

**MASSACHUSETTS BAY
COMMUNITY COLLEGE**
**(an agency of the Commonwealth of
Massachusetts)**

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2019

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Financial Statements and Management's Discussion and Analysis

June 30, 2019 and 2018

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**MASSACHUSETTS BAY COMMUNITY
COLLEGE**
(an agency of the Commonwealth of Massachusetts)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2019 and 2018

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Massachusetts Bay Community College
Wellesley, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Massachusetts Bay Community College (an agency of the Commonwealth of Massachusetts) (the “College”), and its discretely presented component unit, the Massachusetts Bay Community College Foundation, Inc. (the “Foundation”), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the 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 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 basic financial statements, and other knowledge we obtained during our audit of the 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as listed in the table of contents, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

**Certified Public Accountants
Braintree, Massachusetts**

October 1, 2019

DRAFT

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited)

June 30, 2019 and 2018

Mass Introduction

The following unaudited management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of Massachusetts Bay Community College (the "College") for the fiscal years ended June 30, 2019 and 2018. This overview has been prepared by management and should be read in conjunction with the College's financial statements and the accompanying notes. The purpose of this document is to give some background to the financial statements and foster an understanding of how these statements relate to the mission and activities of the College.

Reporting Entity

The College is one of fifteen comprehensive, open-enrollment, public, two-year community colleges in the Commonwealth of Massachusetts. The College was established in 1961 and its primary mission is to foster educational excellence and student success, prepare students for local and global citizenship, anticipate and respond to the needs of surrounding communities and contribute to evolving regional economic development. Its vision is to aspire to be a catalyst for transformation – calling for the best in students, preparing them as engaged citizens and enabling them to realize their dreams.

The College operates two campuses and one satellite facility in the MetroWest area outside Boston that enrolled 4,040 students (unduplicated headcount) in Fall 2019. The College offers a diverse range of associate degree and certificate programs as well as an array of non-credit offerings. The College is governed by an eleven-member Board of Trustees who are appointed by the governor of the Commonwealth. The governor also appoints the Chairperson of the Board. The College is accredited by the New England Commission of Higher Education ("NECHE") and many of the College's programs are accredited by program-specific accrediting bodies.

The Massachusetts Bay Community College Foundation, Inc. (the "Foundation"), was formed in 1984 to render financial assistance and support of educational programs and development of the College. The Foundation is legally separate from the College and the College is not financially accountable to the Foundation, but due to the nature and significance of its relationship with the College, it is included as a discretely presented component unit in the College's financial statements.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Using the Financial Statements

Massachusetts Bay Community College reports its activity as a business type entity using full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to the College and pending obligations of the College are accounted for in the appropriate period, thus giving a clear picture of the College's financial position. The College is an agency of the Commonwealth of Massachusetts. A summary of the College's financial statements is incorporated in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements. The College's basic financial statements include the Statements of Net Position, the Statements of Revenues and Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), which establishes standards for external financial reporting for public colleges and universities.

The Statements of Net Position provide information about the College at a moment in time, at fiscal year-end. The Statements of Revenues and Expenses and Changes in Net Position and the Statements of Cash Flows provide information about operations and activities over a period of time. Together, these three statements, along with the accompanying notes, provide a comprehensive assessment of the College's financial health as a whole. The full scope of the College's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements, with the Foundation reported as a discretely presented component unit.

The Statements of Net Position

The Statements of Net Position reflect the financial position of the College as of June 30. It shows the various assets owned or controlled outflows of resources applicable to future reporting periods, related liabilities and other obligations, and various categories of net position. Net position is the accounting concept defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, and as such, represents institutional equity or ownership in the College's total assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. A condensed comparison of the Statement of Net Position is as follows:

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Condensed Statements of Net Position

For the Year ended June 30,	2019	2018	2017
<u>Assets</u>			
Current assets	\$ 18,905,968	\$ 17,077,264	\$ 15,103,936
Capital assets, net	<u>10,912,826</u>	<u>10,393,902</u>	<u>8,512,532</u>
Total Assets	<u>29,818,794</u>	<u>27,471,166</u>	<u>23,616,468</u>
Deferred Outflows of Resources	<u>4,514,539</u>	<u>2,836,002</u>	<u>637,543</u>
<u>Liabilities</u>			
Current Liabilities	6,748,022	7,881,569	5,854,182
Non-Current Liabilities	<u>10,123,044</u>	<u>8,207,680</u>	<u>5,522,675</u>
Total Liabilities	<u>16,871,066</u>	<u>16,089,249</u>	<u>11,376,857</u>
Deferred Inflows of Resources	<u>2,687,237</u>	<u>2,083,187</u>	<u>2,084,603</u>
<u>Net position</u>			
Net investment in capital assets	9,870,749	9,744,809	8,433,668
Restricted for			
Expendable	997,596	990,780	375,538
Non-expendable	-	-	-
Unrestricted	<u>3,906,685</u>	<u>1,399,143</u>	<u>1,983,345</u>
Total Net Position	<u>14,775,030</u>	<u>12,134,732</u>	<u>10,792,551</u>

Current assets consist primarily of cash, cash equivalents and student and grant receivables. The majority of the current assets for the three fiscal years presented represents cash and cash equivalents.

Non-current assets are primarily comprised of capital assets (e.g. land, buildings, machinery and equipment). The College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Noncurrent assets increased by \$2.09M, \$3.52M and \$467K and depreciation expense totaled \$1.57M, \$1.64M and \$1.32M for the years ended June 30, 2019, 2018 and 2017, respectively.

Deferred outflows of resources are required, due to the implementation of GASB 68 and GASB 75, to be presented after the assets section but before the liabilities section of the Statements of Net Position.

Current liabilities consist of amounts payable to suppliers for goods and services, accrued payroll and related liabilities, unearned tuition and student deposits and the current portion of the College's capital lease obligations.

Non-current liabilities primarily consist of the value of vacation, sick leave and compensation time earned but not yet used or expected to be used within the next fiscal year, and the long-term portion of capital lease obligations.

Deferred inflows of resources are required, due to the implementation of GASB 68 and GASB 75, to be presented after the liabilities section but before the net position (equity) section of the Statement of Net Position.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College is required by accounting standards to report its net position in three categories:

Net Investment in Capital Assets – the College's total investment in property, plant, equipment and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted:

Expendable – This category represents resources the College is legally or contractually obligated to spend in accordance with restrictions placed by State, donor, and/or external parties who have placed time or purpose restrictions on the use of the asset. These funds are comprised of \$998K, \$991K and 376K at June 30, 2019, 2018 and 2017, respectively.

The Foundation's restricted-expendable net position consists of funds whose income is used mainly for student scholarships and grant awards for eligible students.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Non-Expendable – The College has no restricted non-expendable net position as of June 30, 2019, 2018 and 2017. The Foundation's restricted non-expendable net position consists of endowed scholarship funds to be held in perpetuity.

Unrestricted – This includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent unrestricted fund balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the College's management.

Statements of Revenues and Expenses and Changes in Net Position

The Statements of Revenues and Expenses and Changes in Net Position reflect the results of operations and other changes for the year ended June 30. The objective of the statements is to present the revenues earned, both operating and non-operating, and the expenses incurred by the College, along with any other revenues, expenses, gains or losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition, fees, grants and contracts are included in this category. In contrast, non-operating revenues include support the College receives from another government entity without directly giving equal value to the government entity in return. Accounting standards require that the College categorize state operating appropriations as non-operating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation expense on property and equipment.

The net operating loss in the three fiscal years presented represents the State mandate to keep tuition lower than the cost of the education and community services provided.

The condensed Statement of Revenues and Expenses and Changes in Net Position is presented below:

MASSACHUSETTS BAY COMMUNITY COLLEGE
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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Condensed Statements of Revenues and Expenses and Changes in Net Position

For the Year ended June 30,	2019	2018	2017
Operating revenues			
Tuition and fees, net	\$ 12,344,482	\$ 13,553,395	\$ 14,119,472
Grants	12,802,439	11,050,784	10,164,475
Gifts and contributions	-	59,640	234,297
Other operating revenue	207,612	208,625	283,058
Total operating revenue	<u>25,354,533</u>	<u>24,872,444</u>	<u>24,801,302</u>
Operating expenses			
Instruction	17,603,391	18,698,375	17,190,123
Academic support	4,053,676	3,999,872	4,032,487
Student services	6,325,656	6,543,602	5,426,416
Scholarships and fellowships	2,095,638	2,316,086	1,924,731
Institutional support	7,518,956	7,318,963	7,430,474
Public service	90,203	80,116	80,624
Operations and maintenance of plant	6,673,589	6,373,067	6,094,928
Depreciation	1,574,544	1,640,612	1,319,655
Total operating expenses	<u>45,935,653</u>	<u>46,970,693</u>	<u>43,499,438</u>
Operating loss	<u>(20,581,120)</u>	<u>(22,098,249)</u>	<u>(18,698,136)</u>
Non-operating revenues			
State appropriations, net	22,359,450	21,148,479	20,983,375
Investment income	390,732	242,702	105,696
Interest expense	(33,609)	(24,208)	(12,705)
Capital appropriations	504,845	2,073,457	115,458
Total non-operating revenues	<u>23,221,418</u>	<u>23,440,430</u>	<u>21,191,824</u>
Increase in net position	<u>2,640,298</u>	<u>1,342,181</u>	<u>2,493,688</u>
Net position, beginning of the year	12,134,732	10,792,551	11,163,641
Adjustments to net position	<u>-</u>	<u>-</u>	<u>(2,864,778)</u>
Net position, end of the year	<u>\$ 14,775,030</u>	<u>\$ 12,134,732</u>	<u>\$ 10,792,551</u>

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Revenues

The College continues to examine revenue diversification and cost containment due to financial pressure from increased cost of compensation and benefits, and the need to continue investing in technology to support teaching and learning. Student tuition and fees, state appropriations and federal financial aid remain the primary sources of funding for the College. The careful use of revenues ensures that the mission of the College was followed and that students would continue to receive a high quality of education and services.

The Commonwealth dictates the tuition rate, \$24 per credit hour for in-state tuition for the three fiscal years under comparison. Course and administrative student services fees are set by the Board of Trustees of the College. Course and administrative student fees remained unchanged for fiscal year 2019 when compared to fiscal year 2018. Effective Fall 2017, at the request of management, the Board of Trustees of the College voted to increase the All-College fee by \$5 per credit hour to \$161 per credit hour and the technology fee by \$5 per credit hour to \$27 per credit hour.

Gross student tuition and fees decreased by approximately \$1.2M or 9% and \$566K or 4% for fiscal years 2019 and 2018, respectively, due to declines in enrollment and increased by approximately \$1.4M or 11% for fiscal year 2017 as a result of the new fee structure which mitigated some of the effects of declined enrollment. The enrollment decrease was a trend shared by most Massachusetts Community Colleges due to the decline in the average high school class sizes.

The Commonwealth of Massachusetts, through the Board of Higher Education, appropriates funds to the community college segment as a whole and then the Board of Higher Education allocates monies to support day-to-day operations of the colleges. Partially due to the formula funding model, the College's direct unrestricted appropriations from the Commonwealth totaled \$16.8M, \$16.1M and \$16.3M, an increase of approximately \$700K or 4%, decrease of \$200K or 1% and an increase of \$500K or 3% for fiscal years 2019, 2018 and 2017, respectively.

Scholarships allowance represents funds received by the College on behalf of students and applied directly to students' accounts as defined by GASB statement No. 33. Student financial aid and other scholarships, tuition waivers and awards totaled \$8.9M, \$9.3M and \$8.4M for the years ended June 30, 2019, 2018 and 2017, respectively. The amounts received in excess of amounts billed by the College that were subsequently refunded to students totaled \$2.1M, \$2.3M and \$2.3M for the years ended June 30, 2019, 2018 and 2017, respectively.

Federal grants and contract annual revenues decreased by approximately \$189K or 2%, increased by \$690K or 10% and decreased by \$936K or 11% in fiscal years 2019, 2018 and 2017, respectively. The decrease in fiscal years 2019 and 2017 is primarily the result of a decrease in federal loan revenue. The increase in fiscal year 2018 was primarily the result of an increase in

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Management's Discussion & Analysis (Unaudited) - Continued

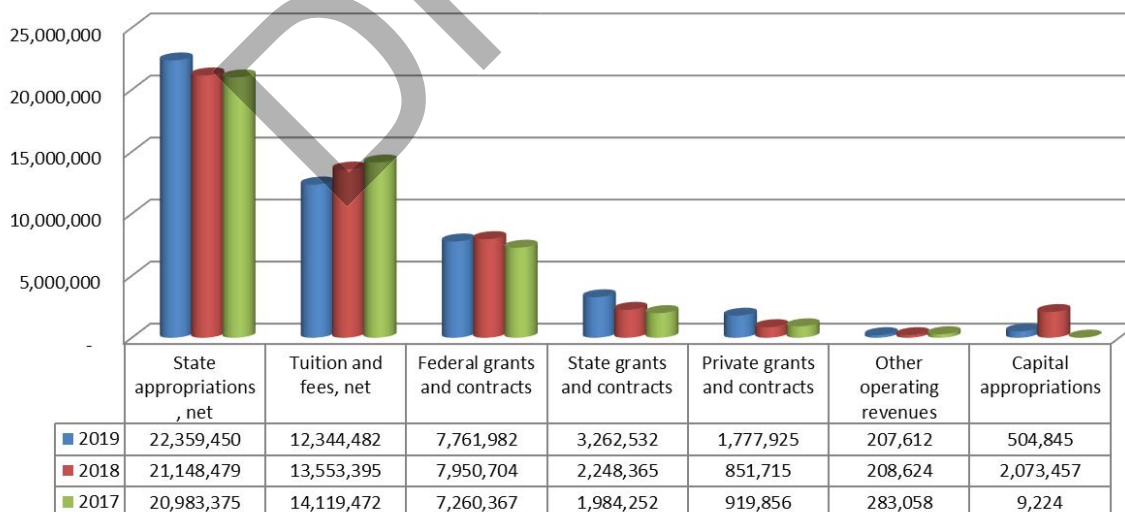
June 30, 2019 and 2018

Federal Pell and loan revenue. For the years ended June 30, 2019, 2018 and 2017, Pell revenue totaled \$4.3M, \$4.5M and \$3.9M and federal loans totaled \$2.5M, \$2.8M and \$2.5M, respectively.

State grants and contracts annual revenues increased by approximately \$1M or 45%, \$264K or 13% and \$266K or 11%, in fiscal years 2019, 2018 and 2017, respectively. For 2019, the College received a grant from the Commonwealth's Skills Capital Equipment Grant Program to purchase academic equipment in the amount of \$570K. The College also received an Early Childhood Education Career Pathways Grant in the amount of \$297K. For 2018, as was the case in fiscal year 2017, the College received a grant from the Commonwealth's Skills Capital Equipment Grant Program to purchase academic equipment in the amount of \$495K.

Private grants, contracts, gifts, and other operating revenue for fiscal year 2019 amounted to \$2M, an increase of \$865K or 77% when compared to fiscal year 2018. The increase is primarily due to a grant secured to fund the STEM academic division. Private grants, contracts, gifts, and other operating revenue for fiscal year 2018 amounted to \$1.1M, a decreased of \$317K or 22% when compared to fiscal year 2017. The decrease is primarily due to a decrease in commission revenue from the bookstore and the food service. Private grants, contracts and other operating revenue for fiscal year 2017 amounted to \$1.4M and increased by \$296K or 33% over the prior year fiscal year 2016. The increase was the result of Foundation student support and other outside programmatic support.

Selected Revenue Comparison



The College receives capital appropriations from the Commonwealth that can span multiple fiscal years. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended during the current year. Expenditures from capital project funds that do not meet accounting standards for capitalization are reported as

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Management's Discussion & Analysis (Unaudited) - Continued

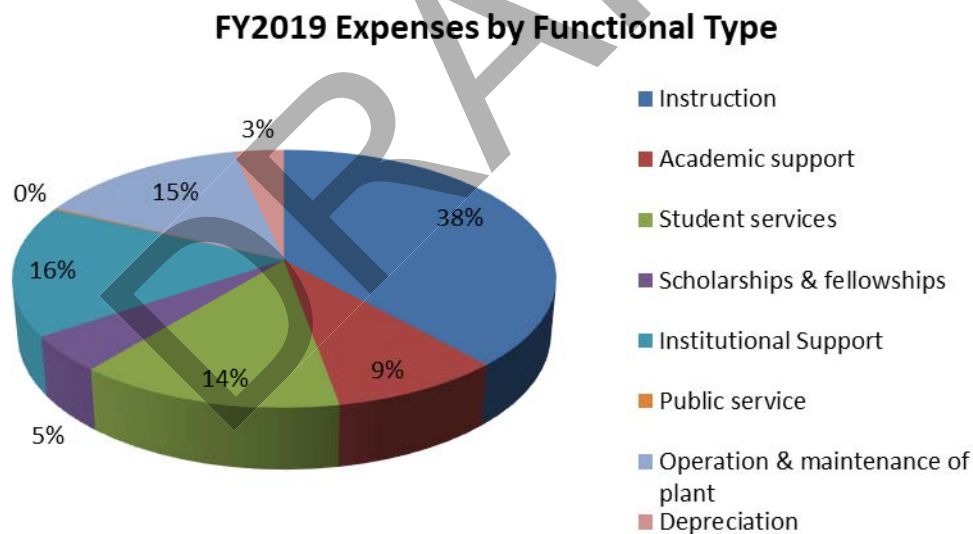
June 30, 2019 and 2018

operating expenses. Those expenditures that meet the capitalization requirements are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful life of the asset.

Expenses

Faced with declining enrollment over the past years, the College has continuously sought opportunities to identify fiscal year savings and efficiencies. Over the last few years, the College has restructured its budget with the goal of increasing financial strength to meet the predicted trend of declining enrollment due to decreasing 18 - 24 age group population projections for Massachusetts.

The following are graphic illustrations of total expenses by functional categories including depreciation expense for the fiscal years ended June 30, 2019, 2018 and 2017:



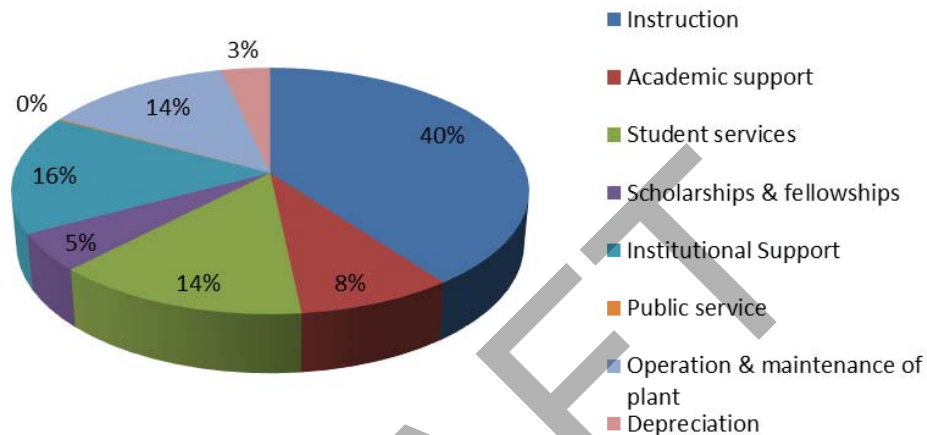
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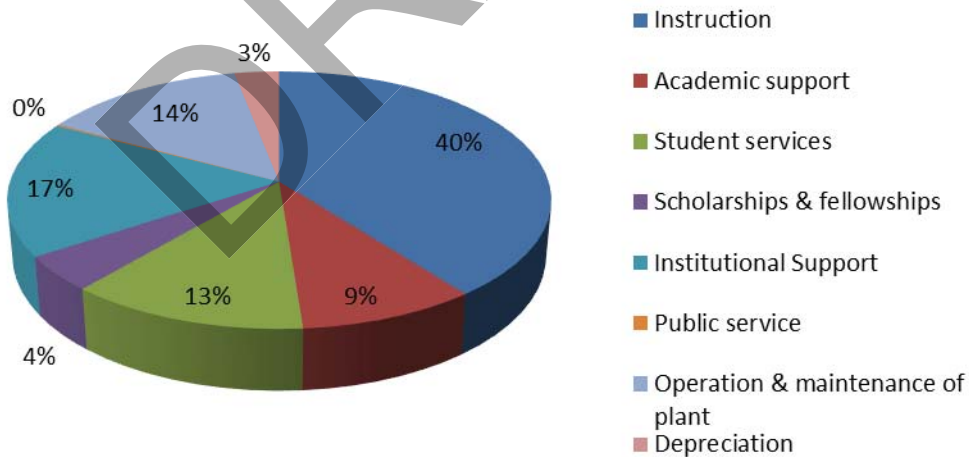
Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

FY2018 Expenses by Functional Type



FY2017 Expenses by Functional Type



The following chart illustrates the operating expense by National Association of College and University Business Officers ("NACUBO") functional category per full-time equivalent (FTE) student.

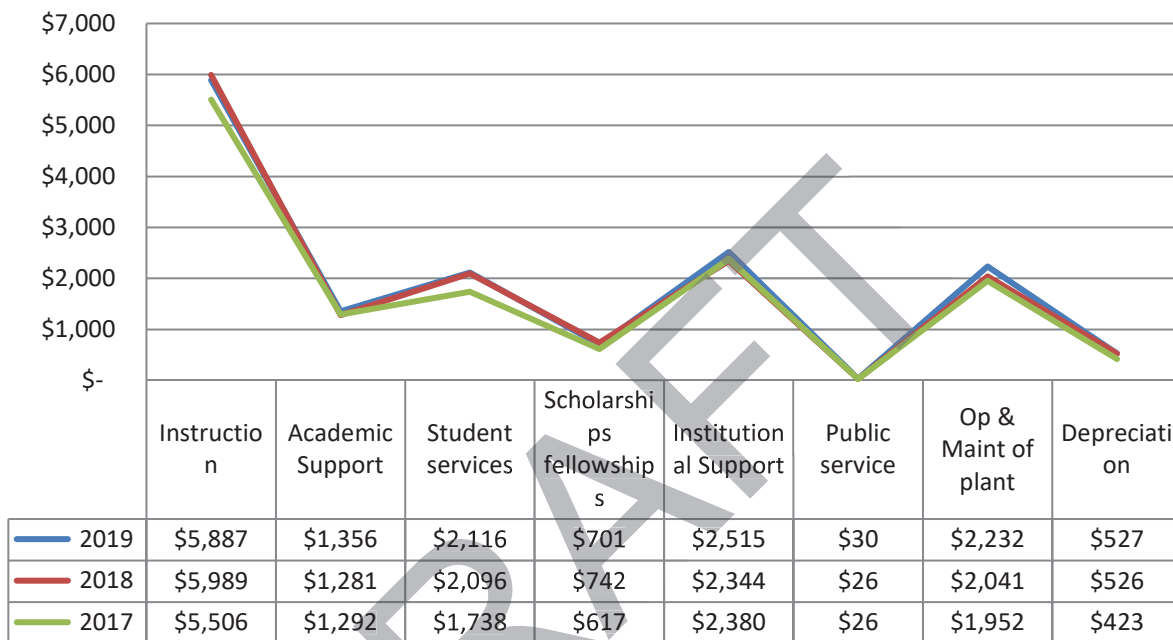
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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Functional Expenses per Student (FTE)



The College's operational expenses decreased by \$1.0M or 2%, increased by \$3.5M or 8% and increased by 5% or \$2M for fiscal years 2019, 2018 and 2017, respectively. The fiscal year 2019 decrease is mainly due to one-time costs of an Early Retirement Incentive Program offered to employees in fiscal year 2018. No such costs were incurred in fiscal year 2019. The fiscal year 2018 increase was due to an increase in salaries and related benefits due to yearly mandated pay raises, the cost related to the Early Retirement Incentive Program offered to staff during fiscal year 2018, and MassBay's allocation of the State's other post-employment benefits ("OPEB") expense. The fiscal 2017 increase was due to top level position vacancies in fiscal year 2016 that were filled in 2017, including the office of the President.

- **Instruction** costs decreased by \$1.1M or 6%, increased by \$1.5M or 9% and decreased by \$98K or 1% for fiscal years 2019, 2018 and 2017, respectively. The fiscal year 2019 decrease is mainly attributed to salary and related benefits savings as a result of a one-time Early Retirement Incentive Program offered to employees in fiscal year 2018. The fiscal year 2018 increase can be attributed to an increase in salaries and related benefits due to the Early Retirement Incentive Program and yearly mandated pay raises. The fiscal year 2017 decrease can be attributed to a reduced need for adjunct faculty.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

- **Academic support** costs increased by \$54K or 1%, decreased by \$33K or 1% and increased by \$282K or 8% for fiscal years 2019, 2018 and 2017, respectively.
- **Student services** costs decreased by \$218K or 3%, increased by \$1M or 20%, increased by \$579K or 12% for fiscal years 2019, 2018 and 2017, respectively. The fiscal year 2019 increase can be attributed to yearly mandated pay raises. The fiscal year 2018 increase can be attributed in part to an increase in salaries and related benefits due to the Early Retirement Incentive Program and yearly mandated pay raises. A Recruitment counselor position was added during the fiscal year and there were promotions in key staff areas. The fiscal year 2017 increase can be mainly attributed to the use of consultants in student financial services to help in the conversion of the software used in the area from PowerFAIDS to PeopleSoft and an increase student accounts written off during the year.
- **Scholarships and fellowships** costs decreased by \$220K or 10%, increased by \$391K or 20% and decreased by \$209K or 10% for fiscal years 2019, 2018 and 2017, respectively. The fiscal year 2019 and 2017 decrease was due to a decrease in student participation in Subsidized and Unsubsidized Stafford Loans. The fiscal year 2018 increase was due to an increase in student participation in Subsidized and Unsubsidized Stafford Loans.
- **Institutional support** costs increased by \$200K or 3%, decreased by \$112K or 2% and increased 23% or \$1.4M, for fiscal years 2019, 2018 and 2017, respectively.
- **Public service** costs have been flat for the last three fiscal years as expected due to no major change in activity in this expense category.
- **Operation and maintenance of plant** costs increased by \$301K or 5%, \$278K or 5% and \$429K or 7% for fiscal years 2019, 2018 and 2017, respectively. The increases for the three fiscal years can be attributed to the increased cost of maintaining the College's three campuses.
- **Depreciation** expense decreased by \$66K or 4%, increased by \$321K or 24% and decreased by \$330K or 20%, for fiscal years 2019, 2018 and 2017, respectively. The fiscal year 2019 and 2017 decrease was due to the fact that depreciation expense is no longer recorded on assets that have been fully depreciated. The fiscal year 2018 increase was due to significant capital asset additions (funded primarily by the State).

Expenditure classifications are defined below:

- **Instruction** – costs directly related to the classroom, i.e., faculty salaries, instructional supplies, and equipment.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

- **Academic support** – academic computing, library, academic administration.
- **Student services** – Admissions, Registrar, Financial Aid offices, as well as counseling, tutoring, interpreters and athletics.
- **Scholarship and fellowships** – all student aid including federal, state, and private grants, i.e., Pell, S.E.O.G., Mass State Cash Grants and Mass State Scholarship which was not used to pay tuition and fees.
- **Institutional support** – President's office, business operations, development office, and all other administrative functions including campus police.
- **Public Service** – includes funds expended for activities established primarily to provide non-instructional service programs to individuals and groups external to the institution.
- **Operation and maintenance of plant** – all costs of operating and direct maintenance of the physical plant and grounds.

Loss from Operations

It is the nature of public higher education institutions to incur a loss from operations because the state appropriation is presented as non-operating income. The Commonwealth's Board of Higher Education sets tuition. The College sets fees and other charges. Commonwealth appropriations to the College make up the loss from operations not covered by tuition and fees. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approved budgets to adequately manage the operation of the institution taking into consideration such issues as physical plant maintenance, delivery of instruction and student services, long range plans, and enrollment growth.

The Statement of Cash Flows

The Statement of Cash Flows gives a general picture of where the College obtains and spends its cash and cash equivalents during the fiscal year. The statement gives detailed information about cash flows related to four different types of activities within the institution.

The first section, Cash Flows from Operating Activities, shows cash received and spent on the operations of the College. Since tuition and fees and other operating revenue alone do not normally cover the operating costs of a public higher education institution, this section can be expected to show more cash used than provided.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

The second section, Cash Flows from Non-Capital Financing Activities, shows cash received and spent on non-capital financing activities of the College. Here the College reports cash from state appropriations. Tuition required to be remitted to the state for day courses is also included in this section.

The third section, Cash Flows from Capital and Related Financing Activities, shows cash received and spent on capital and related financing activities. This includes state capital appropriations for major projects, minor works and repairs. It also includes principal and interest paid on capital leases. Since the College also uses local funds to supplement these sources, it is not unusual for this section to show more cash used than provided.

The fourth section, Cash Flows from Investing Activities, shows cash received and spent on investing activities, including the purchase and sale of investment instruments, interest earnings and realized gains and losses from investments.

Next, the statement shows how the current year's change in cash combined with the prior year's cash balance results in the ending cash and cash equivalents balance shown on the College's Statement of Net Position. Finally, the statement includes a detailed reconciliation of operating activity only, between the operating loss shown as a subtotal on the Statement of Revenues, Expenses and Changes in Net Position and the net cash used by operating activities as shown on the Statement of Cash Flows.

The condensed statement of cash flows is presented below:

Condensed Statements of Cash Flows

For the Year ended June 30,	2019	2018	2017
Operating activities	\$ (14,171,936)	\$ (12,580,945)	\$ (12,210,205)
Non-capital financing activities	16,595,948	17,703,977	15,710,891
Capital financing activities	(1,229,248)	(2,955,455)	(1,193,550)
Investing activities	<u>390,732</u>	<u>242,702</u>	<u>105,696</u>
Net change in cash	1,585,496	2,410,279	2,412,832
Cash and cash equivalents, beginning of year	<u>15,092,641</u>	<u>12,682,362</u>	<u>10,269,530</u>
Cash and cash equivalents, end of year	<u>\$ 16,678,137</u>	<u>\$ 15,092,641</u>	<u>\$ 12,682,362</u>

The College's cash and cash equivalents increased by approximately \$1.6M or 11%, \$2.4M or 19% and \$2.4M or 23% for fiscal years 2019, 2018 and 2017, respectively. The primary

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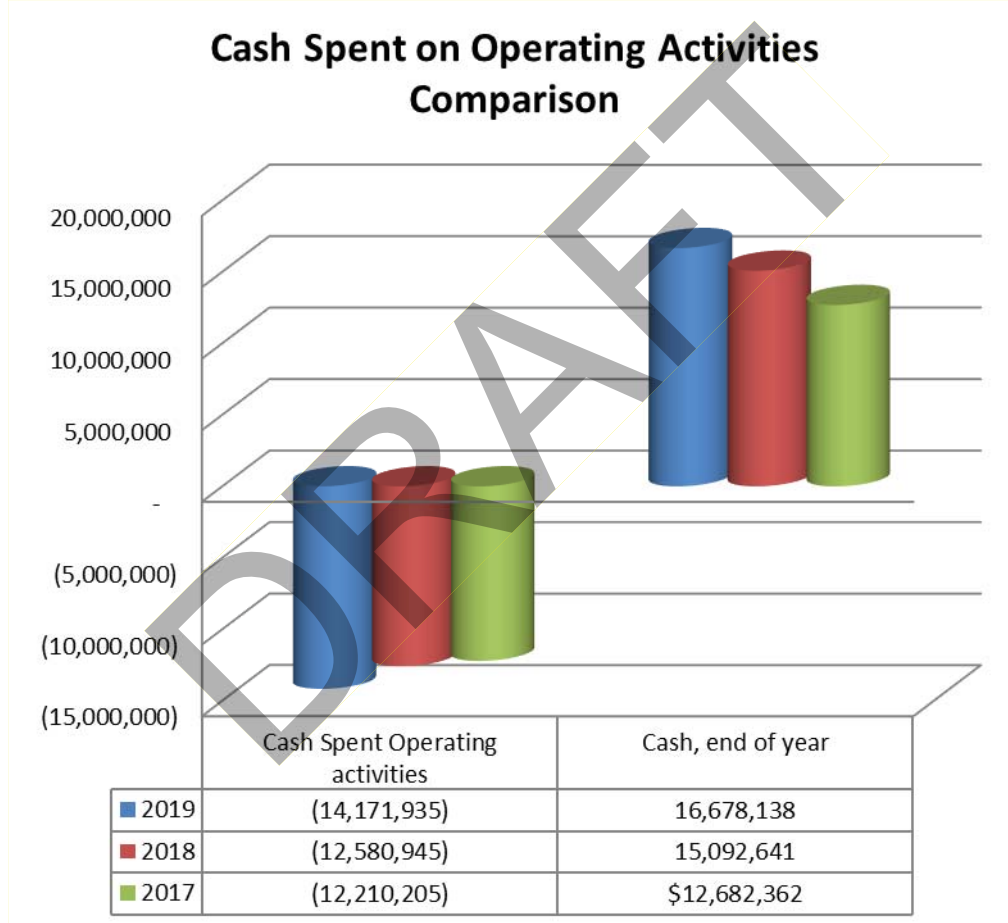
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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

contributing factors for the increase included adoption and implementation of a budget that included a net reserve and was supported by conservative enrollment projections and on-going management of expenditures.

The following schedule summarizes the increase in cash spent to support operating activities for fiscal years 2019, 2018 and 2017, respectively, while maintaining a strong cash balance reserve:



Capital Assets and Long-Term Debt Activities

The College submits a prioritized request for capital funding to the Commonwealth's Department of Capital Management and Maintenance ("DCAMM") on an annual basis, which includes major projects. The primary funding source for capital projects is state general obligation bonds. In recent years, the Commonwealth's debt capacity has impacted the number of new and major repair projects that can be funded.

MASSACHUSETTS BAY COMMUNITY COLLEGE

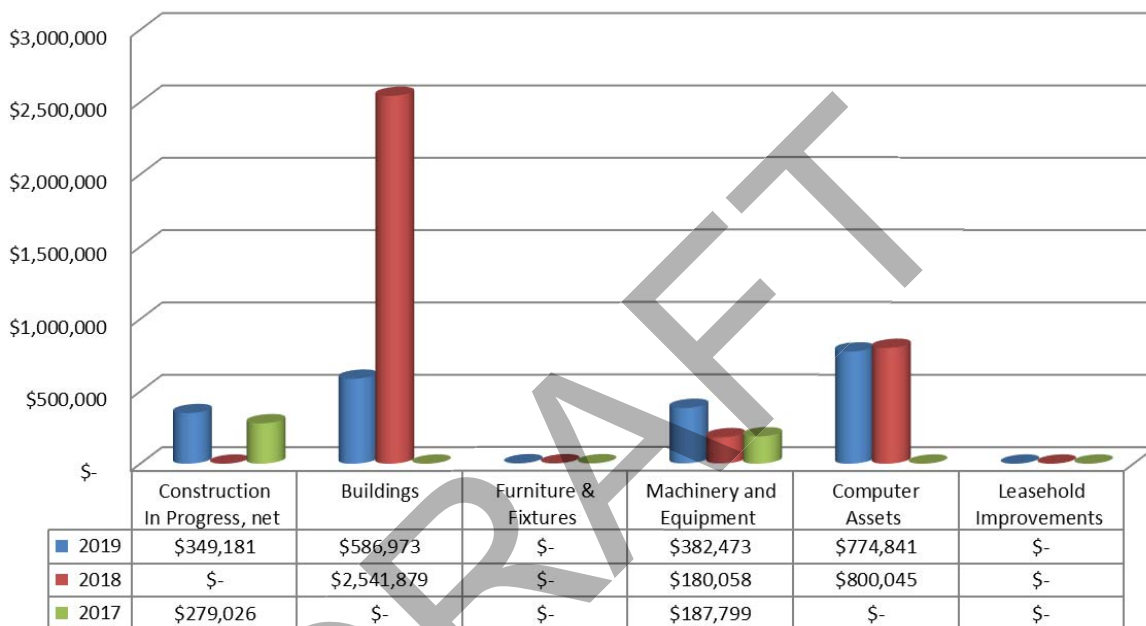
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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

As of June 30, 2019, the College had invested more than \$10.9M in net capital assets, net of accumulated depreciation. Major asset additions are as follows:

Capital Asset Additions



The increase in net capital assets in fiscal years 2019, 2018 and 2017 can be attributed to significant capital asset additions. In fiscal year 2019, the College started and completed the renovation of the Enrollment center. In fiscal year 2018, work on a key card access and locking door security system, work on a chiller replacement, and work related to the HVAC for the Wellesley campus, the expenses of which are included in the additions to buildings. In fiscal year 2017, the College received a Grant from the Commonwealth's Skills Capital Equipment Grant Program to purchase academic equipment. Among other programmatic assets, the College purchased an advanced birthing simulator for the Health Sciences program and a dual control four-wheel drive chassis dynamometer system to serve the automotive department.

The college had \$1M, \$649K and 79K in outstanding capital lease obligations for fiscal years 2019, 2018 and 2017, respectively. The majority of these obligations were incurred to fund an upgrade to the College's technology and will be paid in full by the end of fiscal year 2023.

Factors Impacting Future Periods

With the leadership of the president, the College embarked on creating a new strategic plan for the five years beginning 2018. This plan incorporates the vision plan for the Commonwealth of Massachusetts' Board of Higher Education's Vision Project and sets forth five strategic directions aligned to continually improve performance in the areas of improving student outcomes, increasing

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Management's Discussion & Analysis (Unaudited) - Continued

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college preparation, strengthening workforce partnerships, enhancing professional growth of faculty and staff, and optimizing capital resources.

The fiscal year 2020 budget was structured with a conservative 7% enrollment decrease consistent with the fiscal year 2019 budget in anticipation of the projected enrollment decline in traditional college age population in the Commonwealth. The decline is expected to be partly offset by a \$6 fee increase. Fees were unchanged for the previous year. The College will continue to strive to make educational opportunities affordable to all who seek them while simultaneously working to raise sufficient revenues to support the mission of the institution.

During the first quarter of fiscal year 2020, the College added debt in the amount of \$384K related to boosting network infrastructure and cyber security. Yearly payments under the debt agreement amount to \$77K.

Along with the majority of the community colleges in Massachusetts, the College has struggled with declining enrollment for several years. Fall enrollment is down 5.9% in credits sold, over fall semester 2018. The College has identified several key areas of focus to increase enrollment, including efforts to increase retention of part-time students, developing the yield on applications submitted, providing more financial aid award information to applicants, and building corporate training, workforce development partnerships and other non-credit offerings.

The College is currently planning to build a new campus in Framingham. The College was awarded \$51M from the state of Massachusetts toward the construction of the building. The building will house the Health Science, Early Childhood, and Human Services programs, and will have space to offer general education classes and provide student services. The construction of the new building will help the College fulfill its mission to provide first-rate undergraduate education to the residents of the communities served. The new building is scheduled to open in Fall 2023. Faculty have already begun conversations with the architects about the layout. The College will be moving forward with a capital campaign to raise \$5M from private funding to ensure that the building has all of the best equipment and resources. In the first months of the campaign, the College has raised \$806K.

The College is also working with the Massachusetts State College Building Authority in planning and designing a new Fitness & Recreation Center on the Wellesley Hills Campus. Design and full funding for both projects is still being finalized. The College has hired a fundraising consultant to assist in fundraising for the two projects.

Despite these challenges, the College is continuing to serve the community and mission well by fostering educational excellence and student success. Nearly half (49%) of the Fall 2010 cohort achieved a successful outcome (graduated, transferred or remained enrolled with over 30 credits) by 2016. The College had the highest success rate among the 15 community colleges in Massachusetts.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Requests for Information

This financial report is designed to provide the College, the Commonwealth, the public and other interested parties with an overview of the financial results of the College and an explanation of the College's financial condition. If you have questions about this report or requests for additional information, please contact the Office of the Vice President for Finance & Administration, 50 Oakland Street, Wellesley Hills, MA 02481.

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MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>2019</u>		<u>2018</u>	
	<u>College</u>	<u>Foundation</u>	<u>College</u>	<u>Foundation</u>
Current Assets:				
Cash and cash equivalents (Note 2)	\$ 15,942,293	\$ 458,532	\$ 14,606,489	\$ 248,193
Deposits held by State Treasurer (Note 3)	735,845	-	486,152	-
Accounts, grants and loans receivable, net (Note 4)	2,140,530	43,000	1,984,623	-
Prepaid expenses and other current assets	87,300	-	-	-
Investments (Note 5)	-	4,057,132	-	4,210,195
Total Current Assets	18,905,968	4,558,664	17,077,264	4,458,388
Non-Current Assets:				
Capital assets, net (Note 6)	10,912,826	-	10,393,902	-
Long-term investments (Note 5)	-	1,417,141	-	1,343,136
Total Non-Current Assets	10,912,826	1,417,141	10,393,902	1,343,136
Total Assets	29,818,794	5,975,805	27,471,166	5,801,524
Deferred Outflows of Resources:				
Deferred outflows related to pensions (Note 9)	1,424,215	-	1,073,244	-
Deferred outflows related to OPEB (Note 10)	3,090,324	-	1,762,758	-
Total Deferred Outflows of Resources	4,514,539	-	2,836,002	-
Total Assets and Deferred Outflows of Resources	\$ 34,333,333	\$ 5,975,805	\$ 30,307,168	\$ 5,801,524

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>		<u>2018</u>	
	<u>College</u>	<u>Foundation</u>	<u>College</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,246,221	\$ -	\$ 2,112,664	\$ -
Accrued salaries and wages	1,089,386	-	2,273,708	-
Current portion of accrued compensated absences and workers' compensation (Note 8)	1,719,138	-	1,729,769	-
Unearned tuition and student deposits	1,143,020	-	1,105,452	-
Unearned grant and contract revenue	261,751	-	504,628	-
Due to affiliate	-	86,500	-	-
Current portion of capital lease obligations (Note 8)	<u>288,506</u>	-	<u>155,348</u>	-
Total Current Liabilities	<u>6,748,022</u>	<u>86,500</u>	<u>7,881,569</u>	-
Non-Current Liabilities:				
Accrued compensated absences and workers' compensation, net of current portion (Note 8)	900,201	-	849,058	-
Capital lease obligations, net of current portion (Note 8)	753,571	-	493,745	-
Net pension liability (Note 9)	3,072,507	-	2,331,027	-
Net OPEB liability (Note 10)	<u>5,396,765</u>	-	<u>4,533,850</u>	-
Total Non-Current Liabilities	<u>10,123,044</u>	-	<u>8,207,680</u>	-
Total Liabilities	<u>16,871,066</u>	<u>86,500</u>	<u>16,089,249</u>	-
Deferred Inflows of Resources				
Deferred inflows related to pensions (Note 9)	1,004,124	-	1,550,986	-
Deferred inflows related to OPEB (Note 10)	<u>1,683,113</u>	-	<u>532,201</u>	-
Total Deferred Inflows of Resources	<u>2,687,237</u>	-	<u>2,083,187</u>	-
Net Position:				
Net investment in capital assets	9,870,749	-	9,744,809	-
Restricted:				
Expendable (Note 11)	997,596	2,082,076	990,780	1,787,214
Non-expendable	-	1,580,598	-	1,558,572
Unrestricted	<u>3,906,685</u>	<u>2,226,631</u>	<u>1,399,143</u>	<u>2,455,738</u>
Total Net Position	<u>14,775,030</u>	<u>5,889,305</u>	<u>12,134,732</u>	<u>5,801,524</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 34,333,333</u>	<u>\$ 5,975,805</u>	<u>\$ 30,307,168</u>	<u>\$ 5,801,524</u>

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses and Changes in Net Position

For the Years Ended June 30,

	<u>2019</u>		<u>2018</u>	
	<u>College</u>	<u>Foundation</u>	<u>College</u>	<u>Foundation</u>
Operating Revenues:				
Tuition and fees	19,196,754	\$ -	\$ 20,544,164	\$ -
Less: scholarships and fellowships	<u>(6,852,272)</u>	-	<u>(6,990,769)</u>	-
Net tuition and fees	12,344,482	-	13,553,395	-
Gifts and contributions	-	418,677	59,640	456,145
Federal grants and contracts	7,761,982	-	7,950,704	-
State grants and contracts	3,262,532	-	2,248,365	-
Private grants and contracts	1,777,925	-	851,715	-
Other operating revenues	<u>207,612</u>	-	<u>208,625</u>	-
Total Operating Revenues	<u>25,354,533</u>	<u>418,677</u>	<u>24,872,444</u>	<u>456,145</u>
Operating Expenses (Note 13):				
Instruction	17,603,391	-	18,698,375	-
Academic support	4,053,676	-	3,999,872	-
Student services	6,325,656	-	6,543,602	-
Scholarships and fellowships	2,095,638	245,145	2,316,086	271,937
Institutional support	7,518,956	355,170	7,318,963	256,952
Public service	90,203	-	80,116	-
Operation and maintenance of plant	6,673,589	-	6,373,067	-
Equipment donations	-	-	-	10,000
Depreciation	1,574,544	-	1,640,612	-
Management and general	-	55,270	-	56,246
Fundraising and development	-	46,661	-	45,298
Total Operating Expenses	<u>45,935,653</u>	<u>702,246</u>	<u>46,970,693</u>	<u>640,433</u>
Net Operating Loss	<u>(20,581,120)</u>	<u>(283,569)</u>	<u>(22,098,249)</u>	<u>(184,288)</u>
Non-Operating Revenues (Expenses):				
State appropriations, net (Note 15)	22,359,450	-	21,148,479	-
Investment income	390,732	371,350	242,702	458,569
Interest expense	<u>(33,609)</u>	-	<u>(24,208)</u>	-
Total Non-Operating Revenues	<u>22,716,573</u>	<u>371,350</u>	<u>21,366,973</u>	<u>458,569</u>
Net Income (Loss) Before Other Revenues	2,135,453	87,781	(731,276)	274,281
Capital appropriations (Note 15)	<u>504,845</u>	-	<u>2,073,457</u>	-
Changes in Net Position	<u>\$ 2,640,298</u>	<u>\$ 87,781</u>	<u>\$ 1,342,181</u>	<u>\$ 274,281</u>
Net Position, Beginning of Year	<u>12,134,732</u>	<u>5,801,524</u>	<u>10,792,551</u>	<u>5,527,243</u>
Net Position, End of Year	<u>\$ 14,775,030</u>	<u>\$ 5,889,305</u>	<u>\$ 12,134,732</u>	<u>\$ 5,801,524</u>

See accompanying notes to the financial statements.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 12,570,043	\$ 13,392,253
Grants and contracts	12,214,014	11,628,975
Payments to suppliers	(11,454,103)	(9,931,837)
Payments to employees	(25,615,512)	(25,702,486)
Payments to students	(2,095,638)	(2,316,086)
Other operating revenues	<u>209,260</u>	<u>348,236</u>
Net Cash Applied to Operating Activities	<u>(14,171,936)</u>	<u>(12,580,945)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	16,922,098	18,222,442
Tuition remitted to state	<u>(326,150)</u>	<u>(518,465)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>16,595,948</u>	<u>17,703,977</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations received	504,845	20,505
Purchases of capital assets, net	(1,407,827)	(2,721,937)
Principal paid on capital leases	(292,657)	(229,815)
Interest paid on capital leases	<u>(33,608)</u>	<u>(24,208)</u>
Net Cash Applied to Capital Financing Activities	<u>(1,229,247)</u>	<u>(2,955,455)</u>
Cash Flows from Investing Activity:		
Interest income	<u>390,732</u>	<u>242,702</u>
Net Increase in Cash and Cash Equivalents	1,585,497	2,410,279
Cash and Cash Equivalents, Beginning of Year	<u>15,092,641</u>	<u>12,682,362</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,678,138</u>	<u>\$ 15,092,641</u>

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ <u>(20,581,120)</u>	\$ <u>(22,098,249)</u>
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	1,574,544	1,640,612
Bad debts	243,257	290,079
Fringe benefits provided by the State	5,763,502	5,497,450
Accounts, grants and loans receivable, net	(399,165)	(16,029)
Prepaid expenses and other current assets	(87,300)	162,904
Accounts payable and accrued liabilities	133,557	392,719
Accrued salaries, wages, compensated absences and workers' compensation	(1,143,810)	1,314,773
Unearned tuition and student deposits	37,568	(92,982)
Unearned grant and contract revenue	(242,877)	315,951
Net pension liability	(156,353)	(426,688)
Net OPEB liability	<u>686,261</u>	<u>438,515</u>
Net Cash Applied to Operating Activities	\$ <u>(14,171,936)</u>	\$ <u>(12,580,945)</u>
Reconciliation Cash and Equivalents per the Statements of Cash Flows to the Statements of Financial Position, end of year:		
Cash and cash equivalents	\$ 15,942,293	\$ 14,606,489
Deposits held by State Treasurer	<u>735,845</u>	<u>486,152</u>
Cash and cash equivalents, end of year	\$ <u>16,678,138</u>	\$ <u>15,092,641</u>
Non-Cash Disclosures:		
Fringe benefits provided by the State	\$ <u>5,763,502</u>	\$ <u>5,497,450</u>
Capital assets acquired through capital lease agreements	\$ <u>685,641</u>	\$ <u>800,045</u>

See accompanying notes to the financial statements.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2019 and 2018

Note 1 - **Summary of Significant Accounting Policies**

Organization

Massachusetts Bay Community College (the “College”) is a state-supported comprehensive two-year college that offers a quality education leading to an associate degree in the arts and sciences as well as one-year certificate programs. The College’s primary campus is located in Wellesley Hills, Massachusetts, along with another campus in Framingham and a satellite facility in Ashland. The College provides instruction and training in a variety of liberal arts, allied health and business fields of study. The College also offers, through corporate and community education, credit and noncredit courses. The College is accredited by the New England Commission of Higher Education.

The College is an agency of the Commonwealth of Massachusetts (the “State” or the “Commonwealth”). The accompanying financial statements reflect only the transactions of the College and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the College had been operated independently of the State.

Basis of Presentation and Accounting

The accompanying financial statements, have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”).

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statement of revenues and expenses demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements, including the College's discretely presented component unit, and required supplementary information. The College presents statements of net position, revenues and expenses and changes in net position and cash flows on a combined college-wide basis.

The College's policy is to define operating activities in the statement of revenues and expenses as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities including the College's operating and capital appropriations from the Commonwealth, net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

The Massachusetts Bay Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt organization. The Foundation was formed in 1984 to render financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2019 and 2018 and is therefore discretely presented in the College's financial statements.

Complete financial statements can be obtained from the Foundation's administrative offices in Wellesley Hills, Massachusetts.

During the years ended June 30, 2019 and 2018, the Foundation distributed scholarships in the amount of \$245,145 and \$271,937, respectively, directly to students of the College.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Net Position

The College has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds. Resources are classified for accounting purposes into the following three net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - Non-expendable: Net position subject to externally imposed conditions that the College must maintain in perpetuity.

Restricted - Expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, the net pension liability and net OPEB liability.

Cash and Cash Equivalents and Investments

The College has defined cash and cash equivalents to include cash on hand, demand deposits, and cash and deposits held by state agencies on behalf of the College with original maturities of three months or less from the date of acquisition.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Accounts Receivable

Accounts receivable are stated at the amount the College expects to collect from outstanding balances. The College provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value at date of donation. It is the College's policy to capitalize items with a unit cost of more than \$50,000 and with a useful life of greater than one year. The College's capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 2 to 40 years.

It is the College's policy to expense educational reference materials when purchased. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The College does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

Capital assets are controlled, but not owned by the College. The College is not able to sell or otherwise pledge its assets since they are owned by the Commonwealth.

Interest Expense and Capitalization

The College follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. There were no interest costs capitalized during the year.

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefits programs, including health insurance, unemployment, and pension. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College.

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, each year. Employees with 10 or more years of service are entitled to carry forward

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20% of unused sick time. Upon retirement, the employee is entitled to receive payment for the unused balance.

Workers' Compensation

The Commonwealth provides workers' compensation coverage to its employees on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation is assessed separately to the College based on the College's actual experience.

Unearned Revenues

Unearned revenues consist of student deposits, fees and tuition payments for summer programs and the next academic year, and grant revenues. Revenues are recognized as the related services are performed and completed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits ("OPEB")

For purposes of measuring the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT") and additions to/deductions from SRBT's fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Student Fees

Student tuition and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

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Tax Status

The College is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

New Governmental Accounting Pronouncements

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 30, 2019. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end

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of a construction period. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation, however, there was no change to the net position.

Note 2 - Cash and Cash Equivalents

The College is required to comply with the Commonwealth's deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations.

The Treasurer of the Commonwealth oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is \$1 per share. At June 30, 2019 and 2018 the College had \$14,797,732 and \$13,207,000, respectively, invested with MMDT and is included in cash and cash equivalents.

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Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The College does not have a formal deposit policy for custodial credit risk. The College monitors the exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2019 and 2018, the carrying amount of the College's cash and cash equivalents was \$16,678,138 and \$15,092,641, respectively. At June 30, 2019 and 2018, the College had uninsured cash balances totaling \$15,652,242 and \$13,915,883, respectively, including the MMDT cash balance.

Note 3 - **Deposits held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$735,845 and \$486,152 at June 30, 2019 and 2018, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts, Grants, and Loans Receivable, net**

Accounts, grants, and loans receivable include the following at June 30,:

	<u>2019</u>	<u>2018</u>
Student accounts receivable	\$2,148,440	\$2,497,185
Grants receivable	626,127	280,579
Other receivables	48,010	49,658
	<u>2,822,577</u>	<u>2,827,421</u>
Less: Allowance for doubtful accounts	<u>(682,047)</u>	<u>(842,798)</u>
	<u>\$2,140,530</u>	<u>\$1,984,623</u>

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Note 5 - **Investments**

Investments of the Foundation

The following is a summary of investments at June 30,:

<u>Description</u>	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 3,926,338	\$ 3,992,227	\$ 4,089,866	\$ 4,163,084
Bond funds	<u>1,415,573</u>	<u>1,482,046</u>	<u>1,284,447</u>	<u>1,390,247</u>
	<u>\$ 5,341,911</u>	<u>\$ 5,474,273</u>	<u>\$ 5,374,343</u>	<u>\$ 5,553,331</u>

As of June 30, 2019 and 2018, all investments are level 1 investments and are valued at quoted market value of the shares held at fiscal year-end.

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Note 6 - Capital Assets

Capital assets consist of the following at June 30, 2019:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications & Reductions</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	-	\$ 103,368	\$ -	\$ -	\$ 103,368
Construction-in-progress	-	<u>178,534</u>	<u>349,181</u>	<u>(106,234)</u>	<u>421,481</u>
Total not depreciated		<u>281,902</u>	<u>349,181</u>	<u>(106,234)</u>	<u>524,849</u>
Capital assets, depreciated:					
Buildings, including improvements	11-40	24,205,320	586,973	106,234	24,898,527
Furnishings and equipment					
(including the cost of capital leases)	2-10	<u>8,185,004</u>	<u>1,157,314</u>	<u>-</u>	<u>9,342,318</u>
Total depreciated		<u>32,390,324</u>	<u>1,744,287</u>	<u>106,234</u>	<u>34,240,845</u>
Less accumulated depreciation:					
Buildings, including improvements		(15,196,625)	(1,023,947)	-	(16,220,572)
Furnishings and equipment		<u>(7,081,699)</u>	<u>(550,597)</u>	<u>-</u>	<u>(7,632,296)</u>
Total accumulated depreciation		<u>(22,278,324)</u>	<u>(1,574,544)</u>	<u>-</u>	<u>(23,852,868)</u>
Net depreciable assets		<u>10,112,000</u>	<u>169,743</u>	<u>106,234</u>	<u>10,387,977</u>
Capital Assets, Net		<u>\$ 10,393,902</u>	<u>\$ 518,924</u>	<u>\$ -</u>	<u>\$ 10,912,826</u>

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June 30, 2019 and 2018

Capital assets consist of the following at June 30, 2018:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications & Reductions</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	-	\$ 103,368	\$ -	\$ -	\$ 103,368
Construction-in-progress	-	<u>351,326</u>	<u>-</u>	<u>(172,792)</u>	<u>178,534</u>
Total not depreciated		<u>454,694</u>	<u>-</u>	<u>(172,792)</u>	<u>281,902</u>
Capital assets, depreciated:					
Buildings, including improvements	11-40	21,490,649	2,541,879	172,792	24,205,320
Furnishings and equipment (including the cost of capital leases)	2-10	<u>7,204,901</u>	<u>980,103</u>	<u>-</u>	<u>8,185,004</u>
Total depreciated		<u>28,695,550</u>	<u>3,521,982</u>	<u>172,792</u>	<u>32,390,324</u>
Less accumulated depreciation:					
Buildings, including improvements		(14,200,406)	(996,219)	-	(15,196,625)
Furnishings and equipment		<u>(6,437,306)</u>	<u>(644,393)</u>	<u>-</u>	<u>(7,081,699)</u>
Total accumulated depreciation		<u>(20,637,712)</u>	<u>(1,640,612)</u>	<u>-</u>	<u>(22,278,324)</u>
Net depreciable assets		<u>8,057,838</u>	<u>1,881,370</u>	<u>172,792</u>	<u>10,112,000</u>
Capital Assets, Net		<u>\$ 8,512,532</u>	<u>\$ 1,881,370</u>	<u>\$ -</u>	<u>\$ 10,393,902</u>

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Note 7 - Early Retirement Incentive Plan

The College established an Early Retirement Incentive Program, offered during fiscal year 2018, for the purpose of providing an incentive for staff to retire. Eligibility was limited to employees who were otherwise eligible to retire under the State Retirement System or Optional Retirement Program. Fourteen employees elected to participate in this program during the 2018 fiscal year. These employees received a one-time-only payment of \$7,500 or \$15,000 and 0% to 30% of their current salary depending on the employees' status, as well as their compensated absences balance in fiscal year 2019.

As of June 30, 2019 and 2018, the total liability was \$199,367 and \$878,670, respectively, and is included within accounts payable and accrued liabilities on the statements of net position.

Note 8 - Non-Current Liabilities

Non-current liabilities at June 30, 2019 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease obligations	\$ 649,093	\$ 685,641	\$ 292,657	\$ 1,042,077	\$ 288,506
Other non-current liabilities:					
Compensated absences	2,317,088	2,329,890	2,317,088	2,329,890	1,656,328
Workers' compensation	261,739	289,449	261,739	289,449	62,810
Net pension liability	2,331,027	741,480	-	3,072,507	-
Net OPEB Liability	4,533,850	862,915	-	5,396,765	-
Total other non-current liabilities	9,443,704	4,223,734	2,578,827	11,088,611	1,719,138
Total Non-Current Liabilities	<u>\$ 10,092,797</u>	<u>\$ 4,909,375</u>	<u>\$ 2,871,484</u>	<u>\$ 12,130,688</u>	<u>\$ 2,007,644</u>

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Non-current liabilities at June 30, 2018 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Lease obligations	\$ 78,863	\$ 800,045	\$ 229,815	\$ 649,093	\$ 155,348
Other non-current liabilities:					
Compensated absences	2,200,059	2,317,088	2,200,059	2,317,088	1,682,394
Workers' compensation	225,189	261,739	225,189	261,739	47,375
Net pension liability	1,674,264	656,763	-	2,331,027	-
Net OPEB Liability	2,978,911	1,554,939	-	4,533,850	-
Total other non-current liabilities	7,078,423	4,790,529	2,425,248	9,443,704	1,729,769
Total Non-Current Liabilities	<u>\$ 7,157,286</u>	<u>\$ 5,590,574</u>	<u>\$ 2,655,063</u>	<u>\$ 10,092,797</u>	<u>\$ 1,885,117</u>

Capital Leases and Operating Leases

The College leases equipment under various capital leases maturing in December 2023 consisting mainly of computer hardware, software and systems. The College also leases classroom space, and office equipment under various non-cancelable operating leases through June 2021.

The Division of Capital Asset Management and Maintenance (“DCAM”) entered into a lease agreement on behalf of the College to lease classroom and office space in Framingham from the City of Framingham (“Landlord”). The lease, with various extensions from inception, expires on June 30, 2019. During fiscal year 2019, the DCAM signed a new lease agreement to extend the lease for an additional two-year period. Monthly rent payments total \$41,667 over the new lease term. The College is also responsible for the payment of normal operating, maintenance and repair costs associated with the leased premises.

DCAM also entered into a lease agreement on behalf of the College to lease classroom and office space in Ashland from a third-party landlord. The lease, with various extensions from inception, expires on January 31, 2021. Monthly rent payments range from \$34,267 to \$36,271 over the remaining lease term. The College is also responsible for the payment of normal operating, maintenance and repair costs associated with the leased premises.

The College has entered into various operating leases for office equipment. Such leases require monthly payments in level amounts through the latest lease expiration date in

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June 2021. Certain of the lease agreements contain purchase options at the end of the lease term.

In July 2017, the College entered in to two capital lease agreements to lease computer hardware, software and systems over a term of five years and requiring annual aggregate lease payments of \$174,276.

In August 2018, the College entered into two capital lease agreements to lease computer hardware over a term of five years and requiring aggregate annual lease payments of \$75,810.

In December 2018, the College entered into a capital lease agreement to lease a phone system over a term of five years and requiring annual lease payments of \$76,179.

The following schedule summarizes future minimum payments under capital and operating leases for the years ending subsequent to June 30, 2019:

Years Ending June 30:	<u>Capital Leases - Equipment</u>		<u>Operating Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Classroom Space</u>	<u>Office Equipment</u>	<u>Total</u>
2020	\$ 288,506	\$ 37,759	\$ 928,421	\$ 94,981	\$ 1,023,402
2021	298,643	27,623	753,896	36,169	790,065
2022	309,153	17,113	-	-	-
2023	145,775	6,214	-	-	-
	<u>\$ 1,042,077</u>	<u>\$ 88,709</u>	<u>\$ 1,682,317</u>	<u>\$ 131,150</u>	<u>\$ 1,813,467</u>

The following is a summary of capital assets held under capital leases as of June 30,:

	<u>2019</u>	<u>2018</u>
Equipment	\$5,280,171	\$4,594,530
Less: accumulated depreciation	<u>(4,251,631)</u>	<u>(3,954,494)</u>
	<u>\$1,028,540</u>	<u>\$ 640,036</u>

Amortization of capital assets held under capital leases is included in depreciation expense.

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Rent expense on operating leases was \$1,286,164 and \$1,260,564, for the years ended June 30, 2019 and 2018, respectively.

Note 9 - Pensions

Defined Benefit Plan Description

Certain employees of the College participate in a cost-sharing multiple-employer defined benefit pension plan - the Massachusetts State Employees' Retirement System - administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system ("PERS"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth's financial statements, which is available online from the Office of State Comptroller's website.

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws ("MGL") establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated based on the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the "Legislature").

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

Contributions

The SERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

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Member contributions for SERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$1,993,914, \$1,857,715 and \$1,858,182, for the years ended June 30, 2019, 2018 and 2017, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 12.06%, 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. The College contributed \$136,730, \$212,373, and \$142,102 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the College reported a liability of \$3,072,507 and \$2,331,027, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions

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to the SERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.023% and 0.018%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized pension income of \$19,625 and \$214,314, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 136,730	\$ 212,373
Differences between expected and actual experience	97,434	90,127
Changes in proportion from Commonwealth	8,286	7,984
Changes in plan actuarial assumptions	311,379	242,579
Changes in proportion due to internal allocation	<u>870,386</u>	<u>520,181</u>
Total deferred outflows related to pension	<u>\$ 1,424,215</u>	<u>\$ 1,073,244</u>

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	<u>2019</u>	<u>2018</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between projected and actual investments earnings	\$ 834,125	\$ 1,458,960
Differences between expected and actual experience	62,618	63,421
Changes in proportion from Commonwealth	106,797	27,774
Changes in proportion due to internal allocation	<u>584</u>	<u>831</u>
Total deferred inflows related to pension	<u>\$ 1,004,124</u>	<u>\$ 1,550,986</u>

The College's contributions of \$136,730 and \$212,373 made during the fiscal year ending 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ended
June 30,

2020	\$ 199,818
2021	95,304
2022	(37,348)
2023	13,002
2024	<u>12,585</u>
	<u>\$ 283,361</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2018	June 30, 2017
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2018 and 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018. The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017.

Investment assets of SERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, are summarized in the following table:

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

2019		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Real Estate	10.0%	3.8%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.4%
	100.0%	
2018		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.6%
Core Fixed Income	12.0%	1.1%
Private Equity	11.0%	6.6%
Real Estate	10.0%	3.6%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.2%
Hedge Funds	0.0%	3.6%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.35% and 7.5% at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the

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June 30, 2019 and 2018

discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

2019		
1.00% Decrease	Current Discount Rate	1.00% Increase
6.35%	7.35%	8.35%
\$ 4,141,226	\$ 3,072,507	\$ 2,159,328
2018		
1.00% Decrease	Current Discount Rate	1.00% Increase
6.50%	7.50%	8.50%
\$ 3,174,762	\$ 2,331,027	\$ 1,651,378

Note 10 - Other Post-Employment Benefits ("OPEB")

Plan Description

As an agency of the Commonwealth, certain employees of the College participate in the Commonwealth's single employer defined benefit-OPEB plan – the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2018 and 2017, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Effective beginning in fiscal year 2014, by statute, the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal years 2018 and 2017, 39% and 10%, respectively, of

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

tobacco settlement proceeds or approximately \$73 million and \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal years 2018 and 2017 was set at 30% and 10%, respectively, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. The College contributed \$99,703 and \$160,792 for the fiscal years ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the College reported a liability of \$5,396,765 and \$4,533,850, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2018 and 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.036% and 0.026%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of \$783,841 and \$606,418, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 99,703	\$ 160,792
Differences between expected and actual experience	65,549	-
Changes in proportion from Commonwealth	17,344	9,489
Changes in proportion due to internal allocation	<u>2,907,728</u>	<u>1,592,477</u>
Total deferred outflows related to OPEB	<u>\$ 3,090,324</u>	<u>\$ 1,762,758</u>
	<u>2019</u>	<u>2018</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between projected and actual earnings on OPEB plan investments	\$ 13,476	\$ 8,272
Differences between expected and actual experience	11,519	10,424
Changes in OPEB plan actuarial assumptions	<u>1,658,118</u>	<u>513,505</u>
Total deferred inflows related to OPEB	<u>\$ 1,683,113</u>	<u>\$ 532,201</u>

The College's contribution of \$99,703 and \$160,792 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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June 30, 2019 and 2018

Years Ended

June 30,

2020	\$ 299,767
2021	299,767
2022	299,767
2023	271,508
2024	136,699
	<u>\$1,307,508</u>

Actuarial Assumptions

The total OPEB liability for 2019 and 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2016 and 2015 through December 31, 2017 and 2016, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 and 2016 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2019 and 2018, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2019 and 2018 was 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.87% and 3.58%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025 and 2023 for the fiscal years 2019 and 2018, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

2019		
1.00% Decrease	Current Discount Rate	1.00% Increase
2.95%	3.95%	4.95%
\$ 6,679,417	\$ 5,396,765	\$ 4,838,786
2018		
1.00% Decrease	Current Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 5,382,043	\$ 4,533,850	\$ 3,859,471

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June 30, 2019 and 2018

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

2019		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ -	\$ -	\$ -
2018		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 3,751,184	\$ 4,533,850	\$ 5,563,791

(A) - Current healthcare cost trend rate, as disclosed on page 49

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 49

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 49

Note 11 - Restricted Net Position

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of \$997,596 and \$990,780, at June 30, 2019 and 2018, respectively. The funds are to be used for student grants.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 12 - Contingencies

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, workers' compensation and health insurance for which the Commonwealth is self-insured. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. In addition, the College maintains commercial insurance coverage for certain of those risks.

Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the College consist of Educator's Legal Liability, commercial crime, general liability, automobile liability, excess liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverages in any of the past three years.

The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees. Massachusetts General Laws limit the risk assumed by the Commonwealth for claims of personal injury or property damages to \$100,000 per occurrence, in most circumstances. Various lawsuits are pending or threatened against the College which arose in the ordinary course of operations. In the opinion of management, no litigation is now pending or threatened, which would materially affect the College's financial position.

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditure resulting from such audits becomes a liability of the College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of the Program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - Operating Expenses

The College's operating expenses, on a natural classification basis, are comprised of the following for the years ended June 30,:

	<u>2019</u>	<u>2018</u>
Compensation and benefits	\$ 30,765,112	\$ 32,526,537
Supplies and services	11,500,360	10,487,458
Depreciation	1,574,544	1,640,612
Scholarships and fellowships	2,095,638	2,316,086
	<u>\$ 45,935,654</u>	<u>\$ 46,970,693</u>

Note 14 - Fringe Benefits Programs

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth.

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2019 and 2018, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Employee Benefits

The employees of the College can elect to participate in two defined-contribution plans offered and administered by the Massachusetts Department of Higher Education, an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The College has no obligation to contribute to these Plans and no obligation for any future pay-outs.

Note 15 - Massachusetts Management Accounting and Reporting System

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS") on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements.

Management believes the amount reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

The College's state appropriations are comprised of the following for the years ended June 30,:

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Direct Unrestricted Appropriation	16,784,318	16,118,988
Add: Fringe Benefits	5,763,502	5,497,450
Appropriation Reduction 9C		
Day school tuition remitted to the state and included in tuition and fee revenues	<u>(326,150)</u>	<u>(518,465)</u>
Total unrestricted appropriations	22,221,670	21,097,973
Restricted appropriations:		
Performance Incentive Fund	42,758	506
Workforce training	95,022	50,000
State Facilities	<u>504,845</u>	<u>2,073,457</u>
Total Appropriations	<u>\$ 22,864,295</u>	<u>\$ 23,221,936</u>

Note 16 - Pass-Through Federal Loans

The College provides student loans through the William D. Ford Federal Direct Lending Program which provides Subsidized and Unsubsidized Stafford Loans at the same rates to students. The U.S. Government is the lender in the Direct Loan program. The College distributed \$2,500,466 and \$2,770,164 for student loans through the Direct Loan Program for the years ended June 30, 2019 and 2018, respectively. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

Note 17 - Subsequent Events

The College is currently planning to build a new campus in Framingham. The College was awarded \$51M from the state of Massachusetts toward the construction of the building. The building will house the Health Science, Early Childhood, and Human Services programs, and will have space to offer general education classes and provide student services. The construction of the new building will help the College fulfill its mission to provide first-rate undergraduate education to the residents of the communities

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

served. The new building is scheduled to open in Fall 2023. Faculty have already begun conversations with the architects about the layout. The College will be moving forward with a capital campaign to raise \$5M from private funding to ensure that the building has all of the best equipment and resources. In the first months of the campaign, the College has raised \$806K.

During the first quarter of fiscal year 2020, the College added debt in the amount of \$384K related to boosting network infrastructure and cyber security. Yearly payments under the debt agreement amount to \$77K.

DRAFT

**REQUIRED SUPPLEMENTARY
INFORMATION**

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014	January 1, 2014
Proportion of the collective net pension liability	0.023%	0.018%	0.012%	0.023%	0.033%	
Proportionate share of the collective net pension liability	\$ 3,072,507	\$ 2,331,027	\$ 1,674,264	\$ 2,560,726	\$ 2,469,872	
College's covered payroll	\$ 1,802,827	\$ 1,428,161	\$ 922,307	\$ 1,355,528	\$ 2,467,743	
College's proportionate share of the net pension liability as a percentage of its covered payroll	170.43%	163.22%	181.53%	188.91%	100.09%	
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%	

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 136,730	\$ 212,373	\$ 142,102	\$ 87,189	\$ 140,839
Contributions in relation to the statutorily required contribution	<u>(136,730)</u>	<u>(212,373)</u>	<u>(142,102)</u>	<u>(87,189)</u>	<u>(140,839)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,133,748	\$ 1,802,827	\$ 1,428,161	\$ 922,307	\$ 1,355,528
Contribution as a percentage of covered payroll	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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Notes to Required Supplementary Information - Pension

June 30, 2018

Note 1 - Change in Plan Actuarial and Assumptions

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for superannuation retirees, but with an age set forward of one year

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

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Notes to Required Supplementary Information – Pension - Continued

June 30, 2018

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (“ERI”) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.036%	0.026%
Proportionate share of the collective net OPEB liability	\$ 5,396,765	\$ 4,533,850
College's covered payroll	\$ 1,802,827	\$ 1,428,161
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 99,703	\$ 160,792
Contributions in relation to the statutorily required contribution	<u>(99,703)</u>	<u>(160,792)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,133,748	\$ 1,802,827
Contribution as a percentage of covered payroll	8.79%	8.92%

Notes:

Employers participating in the Massachusetts State Retirees' Benefit Trust are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to Required Supplementary Information - OPEB

June 30, 2018

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2018

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impact the high cost excise tax.

Change in Mortality Rates

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members – would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year

Change in Discount Rate

The discount rate was increased to 3.95% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Measurement date – June 30, 2017

Change in Discount Rate

The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE *UNIFORM GUIDANCE***

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Massachusetts Bay Community College
Wellesley, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Massachusetts Bay Community College's (an agency of the Commonwealth of Massachusetts) (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College, as of, and for, the year ended June 30, 2019. We issued our report thereon dated October 1, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Certified Public Accountants
Braintree, Massachusetts

October 1, 2019

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

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

To the Board of Trustees of
Massachusetts Bay Community College
Wellesley, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massachusetts Bay Community College (the "College") which comprise the statements of net position as of June 30, 2019, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

**Certified Public Accountants
Braintree, Massachusetts**

October 1, 2019

**SUPPLEMENTAL INFORMATION AND
INFORMATION REQUIRED BY
UNIFORM GUIDANCE**

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 97,498	\$ -
Federal Work-Study Program	84.033	N/A	N/A	46,101	-
Federal Pell Grant Program	84.063	N/A	N/A	4,337,673	-
Federal Direct Student Loans	84.268	N/A	N/A	2,500,466	-
Total Student Financial Assistance Cluster				6,981,738	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
Education and Human Resources	47.076	N/A	N/A	214,378	84,936
Pass-through Awards:					
Education and Human Resources	47.076	Boston College	1501451	76,623	-
Education and Human Resources	47.076	Northeastern University	502411-78052	17,722	-
Total National Science Foundation				308,723	84,936
U.S. Department of Health and Human Services					
Direct Awards:					
National Institutes of Health - Biomedical Research and Research Training - Bridges to the Baccalaureate	93.859	University of Massachusetts - Boston	B000482065	20,472	-
Total Research and Development Cluster				329,195	84,936
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Title III Part A Strengthening Institutions Program	84.031A	N/A	N/A	215,161	-
Corporation for National and Community Service					
Direct Awards:					
Federal AmeriCorps Program	94.006	N/A	N/A	25,609	-
Total Non-Cluster				240,770	84,936
Total Federal Funds				\$ 7,551,703	\$ 84,936

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Massachusetts Bay Community College (the "College") under programs of the Federal Government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not present, the financial position, changes in net position or cash flows of the College.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Direct Student Loans**

The College disbursed \$2,500,46 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. The College is only responsible for the performance of certain administrative duties and, accordingly, there are no significant continuing compliance requirements and these loans are not included in the College's financial statements.

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to the financial statements noted?

_____ yes x no

Federal Awards

Type of auditors’ report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____ no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 x yes _____ no

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 4)	84.268
Federal AmeriCorps Program	94.006
Title III Part A	84.031A

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

☒ yes ☐ no

Required reporting for the Pell Grant and Direct Loan Programs

<i>Sample</i>				<i>Population from Which Sample Was Drawn</i>	
Sample Description	OPEID	Number of Students Receiving Pell Funds	Amount of Pell Funds Disbursed	Number of Students Receiving Pell Funds	Amount of Pell Funds Disbursed
Pell Disbursement Testing	00217100	36	\$160,066	1,207	\$4,337,673
Return of Pell Testing	00217100	10	\$29,833	93	\$196,948

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Required reporting for the Pell Grant and Direct Loan Programs - Continued

<i>Sample</i>				<i>Population from Which Sample Was Drawn</i>	
Sample Description	OPEID	Number of Students Receiving Direct Loan Funds	Amount of Direct Loan Funds Disbursed	Number of Students Receiving Direct Loan Funds	Amount of Direct Loan Funds Disbursed
Direct Loan Disbursement Testing	00217100	23	\$99,295	626	\$2,500,466
Return of Direct Loan Testing	00217100	10	\$45,897	36	\$140,917

There were no material or immaterial findings related to Pell grants and the Direct Loan program during award year 2019.

MASSACHUSETTS BAY COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Section II – Financial Statement Findings:

None

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MASSACHUSETTS BAY COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2019-001
Federal agency: U.S. Department of Education
Programs: Federal Work Study (“FWS”)
CFDA #: 84.033
Award year: 2019

Criteria

According to 34 C.F.R. Section 675.18(g):

For the 2000-2001 award year and subsequent award years, an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one:

- (1) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (2) Family literacy project that employs one or more FWS students in family literacy activities.

According to 34 C.F.R Section 675.2(b):

The Secretary defines other terms used in this part as follows:

Community services: Services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs.

Condition

Regulations require that the College use at least 7% of its Federal Work Study funds to compensate students employed in a community service activity. In addition, at least one student must be compensated for holding a literacy related community service position. As of June 30, 2019, the College did not have a Federal Work Study program that meet the definition of community service, and as such, did not have a student who was employed in a work study program related to literacy.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Cause

The College has had difficulty participating in work study programs related to community service due to two major factors:

1. The College is a small community college, where much of its population prefers to remain on campus, and
2. The College is in Wellesley, MA, an affluent area, with fewer than normal community service opportunities. As such there are fewer opportunities for the College to engage in community service related activities on a regular basis within a reasonable distance from campus.

Effect

The College does not have Federal Work Study programs that involve community service and as such did not meet the Federal Work Study earmarking requirement as well as the Federal Work Study literacy requirement.

Questioned Costs

\$3,227

Perspective

According to Curtis Cormier, Director of Financial Aid, there were no work study programs that could be considered community service within a reasonable radius of the College.

Recommendation

We recommend that the College continue in their attempts to pursue work study programs at local organizations and K-12 schools in the area.

Identification as a Repeat Finding, if applicable

See finding 2018-003 included in the summary schedule of prior year findings.

Views of Responsible Officials

The College concurs with the auditors' finding.



MassBay Community College
Wellesley Hills Campus
50 Oakland Street
Wellesley Hills, MA 02481
Tel: 781.239.3000

Management's Summary Schedule of Prior Audit Finding

Year Ended June 30, 2019

Finding number: 2018-001
Federal agency: U.S. Department of Education
Programs: Federal Pell Program
CFDA #: 84.063
Award year: 2018

Condition

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. The institution should complete a "Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program" worksheet in order to determine the proper amount of Title IV funds to be refunded. Once a recipient's withdrawal date is determined, an institution needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of Title IV funds earned by the recipient. The statute specifies that a student is responsible for all unearned Title IV program assistance that the school is not required to return. The initial amount of unearned Title IV aid due from the student (or parent, for Direct PLUS Loan funds) is determined by subtracting the amount returned by the school from the total amount of unearned Title IV funds to be returned. This is called the initial amount due from the student because a student does not have to return the full amount of any grant repayment due. Therefore, the student may not have to return the full initial amount due.

Award Year 2018

Of the fourteen students selected for testing, four students or 28.6% of our sample was incorrectly calculated. Of the four students incorrectly calculated, two were tested for the Fall 2017 semester and two were tested for the Spring 2018 semester.

Current Status

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.



MassBay Community College
Wellesley Hills Campus
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Management's Summary Schedule of Prior Audit Finding - Continued

Year Ended June 30, 2019

Finding number: 2018-002
Federal agency: U.S. Department of Education
Programs: Federal Pell Program
CFDA #: 84.063
Award year: 2018

Condition

The Federal Government requires the College to have sufficient internal controls in place to detect and resolve conflicting information between the students' Institutional Student Information Record ("ISIR") and various other sources of information. In a sample of forty students, one student self-certified conflicting information on their ISIR. The College subsequently did not obtain the necessary documentation before awarding aid.

Award Year 2018

Of forty students selected for testing, one student or 2.5% of our sample self-certified conflicting information on their ISIR. All other selection records were accurate and reviewed properly.

Current Status

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.



MassBay Community College
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Management's Summary Schedule of Prior Audit Finding - Continued

Year Ended June 30, 2019

Finding number: 2018-003
Federal agency: U.S. Department of Education
Programs: Federal Work Study ("FWS")
CFDA #: 84.033
Award year: 2018

Condition

Regulations require that the College use at least 7% of its Federal Work Study funds to compensate students employed in a community service activity. In addition, at least one student must be compensated for holding a literacy related community service position. As of June 30, 2018, the College did not have a Federal Work Study program that meet the definition of community service, and as such, did not have a student who was employed in a work study program related to literacy.

Award Year 2018

According to Curtis Cormier, Director of Financial Aid, there were no work study programs that could be considered community service.

Current Status

The corrective action plan was partially implemented in the current year. The College is looking to achieve a sufficient community service program in award year 2019.



MassBay Community College
Wellesley Hills Campus
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Management's Summary Schedule of Prior Audit Finding - Continued

Year Ended June 30, 2019

Finding number: 2018-004
Federal agency: U.S. Department of Education
Programs: Federal Direct Student Loans and Federal Pell Program
CFDA #: 84.063, 84.268
Award year: 2018

Condition

Massachusetts Bay Community College's policy is to report student enrollment to a contracted third party, the National Student Clearinghouse ("NSC"). Massachusetts Bay Community College utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System ("NSLDS") of changes in the enrollment status of students. However, Massachusetts Bay Community College is ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. Massachusetts Bay Community College reports an initial enrollment status and subsequent changes in enrollment status to the NSC based on a pre-determined schedule throughout each semester.

Award Year 2018:

Of 40 students selected for testing, 1 student or 2.5% of our sample had a status change reported in excess of the allowable days to be transmitted to NSLDS. Additionally, 4 students or 5% had a status change that was not reported accurately to the NSLDS.

Award Year 2017:

Of 50 students selected for testing, one student or 2% of our sample had a status change that was not reported in to the NSLDS.

Award Year 2016:

Of 51 students selected for testing, five students or 10% of our sample had a status change reported in excess of the allowable days to be transmitted to NSLDS. Additionally, two students or 4% had a status change that was not reported to the NSLDS.

Award Year 2015:

Of 40 students selected for testing, six students or 15% of our sample had a status change reported in excess of the allowable days to be transmitted to NSLDS. Additionally, one student or 2.5% had a status change that was not reported to the NSLDS.



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Management's Summary Schedule of Prior Audit Finding - Continued

Year Ended June 30, 2019

Award Year 2014:

Of 35 students selected for testing, 31 students or 89% of our sample had a status change reported in excess of the allowable days to be transmitted to NSLDS. Additionally, 24 students or 77% had a status change that was not reported to the NSLDS.

Award Year 2013:

Of 25 students selected for testing, 6 students or 24% of our sample had a status change reported in excess of the allowable days to be transmitted to the NSLDS.

Award Year 2012:

Of 20 students selected for testing, 4 students or 20% of our sample had a status change reported in excess of the allowable days to be transmitted to NSLDS.

Current Year Status:

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.



MassBay Community College
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Tel: 781.239.3000

Management's Corrective Action Plan

Year Ended June 30, 2019

Finding number: 2019-001
Federal agency: U.S. Department of Education
Programs: Federal Work Study ("FWS")
CFDA #: 84.033
Award year: 2019

Corrective Action

The College has created a Student Employment Office, with a half-time position dedicated to student employment. One of the primary roles of this position is to build partnerships with our local community organizations in order to develop Federal Work Study (FWS) positions, which meet the community service requirements. With the inception of this office and position, the College's community partnerships have increased from one to six. We are also addressing the difficulties of attracting applicants for these positions by actively marketing the FWS positions. The College has added indicators on eligible students' accounts to make them aware of these opportunities. Students now receive weekly communications until FWS students occupy all positions. The College has also continued to incentivize these positions by increasing the hourly rate of pay in order to offset the travel expenses.

Timeline for Implementation of Corrective Action Plan:

This new procedure was implemented during the 2019 fiscal year.

Contact Person

Curtis Cormier
Director of Financial Aid