

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

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

JUNE 30, 2021

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Financial Statements and Management's Discussion and Analysis

June 30, 2021 and 2020

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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"), as of and for the years ending June 30, 2021 and 2020, 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 opinions 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 our 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 opinions.

Opinions

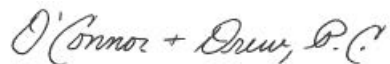
In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the net position of the College as of June 30, 2021 and 2020, and the respective changes in net position, its cash flows, and statements of net position of component units for the 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, 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 solely 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 the effectiveness of the College's 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**

November 2, 2021

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited)

June 30, 2021 and 2020

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, 2021 and 2020. 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 3,423 students (unduplicated headcount) in Fall 2021. 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

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

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, 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, 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 Statements of Net Position is as follows:

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(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Condensed Statements of Net Position

As of June 30,	2021	2020	2019
<u>Assets</u>			
Current assets	\$ 31,085,419	\$ 21,692,625	\$ 18,905,968
Capital assets, net	<u>17,807,730</u>	<u>11,589,295</u>	<u>10,912,826</u>
Total Assets	<u>48,893,149</u>	<u>33,281,920</u>	<u>29,818,794</u>
Deferred Outflows of Resources	<u>2,361,603</u>	<u>3,354,140</u>	<u>4,520,979</u>
<u>Liabilities</u>			
Current Liabilities	13,771,067	7,712,346	6,748,022
Non-Current Liabilities	<u>3,789,052</u>	<u>7,524,939</u>	<u>11,449,524</u>
Total Liabilities	<u>17,560,119</u>	<u>15,237,285</u>	<u>18,197,546</u>
Deferred Inflows of Resources	<u>6,235,601</u>	<u>4,463,503</u>	<u>1,596,295</u>
<u>Net position</u>			
Net investment in capital assets	17,137,969	10,554,174	9,870,749
Restricted for			
Expendable	7,479,392	1,673,862	997,596
Non-expendable	-	-	-
Unrestricted	<u>2,841,671</u>	<u>4,707,236</u>	<u>3,677,587</u>
Total Net Position	<u><u>27,459,032</u></u>	<u><u>16,935,272</u></u>	<u><u>14,545,932</u></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

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

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.

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 \$7.5M, \$1.7M and \$1M at June 30, 2021, 2020 and 2019, 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, 2021 and 2020

Non-Expendable – The College has no restricted non-expendable net position as of June 30, 2021, 2020 and 2019. 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.

The Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, 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 Statements of Revenues, Expenses and Changes in Net Position is presented below:

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Condensed Statements of Revenues, Expenses and Changes in Net Position

For the Year ended June 30,	2021	2020	2019
Operating revenues			
Tuition and fees, net	\$ 10,337,604	\$ 12,336,650	\$ 12,344,482
Grants	10,128,078	11,675,002	12,802,439
Other operating revenue	96,870	180,469	207,612
Total operating revenue	<u>20,562,552</u>	<u>24,192,121</u>	<u>25,354,533</u>
Operating expenses			
Instruction	16,793,593	17,527,808	17,698,988
Academic support	4,336,991	4,916,902	4,075,690
Student services	6,470,490	6,660,564	6,360,009
Scholarships and fellowships	1,698,034	2,043,535	2,095,638
Institutional support	8,663,157	9,110,691	8,478,362
Public service	56,219	61,364	79,446
Operations and maintenance of plant	4,319,950	4,856,449	5,802,074
Depreciation	1,716,494	1,706,478	1,574,544
Total operating expenses	<u>44,054,928</u>	<u>46,883,791</u>	<u>46,164,751</u>
Operating loss	<u>(23,492,376)</u>	<u>(22,691,670)</u>	<u>(20,810,218)</u>
Non-operating revenues			
State appropriations, net	24,221,029	23,759,168	22,359,450
Cares act	3,170,089	404,478	-
Investment income	36,197	285,957	390,732
Interest expense	(37,773)	(38,839)	(33,609)
Capital appropriations	6,626,594	670,246	504,845
Total non-operating revenues	<u>34,016,136</u>	<u>25,081,010</u>	<u>23,221,418</u>
Increase in net position	10,523,760	2,389,340	2,411,200
Net position, beginning of the year	<u>16,935,272</u>	<u>14,545,932</u>	<u>12,134,732</u>
Net position, end of the year	<u>\$ 27,459,032</u>	<u>\$ 16,935,272</u>	<u>\$ 14,545,932</u>

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

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 Fall 2020. Effective Fall 2019, at the request of management, the Board of Trustees of the College voted to increase the All-College fee by \$6 per credit hour to \$167 per credit hour. Course and administrative student fees remained unchanged for Fall 2018.

Net student tuition and fees decreased by approximately \$2M or 16%, \$8K or 0%, and \$1.2M or 9% for fiscal years 2021, 2020 and 2019, respectively, due to declines in enrollment. The enrollment decrease was a trend shared by most Massachusetts Community Colleges due to the decline in the average high school class sizes and the effects of the pandemic.

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 \$18.1M, \$17.8M and \$16.8M, increase of approximately \$300K or 2%, increase of approximately \$1M or 6%, and an increase of \$700K or 4% for fiscal years 2021, 2020 and 2019, 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 \$8.7M, \$8.5M and \$8.9M for the years ended June 30, 2021, 2020 and 2019, respectively. The amounts received in excess of amounts billed by the College that were subsequently refunded to students totaled \$1.7M, \$2M and \$2.1M for the years ended June 30, 2021, 2020 and 2019, respectively.

Federal grants and contract annual revenues increased by \$2.2 million or 28%, increased by \$119K or 2%, and decreased by approximately \$189K or 2% for fiscal years 2021, 2020 and 2019, respectively. The increase in fiscal year 2021 was primarily the result of Cares Act funding related to the COVID-19 pandemic.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

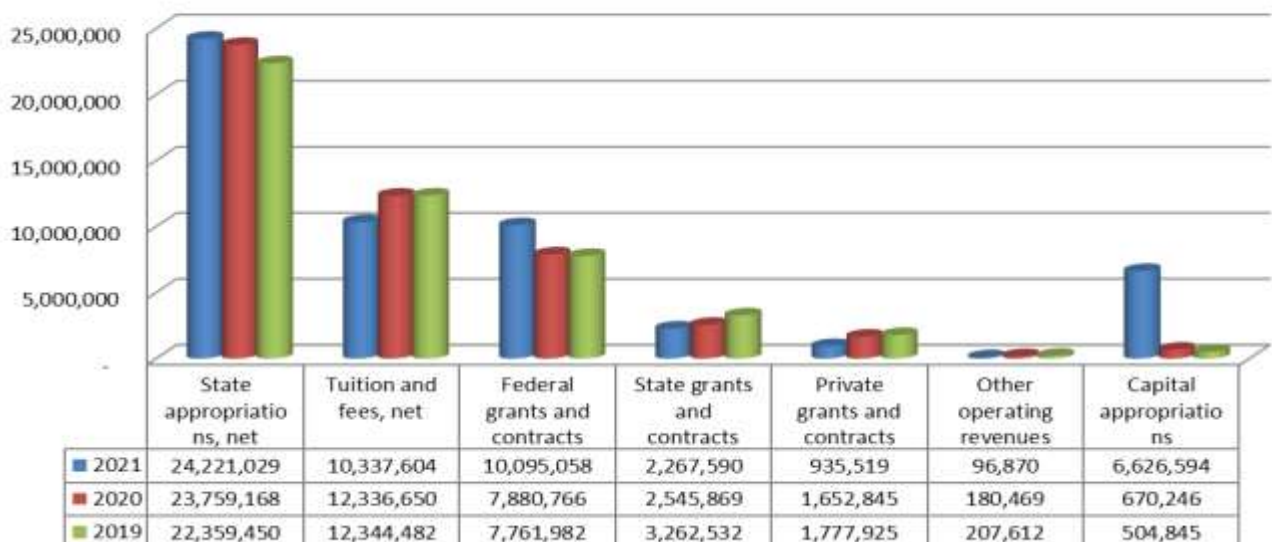
The increase in fiscal year 2020 is primarily the result of Cares Act funding related to the COVID-19 pandemic. The decrease in fiscal year 2019 was primarily the result of a decrease in federal loan revenue. For the years ended June 30, 2021, 2020 and 2019, Pell revenue totaled \$3.5M, \$4.1M and \$4.3M and federal loans totaled \$1.9M, \$2.3M and \$2.5M, respectively.

State grants and contracts annual revenues decreased by \$278K or 11%, \$717K or 22%, and \$1M or 45%, in fiscal years 2021, 2020 and 2019, respectively. For fiscal year 2021, the college received an Early Childhood Education Career Pathways Grant in the amount of \$515K.

The College also received a SUCCESS grant in the amount of \$440K. For fiscal year 2020, the College received an Early Childhood Education Career Pathways Grant in the amount of \$667K. The college also received a grant from the Commonwealth's Skills Capital Equipment Grant Program to purchase academic equipment in the amount of \$200K. For fiscal year 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.

Private grants, contracts, gifts, and other operating revenue decreased by \$801K or 44%, decreased by \$152K or 8%, and increased of \$865K or 77% for the fiscal years 2021, 2021 and 2019, respectively. The decrease in FY2021 is due to decreased funding as a result of the pandemic. The decrease in fiscal years 2020 is primarily due to a decrease in commission revenues. The increase in fiscal year 2019 is primarily due to a grant secured to fund the STEM academic division.

Selected Revenue Comparison



MASSACHUSETTS BAY COMMUNITY COLLEGE

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Management's Discussion & Analysis (Unaudited) - Continued

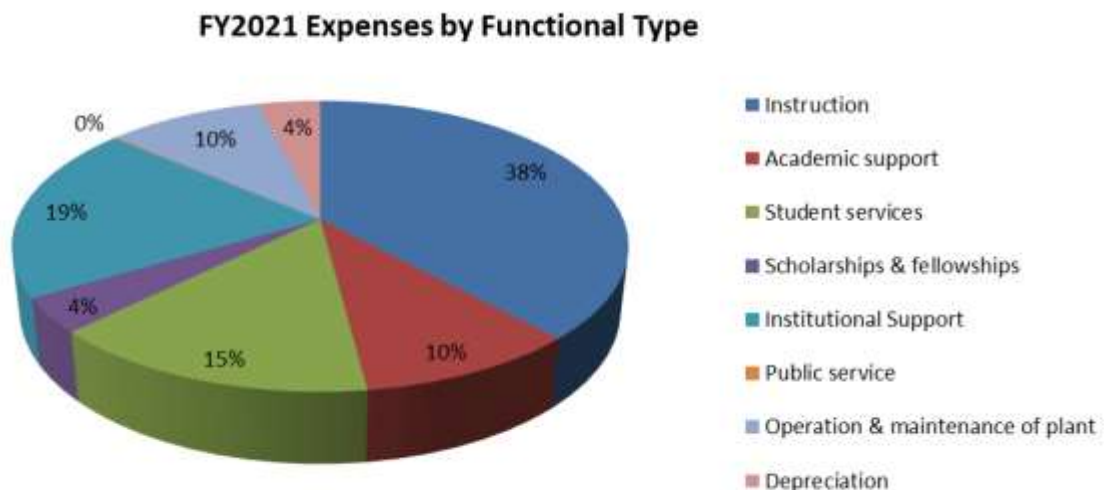
June 30, 2021 and 2020

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 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, 2021, 2020 and 2019:



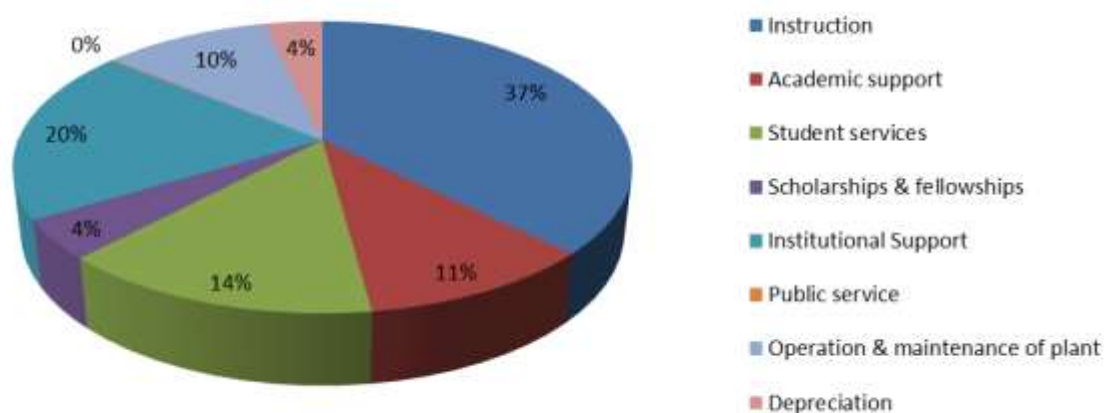
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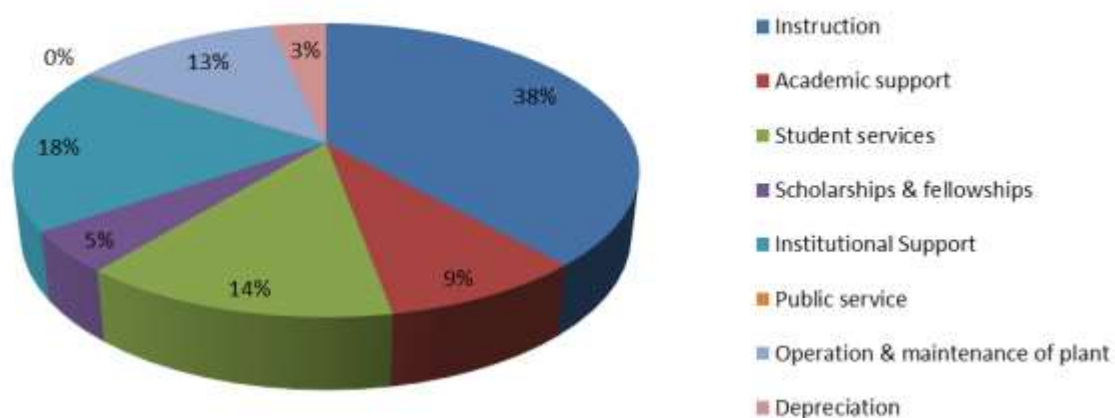
Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

FY2020 Expenses by Functional Type



FY2019 Expenses by Functional Type



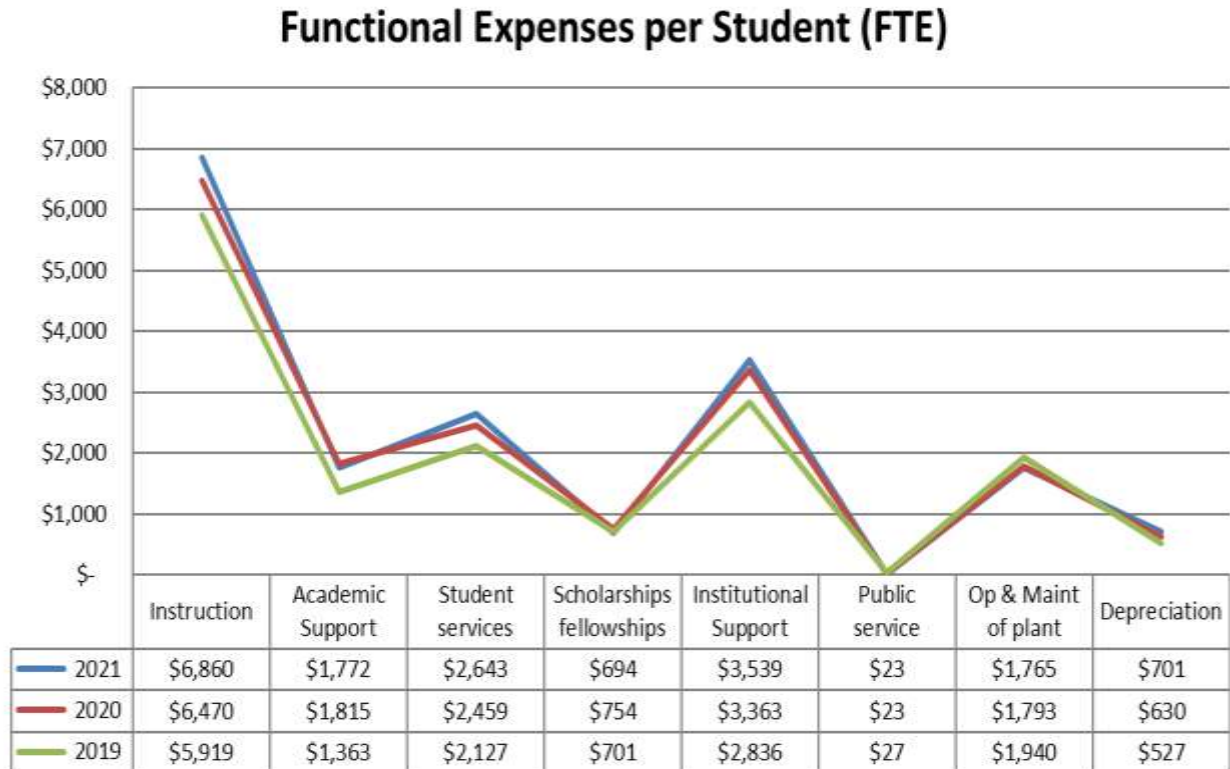
The following chart illustrates the operating expense by National Association of College and University Business Officers (NACUBO) functional category per full-time equivalent (FTE) student.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020



The College's operational expenses decreased by \$2.8M or 6%, increased by 719K or 2%, and decreased by \$806K or 2% for fiscal years 2021, 2020 and 2019, respectively. The fiscal year 2021 decrease can be attributed to savings as a result of remote work and remote teaching for the entire fiscal year due to the pandemic. The fiscal year 2020 increase can be attributed to yearly mandated salary increases and related benefits. 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.

- **Instruction** costs decreased by \$734K or 4%, decreased by \$171K or 1%, and decreased by \$999K or 5%, for fiscal years 2021, 2020, and 2019, respectively. The decrease in fiscal years 2020 and 2019 can be 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.
- **Academic support** costs decreased by \$580K or 12%, increased by \$841K or 21%, and increased by \$76K or 2% for fiscal years 2021, 2020, and 2019, respectively.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

- **Student services** costs decreased by \$190K or 3%, increased by \$301K or 5%, and decreased by \$184K or 3% for fiscal years 2021, 2020 and 2019, respectively. The increase in FY2020 is mainly attributed to yearly mandated salary increases and related fringe benefits and the additions of an Assistant Director of Admissions and an Assistant Director of Athletics, Recreation & Wellness to staff. The decrease in fiscal year 2019 can be attributed to the financial effects of the Early Retirement Incentive Program offered in fiscal year 2018.
- **Scholarships and fellowships** costs decreased by \$346K or 17%, decreased by \$52K or 3%, and decreased by \$220K or 10% for fiscal years 2021, 2020 and 2019, respectively. The decrease in fiscal years 2021, 2020 and 2019 can be attributed to a decrease in student participation in Subsidized and Unsubsidized Stafford Loans.
- **Institutional support** costs decreased by \$448K or 5%, increased by \$632K or 8%, and increased by \$54K or 1% for fiscal years 2021, 2020 and 2019, 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 decreased by \$536K or 11%, decreased by \$946K or 16%, and increased by \$534K or 10% for fiscal years 2021, 2020 and 2019, respectively. The increase in fiscal year 2019 can be attributed to the increased cost of maintaining the College's three campuses.
- **Depreciation** expense increased by \$10K or 1%, increased by \$132K or 8%, and decreased by \$66K or 4% for fiscal years 2021, 2020 and 2019, respectively. The increase for fiscal year 2021 is nominal. The fiscal year 2020 increase can be attributed to an increase in the fixed asset balance due to additions. The fiscal year 2019 decrease was due to the fact that depreciation expense is no longer recorded on assets that have been fully depreciated.

Expenditure classifications are defined below:

- **Instruction** – costs directly related to the classroom, i.e., faculty salaries, instructional supplies, and equipment.
- **Academic support** – academic computing, library, academic administration.

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Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

- **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 expensed 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, 2021 and 2020

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 Statements of Cash Flows is presented below:

Condensed Statements of Cash Flows

For the Year ended June 30,	2021	2020	2019
Operating activities	\$ (14,244,353)	\$ (15,123,806)	\$ (14,171,936)
Non-capital financing activities	26,528,906	17,954,645	16,595,948
Capital financing activities	(1,711,468)	(1,758,496)	(1,229,247)
Investing activities	<u>36,197</u>	<u>285,957</u>	<u>390,732</u>
Net change in cash	10,609,282	1,358,300	1,585,497
Cash and cash equivalents, beginning of year	<u>18,036,438</u>	<u>16,678,138</u>	<u>15,092,641</u>
Cash and cash equivalents, end of year	<u>\$ 28,645,720</u>	<u>\$ 18,036,438</u>	<u>\$ 16,678,138</u>

MASSACHUSETTS BAY COMMUNITY COLLEGE

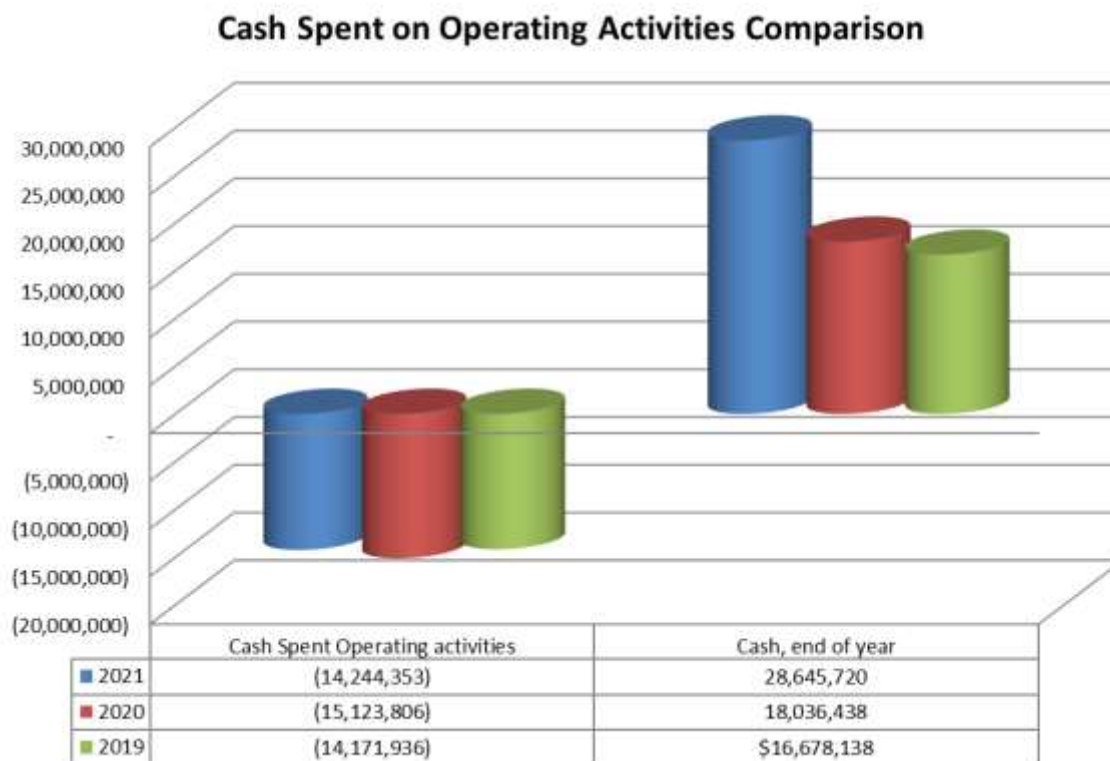
(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

The College's cash and cash equivalents increased by approximately \$10.6M or 59%, \$1.4M or 8%, \$1.6M or 11% for fiscal years 2021, 2020 and 2019, respectively. The primary 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. Furthermore, in June 2021 the college drew down institutional Cares Act funding of approximately \$6.7M.

The following schedule summarizes the increase in cash spent to support operating activities for fiscal years 2021, 2020 and 2019, respectively, while maintaining a strong cash balance reserve:



MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

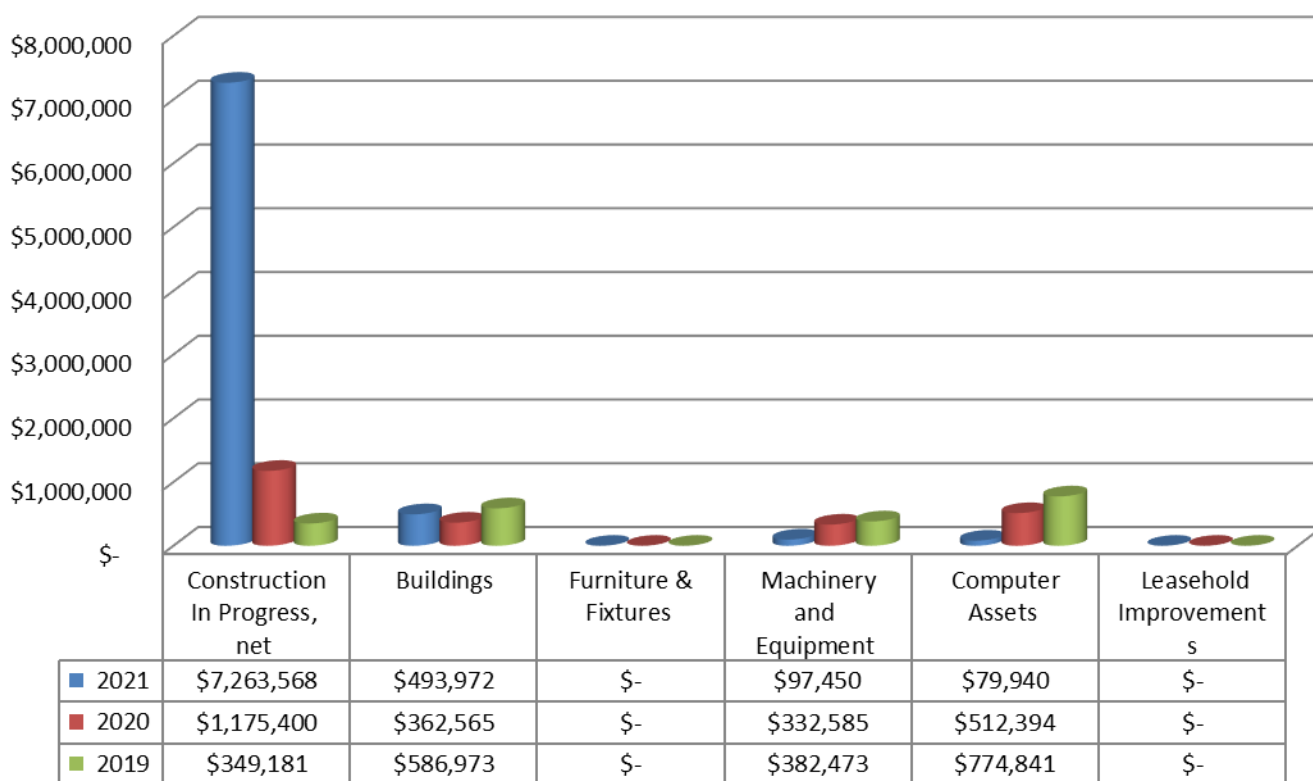
June 30, 2021 and 2020

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.

As of June 30, 2021, the College had invested more than \$17.8M 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 2021, 2020 and 2019 can be attributed to capital asset additions. In fiscal year 2021, the college renovated various internal spaces at the Wellesley campus and the Framingham Health Science Center. In fiscal year 2020, the College added 1.2M

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

in additions relating to the Framingham Health Science Center. In fiscal year 2019, the College started and completed the renovation of the Enrollment center.

The College had \$670K, \$1M and \$1M in outstanding capital lease obligations for fiscal years 2021, 2020 and 2019, respectively. The majority of these obligations were incurred to fund upgrades to the College's technology and will be paid in full by the end of fiscal year 2024.

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 sets forth five strategic directions aligned to continually improve performance in the areas of improving student outcomes, increasing college preparation, strengthening workforce partnerships, enhancing professional growth of faculty and staff, and optimizing capital resources. The College is working closely with students in the preparation of their FASFA.

The fiscal year 2022 budget was structured with a conservative 15% enrollment decline in anticipation of the potential negative effect of the COVID-19 pandemic on enrollment. Prior to the pandemic, the College grappled with a decline in the traditional college age population in the Commonwealth which led to a yearly enrollment decline of approximately 5%. 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.

Along with the majority of the community colleges in Massachusetts, the College has struggled with declining enrollment for several years. This situation is further compounded by the current COVID-19 pandemic. Fall enrollment is down 7.8% in credits sold, over Fall semester 2020. 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. 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. The College has raised nearly half of its goal of \$5M.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion & Analysis (Unaudited) - Continued

June 30, 2021 and 2020

The College is continuing to serve the community and mission well by fostering educational excellence and student success. Over two thirds (68%) of the Fall 2013 cohort achieved a successful outcome (graduated, transferred, attained 30 credits, or remained enrolled by 2019. Mass Bay Community College is pleased to announce it has been ranked as the #1 Practical Nursing (PN) Program in Massachusetts for 2021 by PracticalNursing.org, a nursing advocacy organization.

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.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>2021</u>		<u>2020</u>	
	<u>College</u>	<u>Foundation</u>	<u>College</u>	<u>Foundation</u>
Current Assets:				
Cash and cash equivalents (Note 2)	\$ 27,505,453	\$ 630,311	\$ 17,756,710	\$ 884,605
Restricted cash	-	-	-	6,011
Deposits held by State Treasurer (Note 3)	1,140,267	-	279,728	-
Accounts and grants receivable, net (Note 4)	2,256,366	255,019	3,241,028	243,740
Due from affiliate	183,333	-	300,000	-
Prepaid expenses and other current assets	-	-	115,159	-
Investments (Note 5)	-	4,248,313	-	3,272,995
Total Current Assets	<u>31,085,419</u>	<u>5,133,643</u>	<u>21,692,625</u>	<u>4,407,351</u>
Non-Current Assets:				
Capital assets, net (Note 6)	17,807,730	-	11,589,295	-
Long-term pledges receivable, net discount	-	212,819	-	202,589
Long-term investments (Note 5)	-	2,494,962	-	2,156,407
Total Non-Current Assets	<u>17,807,730</u>	<u>2,707,781</u>	<u>11,589,295</u>	<u>2,358,996</u>
Total Assets	<u>48,893,149</u>	<u>7,841,424</u>	<u>33,281,920</u>	<u>6,766,347</u>
Deferred Outflows of Resources:				
Deferred outflows related to pensions (Note 8)	625,065	-	925,914	-
Deferred outflows related to OPEB (Note 9)	1,736,538	-	2,428,226	-
Total Deferred Outflows of Resources	<u>2,361,603</u>	<u>-</u>	<u>3,354,140</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 51,254,752</u>	<u>\$ 7,841,424</u>	<u>\$ 36,636,060</u>	<u>\$ 6,766,347</u>

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2021</u>		<u>2020</u>	
	<u>College</u>	<u>Foundation</u>	<u>College</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,454,348	\$ -	\$ 1,762,450	\$ -
Accrued salaries and wages	1,252,639	-	950,631	-
Current portion of accrued compensated absences and workers' compensation (Note 7)	2,013,053	-	1,893,560	-
Unearned tuition and student deposits	1,333,674	-	1,346,271	-
Unearned grant and contract revenue	6,339,125	-	1,394,134	-
Due to affiliate	-	183,333	-	300,000
Current portion of capital lease obligations (Note 7)	<u>378,228</u>	<u>-</u>	<u>365,300</u>	<u>-</u>
Total Current Liabilities	<u>13,771,067</u>	<u>183,333</u>	<u>7,712,346</u>	<u>300,000</u>
Non-Current Liabilities:				
Accrued compensated absences and workers' compensation, net of current portion (Note 7)	1,193,139	-	1,057,835	-
Capital lease obligations, net of current portion (Note 7)	291,533	-	669,821	-
Net pension liability (Note 8)	1,007,703	-	2,009,337	-
Net OPEB liability (Note 9)	<u>1,296,677</u>	<u>-</u>	<u>3,787,946</u>	<u>-</u>
Total Non-Current Liabilities	<u>3,789,052</u>	<u>-</u>	<u>7,524,939</u>	<u>-</u>
Total Liabilities	<u>17,560,119</u>	<u>183,333</u>	<u>15,237,285</u>	<u>300,000</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions (Note 8)	1,644,284	-	1,332,805	-
Deferred inflows related to OPEB (Note 9)	<u>4,591,317</u>	<u>-</u>	<u>3,130,698</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>6,235,601</u>	<u>-</u>	<u>4,463,503</u>	<u>-</u>
Net Position:				
Net investment in capital assets	17,137,969	-	10,554,174	-
Restricted:				
Expendable (Note 10)	7,479,392	3,993,263	1,673,862	2,871,005
Non-expendable	-	1,608,154	-	1,602,480
Unrestricted	<u>2,841,671</u>	<u>2,056,674</u>	<u>4,707,236</u>	<u>1,992,862</u>
Total Net Position	<u>27,459,032</u>	<u>7,658,091</u>	<u>16,935,272</u>	<u>6,466,347</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 51,254,752</u>	 <u>\$ 7,841,424</u>	 <u>\$ 36,636,060</u>	 <u>\$ 6,766,347</u>

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	<u>2021</u>		<u>2020</u>
	<u>College</u>	<u>Foundation</u>	<u>College</u> <u>Foundation</u>
Operating Revenues:			
Tuition and fees	\$ 17,382,661	\$ -	\$ 18,804,052
Less: scholarships and fellowships	<u>(7,045,057)</u>	<u>-</u>	<u>(6,467,402)</u>
Net tuition and fees	10,337,604	-	12,336,650
Gifts and contributions	-	773,379	-
Federal grants and contracts	6,924,969	-	7,476,288
State grants and contracts	2,267,590	-	2,545,869
Private grants and contracts	935,519	-	1,652,845
Other operating revenues	<u>96,870</u>	<u>-</u>	<u>180,469</u>
Total Operating Revenues	<u>20,562,552</u>	<u>773,379</u>	<u>24,192,121</u> <u>1,463,223</u>
Operating Expenses (Note 12):			
Instruction	16,793,593	-	17,527,808
Academic support	4,336,991	-	4,916,902
Student services	6,470,490	-	6,660,564
Scholarships and fellowships	1,698,034	596,177	2,043,535
Institutional support	8,663,157	194,874	9,110,691
Public service	56,219	-	61,364
Operation and maintenance of plant	4,319,950	-	4,856,449
Depreciation	1,716,494	-	1,706,478
Management and general	-	39,629	-
Fundraising and development	<u>-</u>	<u>59,621</u>	<u>-</u> <u>47,880</u>
Total Operating Expenses	<u>44,054,928</u>	<u>890,301</u>	<u>46,883,791</u> <u>1,021,514</u>
Net Operating Loss	<u>(23,492,376)</u>	<u>(116,922)</u>	<u>(22,691,670)</u> <u>441,709</u>
Non-Operating Revenues (Expenses):			
State appropriations, net (Note 14)	24,221,029	-	23,759,168
Federal grants	3,170,089	-	404,478
Investment income	36,197	1,308,666	285,957
Interest expense	<u>(37,773)</u>	<u>-</u>	<u>(38,839)</u> <u>135,333</u>
Total Non-Operating Revenues	<u>27,389,542</u>	<u>1,308,666</u>	<u>24,410,764</u> <u>135,333</u>
Changes in Net Position Before Capital Appropriations	3,897,166	1,191,744	1,719,094
Capital appropriations (Note 14)	<u>6,626,594</u>	<u>-</u>	<u>670,246</u> <u>-</u>
Changes in Net Position	10,523,760	1,191,744	2,389,340
Net Position, Beginning of Year	<u>16,935,272</u>	<u>6,466,347</u>	<u>14,545,932</u> <u>5,889,305</u>
Net Position, End of Year	<u>\$ 27,459,032</u>	<u>\$ 7,658,091</u>	<u>\$ 16,935,272</u> <u>\$ 6,466,347</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>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 10,240,844	\$ 12,144,060
Grants and contracts	10,679,704	11,951,326
Payments to suppliers	(7,834,963)	(11,007,483)
Payments to employees	(25,962,237)	(26,200,045)
Payments to students	(1,698,034)	(2,043,535)
Other operating revenues	<u>330,333</u>	<u>31,871</u>
Net Cash Applied to Operating Activities	<u>(14,244,353)</u>	<u>(15,123,806)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	18,204,088	17,932,372
Federal grants	8,515,482	404,478
Tuition remitted to state	<u>(190,664)</u>	<u>(382,205)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>26,528,906</u>	<u>17,954,645</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations received	1,353,018	670,246
Purchases of capital assets	(2,661,353)	(2,025,669)
Principal paid on capital leases	(365,360)	(364,234)
Interest paid on capital leases	<u>(37,773)</u>	<u>(38,839)</u>
Net Cash Applied to Capital Financing Activities	<u>(1,711,468)</u>	<u>(1,758,496)</u>
Cash Flows from Investing Activity:		
Interest income	<u>36,197</u>	<u>285,957</u>
Net Increase in Cash and Cash Equivalents	10,609,282	1,358,300
Cash and Cash Equivalents, Beginning of Year	<u>18,036,438</u>	<u>16,678,138</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,645,720</u>	<u>\$ 18,036,438</u>

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ <u>(23,492,376)</u>	\$ <u>(22,691,670)</u>
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	1,716,494	1,706,478
Bad debts	189,405	226,751
Fringe benefits provided by the State	6,207,605	6,209,001
Changes in assets and liabilities:		
Accounts and grants receivable, net	795,257	(1,327,249)
Due from affiliate	116,667	(300,000)
Prepaid expenses and other current assets	115,159	(27,859)
Accounts payable and accrued liabilities	691,898	(483,771)
Accrued salaries, wages, compensated absences and workers' compensation	556,805	193,301
Unearned tuition and student deposits	(12,597)	203,251
Unearned grant and contract revenue	(400,402)	1,132,383
Net pension liability	(389,306)	(236,188)
Net OPEB liability	<u>(338,962)</u>	<u>271,766</u>
Net Cash Applied to Operating Activities	\$ <u>(14,244,353)</u>	\$ <u>(15,123,806)</u>
Reconciliation Cash and Equivalents per the Statements of Cash Flows to the Statements of Financial Position, end of year:		
Cash and cash equivalents	\$ 27,505,453	\$ 17,756,710
Deposits held by State Treasurer	<u>1,140,267</u>	<u>279,728</u>
Cash and cash equivalents, end of year	\$ <u>28,645,720</u>	\$ <u>18,036,438</u>
Non-Cash Disclosures:		
Fringe benefits provided by the State	\$ <u>6,207,605</u>	\$ <u>6,209,001</u>
Capital appropriations paid by DCAMM	\$ <u>5,273,576</u>	\$ <u>-</u>
Capital assets acquired through capital lease agreements	\$ <u>-</u>	\$ <u>357,278</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, 2021 and 2020

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 statements 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, 2021 and 2020

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, 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 statements 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, 2021 and 2020 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, 2021 and 2020, the Foundation distributed scholarships in the amount of \$596,177 and \$425,938, 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, 2021 and 2020

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.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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.

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.

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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 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.

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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.

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 87 – *Leases* is effective for periods beginning after June 15, 2021. Implementation of this statement 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.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. 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 cost incurred before the end of a construction period.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2019. 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.

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GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. 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.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this statement and its applicability.

GASB Statement 93 – *Replacement of Interbank Offered Rates* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide government entities relief with replacing or amending financial instruments for the purpose of replacing LIBOR, which is expected to cease to exist in December 2021. Before the implementation of this statement, hedge accounting terminates if material terms are amended.

GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements ("SBITA")* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use asset and a corresponding liability would be recognized for SBITAs.

GASB Statement 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform.

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In the absences of a governing board of the potential component unit, the situation should be treated the same as the primary government appointing a majority of the potential component unit's governing board.

Management has not completed its review of the requirements of these statements and their applicability.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College's operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 13, 2022, while the SIP funding must be spent by August 4, 2022.

The College has been awarded the following HEERF and SIP funds as of June 30, 2021:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 887,876	\$ 887,875	\$ 89,458	\$ 1,865,209
CRRSAA	887,876	3,056,190	167,844	4,111,910
ARPA	<u>3,556,469</u>	<u>3,461,618</u>	<u>313,345</u>	<u>7,331,432</u>
Total	<u>\$ 5,332,221</u>	<u>\$ 7,405,683</u>	<u>\$ 570,647</u>	<u>\$13,308,551</u>

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The College has recognized the following as non-operating Federal grants for the years ended June 30, 2021 and 2020.

For the Year Ended June 30, 2021					For the Year Ended June 30, 2020				
	Student Aid	Institutional	Strengthening			Student Aid	Institutional	Strengthening	
	Award	Award	Institutions			Award	Award	Institutions	
			Program	Total				Program	Total
CARES	\$ 685,637	\$ 685,636	\$ 89,458	\$ 1,460,731	CARES	\$ 202,239	\$ 202,239	\$ -	\$ 404,478
CRRSAA	369,098	1,270,486	69,774	1,709,358	CRRSAA	-	-	-	-
ARPA	-	-	-	-	ARPA	-	-	-	-
Total	<u>\$ 1,054,735</u>	<u>\$ 1,956,122</u>	<u>\$ 159,232</u>	<u>\$ 3,170,089</u>	Total	<u>\$ 202,239</u>	<u>\$ 202,239</u>	<u>\$ -</u>	<u>\$ 404,478</u>

For the year ended June 30, 2021, the College also expended \$1,785,704 of CRRSAA institutional award, \$3,461,618 of ARPA institutional award, and \$98,070 of SIP award that is reflected as unearned revenue on the Statement of Net Position because the College did not meet certain spending requirements. Management believes that the College will meet these spending requirements in fiscal year 2022.

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, 2021 and 2020, the College had \$21,019,886 and \$16,483,689, respectively, invested with MMDT and is included in cash and cash equivalents.

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.

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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, 2021 and 2020, the carrying amount of the College's cash and cash equivalents, not including the MMDT cash balances, was \$6,485,567 and \$1,273,021, respectively. At June 30, 2021 and 2020, the College had uninsured cash balances totaling \$7,043,790 and \$1,011,968, respectively.

Note 3 - Deposits held by State Treasurer

Accounts payable and accrued salaries to be funded from State-appropriated funds totaled \$1,140,267 and \$279,728 at June 30, 2021 and 2020, 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 and Grants Receivable, net

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

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$2,513,817	\$2,569,795
Grants receivable	493,303	1,482,185
Other receivables	<u>-</u>	<u>12,318</u>
	3,007,120	4,064,298
Less: Allowance for doubtful accounts	<u>(750,754)</u>	<u>(823,270)</u>
	<u>\$2,256,366</u>	<u>\$3,241,028</u>

Note 5 - Investments

Investments of the Foundation

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

	<u>2021</u>	<u>2020</u>
Equity funds	\$ 4,220,585	\$ 3,246,804
Bond funds	<u>2,522,690</u>	<u>2,182,598</u>
	<u>\$ 6,743,275</u>	<u>\$ 5,429,402</u>

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June 30, 2021 and 2020

Refer to the Foundation's financial statements for additional information regarding investments.

Note 6 - Capital Assets

Capital assets consist of the following at June 30, 2021:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Reductions</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	-	\$ 103,368	\$ -	\$ -	\$ 103,368
Construction-in-progress	-	<u>1,596,881</u>	<u>7,263,568</u>	<u>-</u>	<u>8,860,449</u>
Total not depreciated		<u>1,700,249</u>	<u>7,263,568</u>	<u>-</u>	<u>8,963,817</u>
Capital assets, depreciated:					
Buildings, including improvements	11-40	25,261,095	493,971	-	25,755,066
Furnishings and equipment (including the cost of capital leases)	2-10	<u>10,187,297</u>	<u>177,390</u>	<u>-</u>	<u>10,364,687</u>
Total depreciated		<u>35,448,392</u>	<u>671,361</u>	<u>-</u>	<u>36,119,753</u>
Less accumulated depreciation:					
Buildings, including improvements		(17,234,528)	(1,004,333)	-	(18,238,861)
Furnishings and equipment		<u>(8,324,818)</u>	<u>(712,161)</u>	<u>-</u>	<u>(9,036,979)</u>
Total accumulated depreciation		<u>(25,559,346)</u>	<u>(1,716,494)</u>	<u>-</u>	<u>(27,275,840)</u>
Net depreciable assets		<u>9,889,046</u>	<u>(1,045,133)</u>	<u>-</u>	<u>8,843,913</u>
Capital Assets, Net		<u>\$ 11,589,295</u>	<u>\$ 6,218,435</u>	<u>\$ -</u>	<u>\$ 17,807,730</u>

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June 30, 2021 and 2020

Capital assets consist of the following at June 30, 2020:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Reductions</u>	<u>Ending Balance</u>
Capital assets, not depreciated:					
Land	-	\$ 103,368	\$ -	\$ -	\$ 103,368
Construction-in-progress	-	<u>421,481</u>	<u>1,175,400</u>	<u>-</u>	<u>1,596,881</u>
Total not depreciated		<u>524,849</u>	<u>1,175,400</u>	<u>-</u>	<u>1,700,249</u>
Capital assets, depreciated:					
Buildings, including improvements	11-40	24,898,527	362,568	-	25,261,095
Furnishings and equipment (including the cost of capital leases)	2-10	<u>9,342,318</u>	<u>844,979</u>	<u>-</u>	<u>10,187,297</u>
Total depreciated		<u>34,240,845</u>	<u>1,207,547</u>	<u>-</u>	<u>35,448,392</u>
Less accumulated depreciation:					
Buildings, including improvements		(16,220,572)	(1,013,956)	-	(17,234,528)
Furnishings and equipment		<u>(7,632,296)</u>	<u>(692,522)</u>	<u>-</u>	<u>(8,324,818)</u>
Total accumulated depreciation		<u>(23,852,868)</u>	<u>(1,706,478)</u>	<u>-</u>	<u>(25,559,346)</u>
Net depreciable assets		<u>10,387,977</u>	<u>(498,931)</u>	<u>-</u>	<u>9,889,046</u>
Capital Assets, Net		<u>\$ 10,912,826</u>	<u>\$ 676,469</u>	<u>\$ -</u>	<u>\$ 11,589,295</u>

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Note 7 - Non-Current Liabilities

Non-current liabilities at June 30, 2021 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Lease obligations	\$ 1,035,121	\$ -	\$ 365,360	\$ 669,761	\$ 378,228
Other non-current liabilities:					
Compensated absences	2,662,221	2,906,448	2,662,221	2,906,448	1,961,497
Workers' compensation	289,174	299,744	289,174	299,744	51,556
Net pension liability	2,009,337	-	1,001,634	1,007,703	-
Net OPEB Liability	<u>3,787,946</u>	<u>-</u>	<u>2,491,269</u>	<u>1,296,677</u>	<u>-</u>
Total other non-current liabilities	<u>8,748,678</u>	<u>3,206,192</u>	<u>6,444,298</u>	<u>5,510,572</u>	<u>2,013,053</u>
Total Non-Current Liabilities	<u>\$ 9,783,799</u>	<u>\$ 3,206,192</u>	<u>\$ 6,809,658</u>	<u>\$ 6,180,333</u>	<u>\$ 2,391,281</u>

Non-current liabilities at June 30, 2020 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Lease obligations	\$ 1,042,077	\$ 357,278	\$ 364,231	\$ 1,035,121	\$ 365,300
Other non-current liabilities:					
Compensated absences	2,329,890	2,662,221	2,329,890	2,662,221	1,840,930
Workers' compensation	289,449	289,174	289,449	289,174	52,630
Net pension liability	3,072,507	-	1,063,170	2,009,337	-
Net OPEB Liability	<u>6,723,245</u>	<u>-</u>	<u>2,935,299</u>	<u>3,787,946</u>	<u>-</u>
Total other non-current liabilities	<u>12,415,091</u>	<u>2,951,395</u>	<u>6,617,808</u>	<u>8,748,678</u>	<u>1,893,560</u>
Total Non-Current Liabilities	<u>\$ 13,457,168</u>	<u>\$ 3,308,673</u>	<u>\$ 6,982,042</u>	<u>\$ 9,783,799</u>	<u>\$ 2,258,860</u>

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Capital Leases and Operating Leases

The College leases equipment under various capital leases maturing in August 2024 consisting mainly of computer hardware, software and systems. The College also leases classroom space and office equipment under various non-cancelable operating leases through January 2022.

The Division of Capital Asset Management and Maintenance ("DCAMM") 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, expired on June 30, 2021. During fiscal year 2021, the DCAMM 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.

DCAMM 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, 2022. 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 September 2023. Certain of the lease agreements contain purchase options at the end of the lease term.

In July 2017, the College entered into two capital lease agreements to lease computer hardware, software and systems over a term of five years 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 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 requiring annual lease payments of \$76,179.

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In July 2019, the College entered into a capital lease agreement to lease information technology security equipment over a term of five years and requiring annual lease payments of \$76,868.

The following schedule summarizes future minimum payments under capital and operating leases for the years ending subsequent to June 30, 2021:

	<u>Capital Leases - Equipment</u>		<u>Operating Leases</u>		
Years Ending June 30,:	<u>Principal</u>	<u>Interest</u>	<u>Classroom Space</u>	<u>Office Equipment</u>	<u>Total</u>
2022	\$ 378,228	\$ 24,906	\$ 653,896	\$ 37,026	\$ 690,922
2023	217,356	11,501	400,000	21,774	421,774
2024	<u>74,177</u>	<u>2,691</u>	<u>-</u>	<u>2,194</u>	<u>2,194</u>
	<u>\$ 669,761</u>	<u>\$ 39,098</u>	<u>\$1,053,896</u>	<u>\$ 60,994</u>	<u>\$1,114,890</u>

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 5,726,649	\$ 5,726,649
Less: accumulated depreciation	<u>(5,078,017)</u>	<u>(4,679,691)</u>
	<u>\$ 648,632</u>	<u>\$ 1,046,958</u>

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

Rent expense on operating leases was \$1,075,789 and \$1,046,958, for the years ended June 30, 2021 and 2020, respectively.

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Note 8 - 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 are 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 \$2,501,470, \$2,463,999 and \$1,993,914, for the years ended June 30, 2021, 2020 and 2019, 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 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The College contributed \$63,644, \$63,469, and \$136,730 for the fiscal years ended June 30, 2021, 2020 and 2019, 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, 2021 and 2020, the College reported a liability of \$1,007,703 and \$2,009,337, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, 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, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, 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, 2019 rolled forward to June 30, 2019.

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June 30, 2021 and 2020

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2021 and 2020, the College's proportion was 0.006% and 0.014%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized pension income of \$325,662 and \$172,717, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 63,644	\$ 63,469
Differences between projected and actual investments earnings	55,394	-
Differences between expected and actual experience	32,064	66,730
Changes in proportion from Commonwealth	761	3,548
Changes in plan actuarial assumptions	57,135	148,941
Changes in proportion due to internal allocation	<u>416,067</u>	<u>643,226</u>
Total Deferred Outflows Related to Pension	<u>\$ 625,065</u>	<u>\$ 925,914</u>

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June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between projected and actual investments earnings	\$ -	\$ 29,972
Differences between expected and actual experience	6,521	26,132
Changes in proportion from Commonwealth	2,456	102
Changes in proportion due to internal allocation	<u>1,635,307</u>	<u>1,276,599</u>
Total Deferred Inflows Related to Pension	<u>\$ 1,644,284</u>	<u>\$ 1,332,805</u>

The College's contributions of \$63,644 and \$63,469 made during the fiscal years ending 2021 and 2020, 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 <u>June 30,</u>	
2022	\$ (256,701)
2023	(243,968)
2024	(242,264)
2025	(256,504)
2026	<u>(83,426)</u>
	<u>\$ (1,082,863)</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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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Measurement date	June 30, 2020	June 30, 2019
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	7.15%	7.25%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2020 and 2019, 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-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year.

The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2020. The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019.

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, 2021 and 2020

Asset Class	2021		2020	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.80%	39%	4.90%
Core Fixed Income	15%	0.70%	15%	1.30%
Private Equity	13%	8.20%	13%	8.20%
Portfolio Completion Strategies	11%	3.20%	11%	3.90%
Real Estate	10%	3.50%	10%	3.60%
Value Added Fixed Income	8%	4.20%	8%	4.70%
Timber/Natural Resources	<u>4%</u>	4.10%	<u>4%</u>	4.10%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% at June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the 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,:

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

<u>June 30, 2021</u>		
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
6.15%	7.15%	8.15%
\$ 1,327,711	\$ 1,007,703	\$ 744,681
<u>June 30, 2020</u>		
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
6.25%	7.25%	8.25%
\$ 2,674,493	\$ 2,009,337	\$ 1,440,993

Note 9 - 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 ("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 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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% 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.

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 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed \$33,420 and \$32,878 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the College reported a liability of \$1,296,677 and \$3,787,946, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, 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 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.006% and 0.022%, respectively.

For the year ended June 30, 2021, the College recognized OPEB income of \$304,026. For the year ended June 30, 2020, the College recognized OPEB expense of \$304,648. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 33,420	\$ 32,878
Differences between projected and actual earnings on OPEB plan investments	3,749	-
Changes in OPEB plan actuarial assumptions	106,784	2,915
Differences between expected and actual experience	35,786	151,914
Changes in proportion from Commonwealth	1,965	9,236
Changes in proportion due to internal allocation	<u>1,554,834</u>	<u>2,231,283</u>
Total Deferred Outflows Related to OPEB	<u>\$ 1,736,538</u>	<u>\$ 2,428,226</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between projected and actual earnings on OPEB plan investments	\$ 4,404	\$ 1,742
Differences between expected and actual experience	32,006	4,851
Changes in proportion internal allocation	4,429,588	2,554,495
Changes in OPEB plan actuarial assumptions	<u>125,319</u>	<u>569,610</u>
Total Deferred Inflows Related to OPEB	<u>\$ 4,591,317</u>	<u>\$ 3,130,698</u>

The College's contribution of \$33,420 and \$32,878 made during the fiscal years 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ended <u>June 30,</u>	
2022	\$ (689,960)
2023	(683,907)
2024	(663,363)
2025	(662,090)
2026	<u>(188,879)</u>
	<u>\$ (2,888,199)</u>

Actuarial Assumptions

The total OPEB liability for 2021 and 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%.	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024 then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for medical; 5.0% for EGWP, then decrease to 4.5% in 2026; 4.5% 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 for both measurement dates June 30, 2020 and 2019.

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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

- 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.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later for measurement date June 30, 2019.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age			
	2021		2020	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	25.0%	85.0%
POS/PPO	60.0%	0.0%	60.0%	0.0%
HMO	12.0%	4.0%	15.0%	15.0%

The actuarial assumptions used in the January 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2019 and 2018 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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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. 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, 2021 and 2020, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) 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 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.15% and 7.25%, 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:

2021		
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 1,558,243	\$ 1,296,677	\$ 1,090,008

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

2020		
1.00% Decrease	Current Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 4,521,583	\$ 3,787,946	\$ 3,207,895

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:

2021		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 1,053,202	\$ 1,296,677	\$ 1,620,155

2020		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 3,121,746	\$ 3,787,946	\$ 4,666,926

(A) - Current healthcare cost trend rate, as disclosed earlier

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

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 10 - 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 \$7,479,392 and \$1,673,862, at June 30, 2021 and 2020, respectively. The funds are to be used for student grants.

Note 11 - 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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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.

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

Note 12 - **Operating Expenses**

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

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 31,998,379	\$ 32,637,925
Supplies and services	8,642,021	10,495,853
Depreciation	1,716,494	1,706,478
Scholarships and fellowships	<u>1,698,034</u>	<u>2,043,535</u>
	<u>\$ 44,054,928</u>	<u>\$ 46,883,791</u>

Note 13 - **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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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 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, 2021 and 2020, 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 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 14 - 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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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,:

	<u>2021</u>	<u>2020</u>
Direct Unrestricted Appropriation	\$ 18,136,472	\$ 17,772,321
Add: Fringe Benefits	6,207,605	6,209,001
Day school tuition remitted to the state and included in tuition and fee revenues	<u>(190,664)</u>	<u>(382,205)</u>
Total unrestricted appropriations	24,153,413	23,599,117
Restricted appropriations:		
Performance Incentive Fund	-	32,707
Workforce training	67,616	127,344
State Facilities	<u>6,626,594</u>	<u>670,246</u>
Total Appropriations	<u>\$ 30,847,623</u>	<u>\$ 24,429,414</u>

A timing difference occurred in the amounts of \$62,600 and \$1,996,732 that was reported to MMARS after August 31, 2021 and August 31, 2020, respectively, reconciled as follows (unaudited):

	<u>2021</u>	<u>2020</u>
Revenue per MMARS	\$ 55,391,711	\$ 53,475,763
Revenue per College	<u>55,453,911</u>	<u>55,472,495</u>
Difference	<u>\$ (62,200)</u>	<u>\$ (1,996,732)</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **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 \$1,917,980 and \$2,330,919 for student loans through the Direct Loan Program for the years ended June 30, 2021 and 2020, 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.

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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.006%	0.014%	0.023%	0.018%	0.012%	0.023%	0.033%
Proportionate share of the collective net pension liability	\$ 1,007,703	\$ 2,009,337	\$ 3,072,507	\$ 2,331,027	\$ 1,674,264	\$ 2,560,726	\$ 2,469,872
College's covered payroll	\$ 450,774	\$ 1,133,748	\$ 1,802,827	\$ 1,428,161	\$ 1,355,528	\$ 1,355,528	\$ 2,467,743
College's proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	123.51%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	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

See accompanying notes to the required supplementary information.

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Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 63,644	\$ 63,469	\$ 136,730	\$ 212,373	\$ 142,102	\$ 87,189	\$ 140,839
Contributions in relation to the statutorily required contribution	<u>(63,644)</u>	<u>(63,469)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 434,134	\$ 450,774	\$ 1,133,748	\$ 1,802,827	\$ 1,428,161	\$ 922,307	\$ 1,355,528
Contribution as a percentage of covered payroll	14.66%	14.08%	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, 2021

Note 1 - **Change in Plan Actuarial and Assumptions**

Measurement date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

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

MASSACHUSETTS BAY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to Required Supplementary Information - Pension - Continued

June 30, 2021

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.

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)

MASSACHUSETTS BAY COMMUNITY COLLEGE
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Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.006%	0.022%	0.019%	0.026%
Proportionate share of the collective net OPEB liability	\$ 1,296,677	\$ 3,787,946	\$ 6,723,245	\$ 4,533,850
College's covered payroll	\$ 450,774	\$ 1,133,748	\$ 1,802,827	\$ 1,428,161
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	8.79%	6.01%	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
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Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 33,420	\$ 32,878	\$ 99,703	\$ 160,792
Contributions in relation to the statutorily required contribution	<u>(33,420)</u>	<u>(32,878)</u>	<u>(99,703)</u>	<u>(160,792)</u>
Contribution (excess)/deficit	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
College's covered payroll	\$ 434,134	\$ 450,774	\$ 1,133,748	\$ 1,802,827
Contribution as a percentage of covered payroll	7.70%	7.29%	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
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Notes to Required Supplementary Information - OPEB

June 30, 2021

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 20920_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

Change in Investment Rate

The investment rate of return decreased from 7.25% to 7.15%.

Change in Salary Scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS.

Change in Discount Rate

The discount rate was decreased to 2.28% (based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs

The original healthcare trend rate decreased from 8.0% to 7.5%, which impacts the high cost excise tax.

See Independent Auditors' Report.

MASSACHUSETTS BAY COMMUNITY COLLEGE

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Notes to Required Supplementary Information - OPEB - Continued

June 30, 2021

Change in Discount Rate

The discount rate was decreased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.51%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impacts 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 3.92% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

Assumptions:

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 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, 2021, and the related statements of revenues, expenses and 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 thereon dated November 2, 2021.

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) as a basis for designing 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.

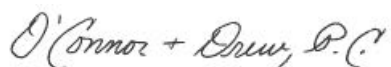
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants
Braintree, Massachusetts**

November 2, 2021