-USE ASSETS (Continued)

	<u>Balance</u> <u>June 30, 2023</u>	<u>2024</u> <u>Additions</u>	<u>Balance</u> <u>June 30, 2024</u>
Right-to-use assets	\$ 2,825,062	\$ -	\$ 2,825,062
Less - accumulated amortization	<u>(211,446)</u>	<u>(257,386)</u>	<u>(468,832)</u>
Right-to-use assets, net	<u>\$ 2,613,616</u>	<u>\$ (257,386)</u>	<u>\$ 2,356,230</u>

Amortization expense of right-to-use assets is included in equipment and facilities in the accompanying combined statements or revenues, expenses and changes in net position.

### 6. LEASES

#### Facility Lease

In December 2021, the Agency entered into a ten-year facility lease effective July 1, 2022, which runs through June 30, 2032. Monthly lease payments range from \$25,087 to \$30,731. The Agency recognized a lease liability of \$2,777,741 and a right-to-use asset of \$2,777,741 when the lease was signed and began amortizing the lease upon commencement in fiscal year 2023. During fiscal years 2025 and 2024, the Agency recognized amortization of \$256,499 and \$248,476, respectively, which is included in equipment and facilities in the accompanying combined statements of revenues, expenses and changes in net position. Amortization of the right-to-use asset for the facility is expected to be approximately \$295,000 through fiscal year 2032. The Agency made rental payments of \$319,092 and \$308,566 during the years ended June 30, 2025 and 2024, respectively.

#### Equipment Lease

The Agency entered into a five-year equipment lease effective January 1, 2023, which runs through December 31, 2027. Monthly lease payments are \$870. Upon commencement of the lease, the Agency recognized a lease liability of \$47,321 and a right-to-use asset of \$47,321. During fiscal years 2025 and 2024, the Agency recognized amortization of \$9,266 and \$8,910, respectively, which is included in equipment and facilities in the accompanying combined statements of revenues, expenses and changes in net position. Amortization of the right-to-use asset for the equipment is expected to be \$9,637, \$10,023 and \$5,160 for fiscal years 2026, 2027 and 2028, respectively. The Agency made rental payments of \$10,440 during the years ended June 30, 2025 and 2024.

#### Future Minimum Payments

Future minimum payments under these lease obligations are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 263,422	\$ 70,636	\$ 334,058
2027	\$ 280,482	\$ 61,102	\$ 341,584
2028	\$ 292,888	\$ 51,002	\$ 343,890
2029	\$ 305,608	\$ 40,587	\$ 346,195
2030	\$ 324,126	\$ 29,596	\$ 353,722
2031 - 2032	\$ 669,095	\$ 23,579	\$ 692,674

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 7. RETIREMENT PLANS

Under the terms of the Agency's Section 401(a) retirement plan, adopted in December 1997, contributions are made on behalf of employees based on their employment dates. These employees do not participate in the Federal Social Security System. A minimum contribution of 7.5% of salary plus an optional amount, subject to the Board of Directors' approval, up to 5.7% is made for employees hired after December 31, 1996. Employees hired prior to December 31, 1996, are not eligible for this plan. During fiscal years 2025 and 2024, the Agency made contributions of 13.2%. This plan does not permit employee contributions.

Additionally, employees hired by one of the Agency's predecessor entities prior to December 1996 participate in a separate plan, the Federal Social Security System. In addition to the required employer match of Social Security of 6.2%, a retirement plan contribution of 1.3% of salary is made by the Agency.

Contributions to the plan in fiscal years 2025 and 2024 totaled approximately \$887,000 and \$846,000, respectively, and are included in payroll taxes and fringe benefits in the accompanying combined statements of revenues, expenses and changes in net position.

The Agency also established a Section 457 employee deferred compensation plan, effective December 1, 1997. This is a voluntary plan in which employees who elect to participate can have funds withheld from their pay on a pre-tax basis. All employees are eligible to participate upon their employment commencement date. There is no minimum contribution, and employees are subject to the maximum deferral limits as set by the Internal Revenue Service (IRS). The Agency does not make contributions to the plan.

### 8. CONCENTRATIONS AND CONTINGENCIES

#### Cash

The Agency maintains certain cash and cash equivalents balances in a bank in Massachusetts and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times, cash balances exceeded the insured amounts. In addition, cash and cash equivalents invested in MMDT (see Note 3) are not FDIC insured. As of June 30, 2025 and 2024, the Agency's exposure for uninsured funds was approximately \$72,700,000 and \$63,200,000, respectively. The Agency has not experienced any losses in such accounts and management believes the credit risk related to the Agency's cash and cash equivalents is not significant.

#### Revenue and Accounts Receivable

The Agency expends resources in connection with Federal and state grants and contracts received through the Commonwealth that are subject to review and audit by the respective governments or their representatives. Such audits could result in requests for reimbursement to the government agency if expenditures are disallowed. Management is not aware of any specific disallowances and believes the results of any such audit would not produce material changes to the accompanying combined basic financial statements.

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 9. CONDITIONAL GRANTS

During fiscal year 2019, the Foundation was awarded a \$1,014,000 conditional grant, payable in thirteen installments of various amounts and is dependent on the satisfactory and timely performance of the grant activities as specified by the funder. All installments have been received as of June 30, 2025 and 2024. As stipulated in the grant agreement, the funds are due back to the funder if satisfactory and timely performance of grant activities are not met, accordingly, \$113,147 is presented as advance on conditional grant in the accompanying combined statement of net position as of June 30, 2024. The Foundation earned \$113,147 during the year ended June 30, 2025, which is included in grants and contracts in the accompanying 2025 combined statement of revenues, expenses and changes in net position. There were no amounts earned during the year ended June 30, 2024.

During fiscal year 2024, the Foundation was awarded a \$550,000 conditional grant. Installment payments are dependent on the satisfactory and timely performance of grant activities as specified by the funder. Installments of \$39,500 and \$150,000 were collected during the years ended June 30, 2025 and 2024, respectively, and are recorded as restricted grants and contracts in the accompanying combined statements of revenues, expenses and changes in net position. The Foundation earned and released \$174,500 and \$15,000 of the grant from with donor restrictions during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2024, there was \$135,000 included in restricted net position.

### 10. COMMONWEALTH CORPORATION FOUNDATION

As of and for the years ended June 30, 2025 and 2024, the Foundation had the following activity:

	<u>2025</u>	<u>2024</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,422,247	\$ 1,481,334
Grants, contracts and other receivables	<u>2,475,000</u>	<u>150,000</u>
Total assets	<u>\$ 3,897,247</u>	<u>\$ 1,631,334</u>
<b>Liabilities:</b>		
Due to the Corporation	\$ 97,832	\$ 178,739
Advance on conditional grant	<u>-</u>	<u>113,147</u>
Total liabilities	<u>97,832</u>	<u>291,886</u>
<b>Net Position:</b>		
Unrestricted net position	1,021,493	986,148
Restricted net position	<u>2,777,922</u>	<u>353,300</u>
Total net position	<u>3,799,415</u>	<u>1,339,448</u>
Total liabilities and net position	<u>\$ 3,897,247</u>	<u>\$ 1,631,334</u>

**COMMONWEALTH CORPORATION AND AFFILIATE**Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024**10. COMMONWEALTH CORPORATION FOUNDATION (Continued)**

	<b>2025</b>		
	<b>Unrestricted</b>	<b>Restricted Grant and Contract Fund</b>	<b>Total</b>
Grants and contracts	\$ 799,515	\$ 2,709,622	\$ 3,509,137
Other income	32,626	-	32,626
Net assets released from restriction	<u>285,000</u>	<u>(285,000)</u>	<u>-</u>
Total operating revenues	1,117,141	2,424,622	3,541,763
Operating expenses	<u>1,081,796</u>	<u>-</u>	<u>1,081,796</u>
Changes in net position	<u>\$ 35,345</u>	<u>\$ 2,424,622</u>	<u>\$ 2,459,967</u>
	<b>2024</b>		
	<b>Unrestricted</b>	<b>Restricted Grant and Contract Fund</b>	<b>Total</b>
Grants and contracts	\$ 10,000	\$ 300,000	\$ 310,000
Other income	138,650	-	138,650
Net assets released from restriction	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total operating revenues	163,650	285,000	448,650
Operating expenses	<u>448,948</u>	<u>-</u>	<u>448,948</u>
Changes in net position	<u>\$ (285,298)</u>	<u>\$ 285,000</u>	<u>\$ (298)</u>

**11. RELATED PARTY TRANSACTIONS**

During fiscal years 2025 and 2024, the Foundation made grants of \$5,000 and \$108,333, respectively, to the Corporation. The amount has been eliminated from both grants and contracts and subrecipient contracts in the accompanying combined statements of revenues, expenses and changes in net position.

During fiscal year 2025, the Corporation charged the Foundation a management fee of \$30,000. The amount has been eliminated from both other income and professional services in the accompanying combined statements of revenues, expenses and changes in net position.

During fiscal year 2024, the Corporation donated equipment in the amount of \$138,450 to the Foundation. The amount has been eliminated from both other income and equipment and facilities expense in the accompanying combined statements of revenues, expenses and changes in net position.

The Corporation pays certain operating expenses on behalf of the Foundation. As of June 30, 2025 and 2024, the Foundation owes the Corporation \$97,832 and \$178,739, respectively, which has been eliminated in the accompanying combined statements of net position.

A former Board member was appointed interim Chief Financial Advisor and was compensated \$150,465 for his services for the year ended June 30, 2024.

## COMMONWEALTH CORPORATION AND AFFILIATE

Notes to Combined Basic Financial Statements  
June 30, 2025 and 2024

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### 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Corporation has four subscription-based information technology arrangements that require recognition under GASB 96. The arrangements range from three to five year agreements which require annual payments ranging from approximately \$10,000 to \$58,900. The Corporation used discount rates ranging from 3.93% to 4.38% for these arrangements based on the incremental borrowing rate on the date the agreements were initiated. Interest expense as part of these agreements was \$9,470 for fiscal year 2025. Amortization expense was \$71,001 and is included in equipment and facilities in the accompanying combined statements of revenues, expenses and changes in net position. The Corporation has no option to extend this arrangement and there is no option to purchase the software.

Changes in the subscription asset for the Corporation are as follows:

	<u>Balance June 30, 2024</u>	<u>2025 Additions</u>	<u>Balance June 30, 2025</u>
Software	\$ -	\$ 314,991	\$ 314,991
Less - accumulated amortization	<u>-</u>	<u>71,001</u>	<u>71,001</u>
Total subscription asset, net	<u>\$ -</u>	<u>\$ 243,990</u>	<u>\$ 243,990</u>

Future amortization under these agreements as of June 30, 2025, is as follows:

2026	\$ 100,688
2027	\$ 93,084
2028	\$ 50,218