

MASSACHUSETTS BAY COMMUNITY COLLEGE BOARD OF TRUSTEES

Minutes of the October 27, 2020, Finance, Compliance, Personnel, & Audit Committee meeting – Webex Meeting – Facebook Live at massbay.edu

Committee members participating: Diane Schmalensee, Chair; Tom Peisch, Vice Chair, Tim Clifford, Matthew Kahn, Dune Thorne.

Staff members participating: David Podell, President; Neil Buckley, Vice President for Finance & Administration; Marcus Edward, Assistant Vice President for Finance & Administration; Steve Baccari, Controller; Lynn Hunter, Vice President for Academic Affairs and Provost; Courtney Jackson, Vice President for Institutional Effectiveness and Strategic Initiatives; Deborah Georgopoulos, Executive Assistant for Finance & Administration.

Guests: David DiIulis, Principal, & Nelia Kruger, Manager, from the accounting firm O'Connor & Drew P.C.

Call to Order and Approval of Prior Meeting Minutes – Committee Chair Diane Schmalensee confirmed quorum and called the meeting to order at 8:19 a.m. Ms. Schmalensee asked for the review of the prior committee meeting minutes. (*Item 1*).

MOTION: Trustee Matt Kahn made the motion to approve the minutes of the August 25, 2020, Committee meeting as presented. Trustee Dune Thorne seconded. Motion passed unanimously.

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

FY2020 AUDIT REPORT

Vice President Buckley introduced the auditors David DiIulis, Principal, and Nelia Kruger, Manager, from the accounting firm O'Connor & Drew.

David DiIulis noted challenges with performing the audits this year included working remotely, notification from the state in August that there was an actuarial error in the *Other Post-Employment Benefits* (OPEB) calculation from the prior year which is reflected in the Financial Statements, and the receipt of the *Coronavirus Aid, Relief, and Economic Security* (CARES) Act money. Mr. DiIulis reviewed the required audit communications for the committee.

Nelia Kruger presented the Financial Statement of the FY2020 Audit to the Committee.

Assets and deferred outflows have gone up \$2.1 million when compared to the prior fiscal year. Unearned grant and contract revenue went up \$755,000 (mostly unearned revenue), expenses related to CARES that can't be recognized as revenue yet, and income. Total liabilities went down by \$3.3 million. Ms. Kruger noted that most of the income (change in net position) (\$2.6 million) went into the unrestricted line.

State appropriations increased by \$1.4 million this year. The CARES Act increased revenue by \$832,000.

The prior period adjustment reflected about \$230,000 extra expense as the result of a calculation error within the OPEB report that we received last year. A simple mathematical error resulted in double counting a number on the OPEB report.

Ms. Kruger explained that the error was on the state's financials and was only reported on the College's financials because we are a component of the state. It is also reported on every other state college's financials. The state pays OPEB, the College does not. They are the state's liabilities.

There have been no changes in accounting policies for the year under audit (2020).

O'Connor & Drew issued an unmodified opinion on the financial statements. No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters. This is the highest level of assurance that can be issued.

Vice President Neil Buckley reported the Management Discussion and Analysis (MD&A) shows that for the third year in a row the College has done very well financially. The net position increased from fiscal year 2018 to fiscal year 2020 by over \$5 million to \$17.1 million. David DiIulis noted that as impressive as that increase is, perhaps even more importantly, the net unrestricted position has gone up significantly. The College's net unrestricted position went from \$1.4 million in fiscal year 2018 to \$5.3 million in fiscal year 2020. Mr. DiIulis noted the majority of the colleges have negative unrestricted net position. In fiscal year 2019, MassBay was one of two MA community colleges to have positive unrestricted net position.

Mr. DiIulis explained that at the end of the audit cycle, O'Connor & Drew provides a ratio comparison of all 15 community colleges. The process measures the health of each college based on 4 ratios: primary reserve, viability, net return on assets, and operating revenue ratios. In comparison to other colleges, MassBay is in the top five in all four categories. The composite score for fiscal year 2019 puts MassBay at number one of all 15 community colleges. The ratio comparison will be provided again for this year.

In response to a query regarding any concerns that may not be in this report, and the level of administrative cooperation, Mr. DiIulis reported that the Uniform Guidance Audit (student financial aid audit) is not complete yet. Generally, if there are any comments it is within the student financial aid audit. The auditors have yet to receive authoritative guidance from the U.S. Department of Education relating to what kind of compliance procedures have to be instituted for the CARES money. There have been no major issues so far, but there may be findings; it is difficult to get a single audit without a finding. The deadline for filing the Uniform Guidance Audit is March 31, 2021.

Mr. DiIulis reported that the audit has been very smooth. Neil Buckley, Marcus Edward, and Steve Baccari were very good about working remotely and provided information smoothly and timely. It was not obvious the process was all remote.

Vice President Buckley noted the revenue comparison chart shows tuition and fees revenue have been going down because of decline in enrollments and the state appropriation is going up. Functional expenses per student has essentially remained consistent over the last three years. Academic support is our biggest expense, followed by student support services.

In response to a Trustee query, Mr. DiIulis noted that the biggest concerns the auditors have going forward, and that the College should be focused on, is the state appropriation and decreased enrollments.

MOTION: Trustee Tim Clifford made the motion to accept the FY2020 Audit Report, and recommend approval to the Full Board for consideration at the next board meeting. Trustee Tom Peisch seconded the motion.

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

Vice President Buckley noted that the Board was provided the Foundation Audit which went well, and was accepted and approved by the Foundation Board. Other audits that are ongoing include: Massachusetts Office of Student Financial Assistance (MOSFA) which is due December 31, 2020; Uniform Guidance which is due March 31, 2021; and the focused state audit which is ongoing.

O'Connor & Drew will present at the Full Board Meeting on November 10, 2020, at 8:00 a.m.

FINANCE ITEMS

- **FY2021 Budget vs. Actual Comparison Report *(Item 2)***

Vice President Neil Buckley presented the report. Tuition & fees were budgeted for a 15% decline in enrollment, but realized only a 9.8 decline for the fall. A favorable variance is also anticipated for the spring semester.

The College budgeted in FY2021 a 10% decline in state appropriation over the prior year. The Governor has extended the same appropriation as we had last year only through the end of November. Currently there is a proposal in the state legislature to allocate between 17.2M to 17.7 million in our appropriation which is 1.2 to 1.7 million dollars over our provisional budget. The matter will be taken up after the election.

Vice President Buckley feels that the College's fiscal year 2021 budgeted state appropriation amount is reasonable and the College can and should manage within that budget. He reminded the Committee that there is a constitutional amendment that the state budget must be balanced at the end of the year. President Podell affirmed that, because the Governor can introduce cuts late in the fiscal year to balance the State budget, MassBay will be conservative and will operate within the reduced appropriation that was planned. Should MassBay receive increased funding, the College's reserves will benefit.

Vice President Buckley reported that the College has not made adjustments to the FY2021 budget yet but will do so when the State allocation is resolved by the Governor and the legislature. President Podell reminded the committee that when creating the budget for this year, the College asked for and was approved \$550,000 from the reserve; it will probably not be needed. As of September 30, 2020, we are showing \$523,000 better than projected on the revenue side.

Vice President Buckley reported that the College is also showing better than projected on the expense side by nearly \$575,000. Expense categories are coming in within budget. We will be primarily remote in the spring; therefore, we anticipate cost savings.

The bottom line shows we are doing \$1.1 million better than projected, but there are still many unknowns. It is too early to restate the budget, but it will be reviewed in light of changing circumstances. Until the state budget is approved, we don't know what to expect in terms of our

state appropriation. Vice President Buckley has confidence that the budget we have today is the right one.

Tuition is set by the state, and there has been no pressure from students to reduce fees.

MOTION: Trustee Tom Peisch made the motion to accept the FY2021 Budget vs. Actual Report and recommend approval to the Full Board. Trustee Tim Clifford seconded. Motion passed unanimously

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

- **Student Accounts Receivable and Cash Report (Item 4)**
Vice President Neil Buckley presented the report as of September 30, 2020.
The College is doing well and we are on track with student collections. As of September 30, the cash position has improved by nearly \$2.6 million year-to-date.
- **Cash Position by Month (Item 5)**
Vice President Neil Buckley presented the report as of September 30, 2020. The graph reflects not only the \$2.6 million increase over last year, but also the \$5.2 million better than we did in 2018.
- **State Appropriation & Enrollment Financial Analysis (Item 6)**
Vice President Neil Buckley presented the report which is essentially “what if” scenarios. However, the Governor’s budget has yet to pass the Legislature. Therefore, as noted previously, our final appropriation remains unknown.

PERSONNEL ITEMS

- **Personnel Actions Report (Item 7)**
President Podell presented the report for informational purposes.
Curtis Cormier has been appointed as the new Chief Information Officer.
- **Recruitment Report (Item 8)**
President Podell presented the report for informational purposes.
Assistant or Associate Director of Admissions to replace Phara Boyer who is now Director of Corporate Partnerships and Workforce Development.

OTHER

A discussion regarding the hiring process in a remote world ensued. While the process is not optimal, there are some benefits such as no travel time, greater ease in interviewing candidates, and the impact of geography is lessened.

ADJOURNMENT

MOTION: Trustee Tim Clifford moved to adjourn the meeting,
seconded by Trustee Dune Thorne.

ROLL CALL:

Tim Clifford YES; Matthew Kahn YES; Tom Peisch YES; Diane Schmalensee YES; Dune Thorne YES.

Chair Schmalensee adjourned the meeting at 9:29 a.m.

Board Meeting scheduled on November 10, 2020.

Diane H. Schmalensee 5/26/21
Diane Schmalensee Date
Committee Chair
Board of Trustees

David Podell 6/17/2021
David Podell Date
President
Massachusetts Bay Community College