



**Minutes of the Meeting of the Massachusetts College of Liberal Arts
BOARD OF TRUSTEES FISCAL AFFAIRS COMMITTEE**

October 12, 2022

87 Blackinton St, North Adams, MA

Audio/Video Conference

Members/Trustees in attendance

Franklyn Reynolds, Chair*
Brenda Burdick, Board Chair*
John Barrett
Denise Marshall*
Karen Kowalczyk*

Others in attendance

Dr. James Birge, President
Lisa Lescarbeau, Board Clerk
Joseph DaSilva, Vice President, Administration and Finance
Curt Cellana, Accounting Manager, Administration and Finance
David DiIulis, O'Connor and Drew PC

*Denotes remote participation

Complying with the provisions of Massachusetts General Laws, and with a quorum present, Trustee Reynolds called the meeting to order at 8:32 a.m.

FY22 Audited Financial Statements

Mr. DiIulis of O'Connor & Drew provided the Committee with a report on the FY 2022 audit. He reviewed a prepared document on required communications with the committee that outlined the auditors' responsibilities as well as accounting policies and the various steps taken during the audit.

The resulting unmodified opinion on the College's financial statements shows that there are no Material Weaknesses or Significant Deficiencies identified within the report. There were no findings in either the accounting practices or internal control procedures.

Mr. DiIulis stated the firm's independence with respect to the College within the meaning of the pronouncements of the Independence Standards Board, GASB, and under Rule 101 of the AICPA Code of Professional Conduct.

Mr. DiIulis reviewed management's responsibility highlighting the implementation of newly effective accounting standard GASB 87, Leases. This change in accounting principle is described

in detail in Note 2 of the Financial Statements of the audit report. This change resulted in the grossing up of the College's balance sheet liabilities by \$17.2m for the right to use lease asset.

A summary of federal Higher Education Emergency Relief Funds the College received as of June 30, 2022 was reviewed. A total of \$7.8M was awarded in FY21 and \$3.8M in FY22. The College has a remaining balance of approximately \$2mm available for eligible use in FY23.

Accounting for significant transactions were reviewed and include the following items:

- Recorded right of use (ROU) asset and offsetting lease liability of \$17.2M as of July 1, 2021, with largest component of this being the MSCBA lease related to College dormitories with a ROU asset and liability of \$16M
- Correction of an error of \$1.6M for DCAMM funds previously reported as capital appropriations which should be reflected as notes payable.
- Issuance of new bonds through MSCBA with proceeds of \$1M to reimburse the College for expenses related to the fitness center renovation.
- Refund by MSCBA of the College's 2012C bonds resulting in an economic gain of approximately \$52K.
- One-time adjustment for \$70K related to depreciation expense.

There were no transactions entered into during the year for which there is a lack of authoritative guidance or consensus, and all significant transactions have been recognized in the financial statements in the proper period.

There were no disagreements with management, no major issues discussed with management prior to retention, no difficulties encountered in performing the audit, no uncorrected misstatements and no other findings or issues that are significant or relevant to be communicated to those charged with governance.

Significant written communications between the auditor and management include the engagement letter, and a management representation letter that will be signed following approval by the Board of Trustees.

No pervasive financial statement fraud risks were identified.

Mr. DiIulis provided an overview of the College's financial statements as provided in the audit report. He noted that the opinion has been moved to the second paragraph of the Independent Auditors' Report as required by new reporting standards. Pages 4-11 of the report are Management Discussion and Analysis which are consistent with audit findings.

Due to the implementation of GASB 87 the data provided is for a single year and will return to a year-over-year comparison next year.

Highlights of the Statement of Net Position include:

- Total assets and deferred outflows of resources: \$104.5M
- Total liabilities: \$33.7M
- Total net position:\$60M; a net-position increase of \$370K

Highlights of the Statements of Cash Flow include:

- Cash flow increase of \$2.6M

In response to a question regarding leasing, it was noted that this is relative to dormitories leased through MSCBA, seven properties leased through MCLA's foundation, and DGCE classroom space at 66 Allen Street in Pittsfield, MA.

Mr. DiIulis noted that Other Post Employment Benefits (OPEB) decreased by \$1.3M. A summary of the College's CARES and HEERF monies are summarized on page 20 showing the College spent \$3.8M during FY22 and has \$1.9M available for FY23.

Note 3 provides a summary of a correction of an error as stated prior in this meeting. DCAMM funding was previously reported as capital appropriations and was corrected to be reflected as a note payable.

Mr. DiIulis quickly reviewed the content titles of the remaining pages of the report noting that the report on internal controls is clean.

Trustees discussed the impact of federal funds the College received over the past two years that will not be received in the future. Mr. DiIulis acknowledged the financial concern and noted that MCLA is not alone in this position. He suggested management investigate potential ERC credit.

President Birge noted that the College's increase in revenue is a result of auxiliary fees with students in residence. Management continues to carefully monitor expenses and work on increasing enrollment through programs and changed strategies.

Trustee Reynolds called for a vote to accept the FY 2022 audit for advancement to the Executive Committee of the Board at the October 12, 2022 meeting.

Upon a motion duly made and seconded, by roll call vote, it was unanimously:

VOTED: To accept and advance the FY 2022 audited financial statements to the Board of Trustees consideration at their October 13, 2022 meeting.

Mr. DiIulis will attend the Board of Trustees meeting on October 13, 2022 to present the audit report.

FY22 Fourth Quarter Report

VP DaSilva provided an overview of the fourth quarter FY22 fiscal reporting including revenue and expenses. Revenue for the year was a negative variance of \$106K, expenses positive variance of \$929K, with a resulting net revenue of \$822K.

As a result of an 8% decrease in undergraduate enrollment, the College reported a \$1.2M loss in revenue, offset by reductions in scholarships granted of \$200K. Miscellaneous revenue of \$1.9mm was allocated to FY23.

With regard to rental income, it was stated that this revenue is reported in the dormitory revenues collected.

In response to questions regarding the income and expense reporting lines, it was noted that the details had been provided in a prior Fiscal Affairs Committee meeting and a prior Board of Trustees meeting. This will be provided again at a future meeting of the committee and the board.

VP DaSilva highlighted individual expense lines as follows:

- AA – Full time employees - \$20.9M budget vs. \$21.1M actual. Overage resulted from the 1.5% COVID bonus, collective bargaining agreements increase, and timing of filling open positions.
- CC - Special employee comp – positive variance of \$200K as a result of a significant decrease in part-time students employed on campus.
- DD – Pensions/insurance - positive variance of \$287K as a result of fringe benefits being down in direct correlation with open positions
- HH – Consultant services – positive variance of \$133K as a result of reduced COVID testing requirements
- RR - Educational assistance – positive variance of \$152K as a result of lower student aid need
- UU – IT expenses – negative variance of \$70K as a result of an unforeseen increase in MS licensing.

Trustee Barrett questioned management about open positions and where these positions are seeking specific detail regarding position cuts. VP DaSilva stated that there were no position reductions. President Birge further stated that each open position is reviewed to determine if the position should be filled, if it should be reconfigured to address current needs, or can the position remain open until a future date.

Trustee Barrett expressed his concern for more transparency with regard to where in the College there are open positions. A list of open positions will be provided at a future meeting of the Fiscal Affairs Committee.

FY23 Forecast

VP DaSilva reviewed the FY23 fiscal reporting forecast consisting of two months actual. Tuition and fee revenues are down year over year, but are up 13% to budget (\$400K).

In response to questions regarding state revenue reporting a zero variance, it was noted that this number includes the special appropriation of \$50K for Gallery 51, and a 2% funding formula, and is what is anticipated from the State for FY23.

Though the Board of Trustees approved the use of reserve funds in the past, the College has not had to access funds for operations.

With regard to utilities expenses and increases, VP DaSilva explained that the College will not be impacted by rate increases this year as contract rates are locked through the fiscal year. Contract renewals will be done in Fall of 2023. He also noted that the College is addressing efficiencies through projects including the steam and water line replacements underway.

Full-time positions line reports a positive variance of \$123k savings largely a result of timing in hiring for open positions.

Overall net revenue for the period to date was \$384K.

Investments

An RFP (request for pricing) to manage the College's investment funds was issued and the 17 responses received are being reviewed. Five firms will be selected to go through a first round for selection, narrowing down to three for oral presentations. A finalist is anticipated to be selected and presented to the Investment Committee for consideration in early December to manage investments of up to \$10M of the College's \$17M in trust funds.

With regard to rates being offered on certificates of deposit, Trustee Kowalczyk shared information about specials she has seen being offered by Berkshire Bank.

Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 9:41 a.m.