

**MASSACHUSETTS COLLEGE OF
LIBERAL ARTS**

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2020

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Massachusetts College of Liberal Arts
North Adams, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Massachusetts College of Liberal Arts (an agency of the State of Massachusetts") (the "College"), as of and for the years ending June 30, 2020 and 2019, 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.

Auditor 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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the College restated prior balances with regards to the College's Other Post-Employment Benefits liability and the related deferred inflows and outflows. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the College's basic financial statements. The supplemental schedules listed in the accompanying table of contents, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, 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**

October 23, 2020

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The following discussion and analysis provides management's view of the financial position of the College as of June 30, 2020, and the results of operations for the year then ended. This analysis should be read in conjunction with the College's financial statements and notes that are presented in this document.

Massachusetts College of Liberal Arts is a public institution of higher education serving approximately 1,900 graduate and undergraduate students, with 95 Full Time Equivalent faculty and 224 staff members. The College offers 25 programs leading to Bachelor of Arts, Bachelor of Science, Master of Business Administration, and Master of Education degrees as well as non-credit programs.

Massachusetts College of Liberal Arts Foundation, Inc. is a non-profit corporation organized under Massachusetts General Laws, Chapter 180. The Corporation is operated exclusively for charitable, scientific and education purposes to benefit Massachusetts College of Liberal Arts. These purposes include holding and administering properties, providing financial aid, and promoting and supporting the educational activities of the College.

Financial Highlights

- At June 30, 2020, the College's assets of \$89,661,873 exceeded its liabilities of \$29,807,147 by \$59,854,726. The resulting net position is summarized into the following categories:

• Invested in capital assets	\$	67,067,546
• Restricted, non-expendable		33,494
• Restricted - expendable		30,395
• Unrestricted		(7,276,709)
• Total net position	\$	59,854,726

- The College received a general state Appropriation for Fiscal Year 2020 of \$18,353,000. An additional appropriation of \$50,000 was received to support the work of the Berkshire Cultural Resource Center (BCRC.) The total amount of these appropriations was \$18,403,000, less tuition remitted to the state of \$140,496, plus fringe benefits of \$6,685,931.
- The College's total net position decreased by \$1,339,187. This decrease is largely due to a greater operating loss as a result of COVID-19 refunds to students which was partially offset due to an increase in capital asset appropriations.
- The College's Trustees may use the unrestricted net position to meet the College's ongoing obligations to its stakeholders. Additionally, the restricted, expendable net position may also be used, but only for the purposes for which the donor or grantor intended.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

- The COVID-19 crisis impacted the college with lost revenue, and increased expenses as courses had to be converted to online learning. These uncertain times will have an effect on future operations.

Overview of the Financial Statements

The Massachusetts College of Liberal Arts financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

The Financial Statements: The financial statements are designed to provide readers with a broad overview of the Massachusetts College of Liberal Arts finances and are comprised of three basic statements.

The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Massachusetts College of Liberal Arts is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services.) The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used.

The financial statements can be found on pages 12 through 16 of this report.

The Massachusetts College of Liberal Arts reports its activity as a business – type activity using the full accrual measurement focus and basis of accounting. The College is an agency of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government – wide financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 17 through 53 of this report.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of Massachusetts College of Liberal Arts, assets exceeded liabilities by \$59,854,726 at the close of the most recent fiscal year.

Massachusetts College of Liberal Arts Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u> restated	<u>June 30, 2018</u>
Current assets	\$15,027,071	\$20,725,693	\$16,433,198
Non-current assets	<u>71,917,126</u>	<u>69,734,213</u>	<u>71,957,574</u>
Total assets	<u>\$86,944,197</u>	<u>\$90,459,906</u>	<u>\$88,390,773</u>
Deferred outflows of resources	<u>\$2,717,676</u>	<u>\$3,377,967</u>	<u>\$4,158,875</u>
Current liabilities	6,648,542	6,965,067	6,058,442
Non-current liabilities	<u>15,541,084</u>	<u>18,734,703</u>	<u>19,789,414</u>
Total liabilities	<u>\$22,189,626</u>	<u>\$25,699,770</u>	<u>\$25,847,856</u>
Deferred inflows of resources	<u>\$7,617,521</u>	<u>\$6,994,190</u>	<u>\$1,826,690</u>
Net Position:			
Invested in capital assets	\$67,067,546	\$65,394,046	\$67,019,004
Restricted, non-expendable	33,494	34,065	33,842
Restricted, expendable	30,395	37,865	9,771
Unrestricted	<u>(7,276,709)</u>	<u>(4,272,063)</u>	<u>(2,187,515)</u>
Total net position	<u>\$59,854,726</u>	<u>\$61,193,913</u>	<u>\$64,875,102</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

By far the largest portion of the Massachusetts College of Liberal Arts net position is its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt, including capital leases, used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the College's financial statement, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

The net position decreased by \$1,339,187 during the current fiscal year. This decrease is largely due to the greater operating loss as a result of COVID-19 student refunds. Net Capital assets increased by \$2,755,301. The depreciation expense on the entire amount of capital assets was \$3,528,962.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Massachusetts College of Liberal Arts Changes in Net Position

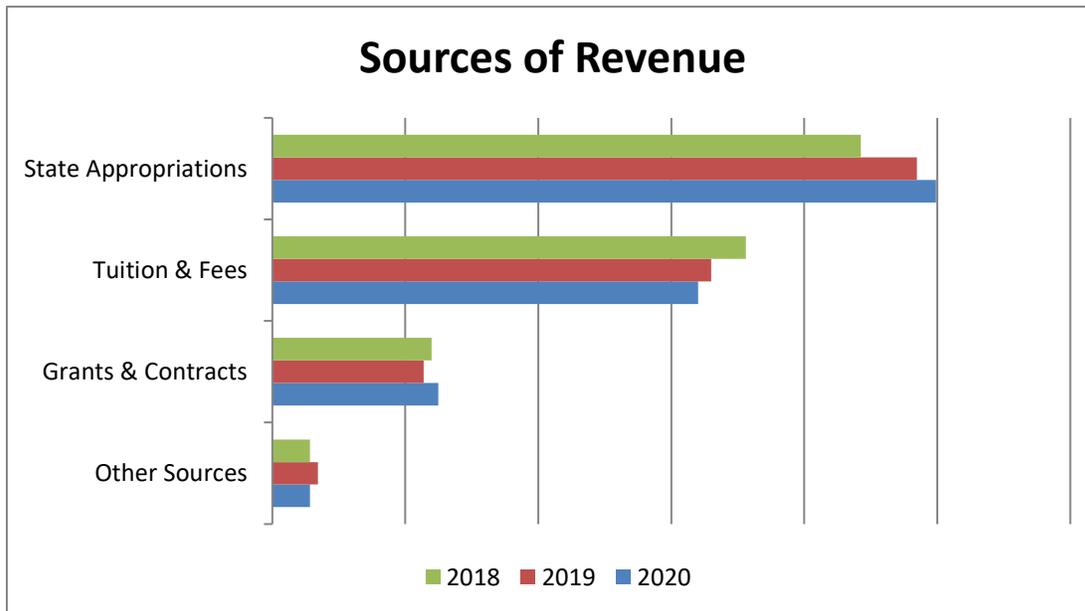
	For the Fiscal Year Ended June 30, 2020	For the Fiscal Year Ended June 30, 2019	For the Fiscal Year Ended June 30, 2018
Operating Revenues:		restated	
Net tuition and fees	16,003,883	16,503,331	17,805,410
Grants and contracts	6,242,830	5,688,772	5,992,334
Other sources	1,414,385	1,709,874	1,409,283
Total operating revenues	\$23,661,098	\$23,901,977	\$25,207,027
Total operating expenses	\$51,681,954	\$52,186,712	\$51,127,658
Net operating loss	(28,020,856)	(28,284,735)	(25,920,631)
Non-operating revenues (expenses):			
State appropriation	24,948,435	24,230,898	22,123,685
Federal grants	235,920	-	-
Capital appropriations	1,519,571	362,005	1,688,540
Investment Income	150,047	146,618	106,153
Other revenue MSCBA	113,477	-	-
Interest Expense	(164,121)	(135,975)	(143,445)
Loss on disposal of assets	(121,660)	-	-
Increase (decrease) in net position	(1,339,187)	(3,681,189)	(2,145,698)
Net position – beginning of year	\$61,193,913	\$64,875,102	\$67,020,800
Net position – end of year	\$59,854,726	\$61,193,913	\$64,875,102

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019



Highlights of operating revenue activity for the year include:

- Net Student Fee revenue and Tuition revenue decreased due to COVID-19 related student refunds.
- Room and Board revenue decreased due to COVID-19 related student refunds.
- Grants and contracts revenue increased because of several new grants, including the Skills Capital Grant and two Public Safety grants/earmarks.
- Other sources of revenue decreased primarily due to the re-amortization of the Aramark agreement that was extended over 10 years.

Undergraduate gross tuition and fees received by Massachusetts College of Liberal Arts include the following:

	June 30, 2020	June 30, 2019	Change
Tuition	2,417,982	2,019,141	398,841
Room & Board Fee	6,787,391	7,804,273	(1,016,882)
Campus Support Fee	10,222,217	9,642,138	580,079

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Management’s Discussion and Analysis (Unaudited)

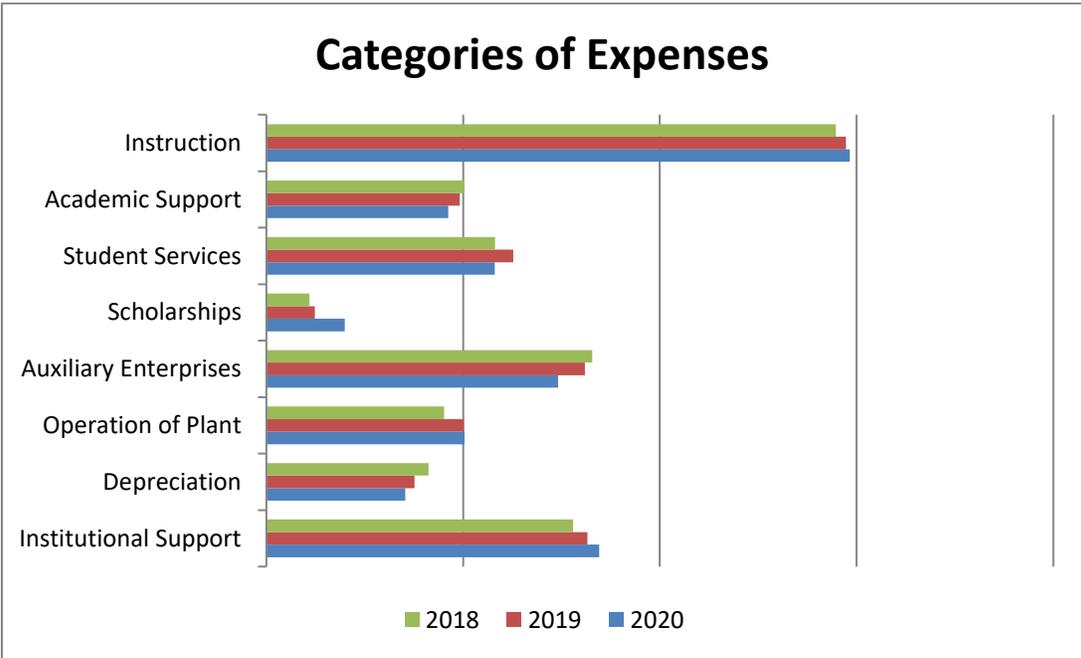
June 30, 2020 and 2019

Major grants and contracts received by Massachusetts College of Liberal Arts for the year included the following:

- Title III “The Persistence to Graduation: A Best Practices Program” in the amount of \$458,631 to increase persistence and four year graduation rates of MCLA students.
- Adult Basic Ed Grant from Mass. Department of Education in the amount of \$217,874 for GED and community literacy programs
- Skills Capital Grant in the amount of \$286,724 to purchase equipment for the development of workforce training for in-demand industries;
- Berkshire Regional Arts Integration Network (Brainworks) Grant in the amount of \$106,648 for an arts integrated professional development program

Expenses

Instruction, Operation and Maintenance of Plant, and Institutional Support all had an increase in expenses, Academic Support, Student Services, Auxiliary expenses had reductions leading to a less than 1% increase in overall Operating Expenses. Auxiliary enterprises include the operation of the food service and residence hall operations.



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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Non-operating revenues and expenses

The College received a general state appropriation of \$18,353,000. An additional appropriation of \$50,000 was received to support the College's work with the Berkshire Cultural Resource Center. In addition, state payroll fringe benefits in the amount of \$6,685,931 were received, less tuition remitted to the state of \$140,496, for a total appropriation of \$24,948,435. Interest income increased due to slightly higher rates received on our certificates of deposit. Interest expense increased slightly due to the payment of note interest on the borrowings used to purchase equipment. Capital appropriations were received for the continued work on the Energy Performance project and the Campus Center renovation.

Loss from Operations

Due to the nature of public higher education accounting rules, institutions incur a loss from operations. The Legislature approves appropriations to the College, which are not considered operating revenues. Legislation directs The Commonwealth's Department of Higher Education to approve and set tuition. Legislation also provides for The College Board of Trustees to set fees. The College Board of Trustees approves budgets to mitigate losses after Commonwealth appropriations by balancing educational and operational needs with fee revenue.

Capital Assets and Debts of the College

Capital Assets: The College's investment in capital assets as of June 30, 2020 amounts to \$71,884,282 net of accumulated depreciation. This investment in capital assets includes, land, buildings, (including improvements,) leasehold improvements, furnishings and equipment, (including the cost of capital leases).

Capital projects, furnishings, and equipment additions increased assets this year. Major projects included:

- Centennial Room \$2,115,829
- Campus Center Pool Area Renovation (CIP) \$3,942,382
- Energy Performance Project (CIP) \$249,814
- Anamotage table and X-Ray machine \$238,537

All capital asset purchases are included in the College's capital spending plan submitted to the Board of Higher Education and the Commonwealth's fiscal affairs division. Additional information about the Massachusetts College of Liberal Arts capital assets are found in note 9 on page 27 of this report.

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Long-term liabilities: The College carries long-term liabilities in the form of accruals for compensated absences and workers compensation (\$3,184,166), bonds with the Mass State College Building Authority (\$3,906,333) for the purchase and construction of the Ashland St. Facilities Building, Campus Center Gym floor, Campus Center & Shipping/Receiving drainage project, the Athletic Complex tennis courts, Centennial room and Athletic Center, and various other projects, and notes payable (\$755,373) for the construction of the Ashland Street Facilities Building and furniture and equipment for Bowman Hall. The accrual for compensated absences and workers compensation consists of the current and long-term portion of sick and vacation pay relating to employees on the College's payroll.

Economic Factors and Next Year's Tuition and Student Fee Rates

In FY2020 base appropriations were level funded from FY2019. There were additional amounts for formula funding and retroactive collective bargaining increases in FY2020. The student fees were increased in FY20 to help cover the losses derived from lower budgeted enrollment.

Campus based financial aid has also been increased to remain competitive amongst peer institutions. Public colleges continue to serve unemployed or underemployed workers seeking to update or upgrade their skills for reentry to the labor force. The College cannot predict the extent to which enrollment may vary in this current environment. The College has seen a slight increase in enrollment for FY20. Together with the new capital improvements of the last several years, including the new Feigenbaum Center for Science and Innovation and the complete renovation of Bowman Hall, enrollment is expected to increase, despite decreases in high school graduation populations. It is expected that tuition and fees will also continue to grow in order to provide a stable academic experience unless the legislature continues to support additional state appropriations.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Fiscal Officer, Massachusetts College of Liberal Arts, 375 Church St., North Adams, Massachusetts, 01247.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	2020	Restated 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 12,749,961	\$ 15,348,061	\$ 1,940,894	\$ 1,806,440
Deposits held by State Treasurer	713,408	887,927	-	-
Cash held by State Treasurer	571,112	822,418	-	-
Deposits held by MSCBA	-	1,604,747	-	-
Restricted cash and equivalents	30,395	196,650	-	-
Accounts receivable, net	715,942	1,699,999	-	-
Due from Foundation	158,095	64,446	-	-
Unconditional promises to give	-	-	551,311	495,353
Other assets	88,158	101,445	37,111	29,921
Total Current Assets	<u>15,027,071</u>	<u>20,725,693</u>	<u>2,529,316</u>	<u>2,331,714</u>
Non-Current Assets:				
Investments	-	-	13,725,340	12,984,119
Unconditional promises to give, net of current portion	-	-	2,000,707	2,332,280
Loans receivable, net	-	572,388	-	-
Debt service reserve	32,844	32,844	-	-
Capital assets, net	71,884,282	69,128,981	2,366,027	1,864,380
Total Non-Current Assets	<u>71,917,126</u>	<u>69,734,213</u>	<u>18,092,074</u>	<u>17,180,779</u>
Deferred Outflows of Resources:				
Pension related, net	1,006,440	1,332,823	-	-
OPEB related, net	1,711,236	2,045,144	-	-
Total Deferred Outflows of Resources	<u>2,717,676</u>	<u>3,377,967</u>	<u>-</u>	<u>-</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 89,661,873</u>	<u>\$ 93,837,873</u>	<u>\$ 20,621,390</u>	<u>\$ 19,512,493</u>
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See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	2020	Restated 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 724,515	\$ 1,173,088	\$ 9,478	\$ 591
Accrued payroll	2,072,561	2,174,895	-	-
Compensated absences	1,851,236	1,849,548	-	-
Workers' compensation	62,760	64,649	-	-
Students' deposits and unearned revenue	1,280,310	1,026,155	-	-
Due to College	-	-	158,095	64,446
Current portion of notes payable	365,222	447,621	70,485	60,422
Current portion of charitable gift annuity liability	-	-	2,250	2,250
Current portion of bond payable	244,801	229,111	-	-
Current portion of capital lease obligation	47,137	-	-	-
Total Current Liabilities	<u>6,648,542</u>	<u>6,965,067</u>	<u>240,308</u>	<u>127,709</u>
Non-Current Liabilities:				
Compensated absences	988,094	951,553	-	-
Workers' compensation	282,076	247,705	-	-
Notes payable	390,151	756,090	990,680	640,513
Charitable gift annuity liability, net of current portion	-	-	24,573	26,823
Bond payable	3,661,532	3,906,860	-	-
Capital lease obligation	107,893	-	-	-
Net pension liability	3,504,591	3,808,223	-	-
Net OPEB liability	6,606,747	8,333,099	-	-
Perkins grant refundable	-	731,173	-	-
Total Non-Current Liabilities	<u>15,541,084</u>	<u>18,734,703</u>	<u>1,015,253</u>	<u>667,336</u>
Total Liabilities	<u>22,189,626</u>	<u>25,699,770</u>	<u>1,255,561</u>	<u>795,045</u>
Deferred Inflows of Resources:				
Service concession revenue applicable to future years	3,129,730	3,981,081	-	-
Pension related, net	1,220,234	1,195,687	-	-
OPEB related, net	3,267,557	1,767,422	-	-
Total Deferred Inflows of Resources	<u>7,617,521</u>	<u>6,944,190</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	67,067,546	65,394,046	1,304,862	1,163,445
Restricted:				
Nonexpendable	33,494	34,065	13,867,751	12,957,894
Expendable	30,395	37,865	3,413,247	3,502,251
Unrestricted	(7,276,709)	(4,272,063)	779,969	1,093,858
Total Net Position	<u>59,854,726</u>	<u>61,193,913</u>	<u>19,365,829</u>	<u>18,717,448</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 89,661,873</u>	<u>\$ 93,837,873</u>	<u>\$ 20,621,390</u>	<u>\$ 19,512,493</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	2020	Restated 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 15,341,267	\$ 14,501,828	\$ -	\$ -
Residence and dining fees	6,787,391	7,804,273	-	-
Less: Scholarship allowances	<u>(6,124,775)</u>	<u>(5,802,770)</u>	-	-
Net student fees	16,003,883	16,503,331	-	-
Gifts and contributions	-	-	1,781,818	1,410,510
Grants and contracts	6,242,830	5,688,772	-	-
Other sources	<u>1,414,385</u>	<u>1,709,874</u>	<u>227,875</u>	<u>209,640</u>
Total Operating Revenues	<u>23,661,098</u>	<u>23,901,977</u>	<u>2,009,693</u>	<u>1,620,150</u>
Operating Expenses:				
Instruction	14,826,123	14,728,620	-	-
Academic support	4,618,772	4,912,699	-	-
Student services	5,801,469	6,273,029	-	-
Scholarships and fellowships	1,991,598	1,233,843	477,344	411,480
Auxiliary enterprises	7,417,089	8,097,058	-	-
Operation and maintenance of plant	5,038,335	5,016,234	68,264	48,946
Depreciation	3,528,962	3,767,367	73,659	69,565
Institutional support	<u>8,459,606</u>	<u>8,157,862</u>	<u>1,239,694</u>	<u>1,235,764</u>
Total Operating Expenses	<u>51,681,954</u>	<u>52,186,712</u>	<u>1,858,961</u>	<u>1,765,755</u>
Net Operating Income (Loss)	<u>(28,020,856)</u>	<u>(28,284,735)</u>	<u>150,732</u>	<u>(145,605)</u>
Non-Operating Revenues (Expenses):				
Federal grants	235,920	-	-	-
State appropriations, net - unrestricted	24,898,435	24,153,955	-	-
State appropriations - restricted	50,000	76,943	-	-
Net investment income	150,047	146,618	497,649	769,445
Other revenues MSCBA	113,477	-	-	-
Loss on disposal of capital assets	(121,660)	-	-	-
Interest expense	<u>(164,121)</u>	<u>(135,975)</u>	-	-
Net Non-Operating Revenues	<u>25,162,098</u>	<u>24,241,541</u>	<u>497,649</u>	<u>769,445</u>
Net Increase (Decrease) Before Other Revenues	(2,858,758)	(4,043,194)	648,381	623,840
Capital appropriations	1,269,757	51,967	-	-
Capital appropriations - DCAM	<u>249,814</u>	<u>310,038</u>	-	-
Net Increase (Decrease) in Net Position	<u>\$ (1,339,187)</u>	<u>\$ (3,681,189)</u>	<u>\$ 648,381</u>	<u>\$ 623,840</u>

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	<u>College</u>				
	<u>Investment in capital assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2018	\$ 67,019,004	\$ 9,771	\$ 33,842	\$ (2,187,515)	\$ 64,875,102
Changes in net position	(1,624,958)	28,094	223	(1,800,594)	(3,397,235)
Balance at June 30, 2019, as previously reported	65,394,046	37,865	34,065	(3,988,109)	61,477,867
Prior period adjustment - See Note 2	-	-	-	(283,954)	(283,954)
Balance at June 30, 2019, as restated	65,394,046	37,865	34,065	(4,272,063)	61,193,913
Changes in net position	1,673,500	(7,470)	(571)	(3,004,646)	(1,339,187)
Balance at June 30, 2020	\$ 67,067,546	\$ 30,395	\$ 33,494	\$ (7,276,709)	\$ 59,854,726
	<u>Foundation</u>				
	<u>Investment in capital assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2018	\$ 1,087,771	\$ 3,010,522	\$ 12,783,697	\$ 1,211,618	\$ 18,093,608
Changes in net position	75,674	491,729	174,197	(117,760)	623,840
Balance at June 30, 2019	1,163,445	3,502,251	12,957,894	1,093,858	18,717,448
Changes in net position	141,417	(89,004)	909,857	(313,889)	648,381
Balance at June 30, 2020	\$ 1,304,862	\$ 3,413,247	\$ 13,867,751	\$ 779,969	\$ 19,365,829

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2020</u>	Restated <u>2019</u>
Cash Flows from Operating Activities:		
Tuition, residence, dining, and other student fees	\$ 15,672,408	\$ 17,216,079
Grants and contracts	5,881,674	5,701,838
Payments to suppliers	(13,505,470)	(13,930,768)
Payments to employees	(26,281,913)	(25,486,813)
Payments to students	(1,991,598)	(1,955,336)
Perkins grants refunded to the Department of Education	(148,802)	-
Collections on loans issued to students	19,329	172,360
Other sources	<u>870,916</u>	<u>1,186,112</u>
Net Cash Applied to Operating Activities	<u>(19,483,456)</u>	<u>(17,096,528)</u>
Cash Flows from Non-Capital Financing Activities:		
Federal grants	235,920	-
Tuition remitted to the State	(140,496)	(183,601)
State appropriations	<u>18,403,000</u>	<u>18,025,495</u>
Net Cash Provided by Non-Capital Financing Activities	<u>18,498,424</u>	<u>17,841,894</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	1,269,757	51,967
Purchases of capital assets	(5,963,023)	(1,406,327)
Principal paid on bonds, notes and capital leases	(688,203)	(622,747)
Proceeds from notes payable	-	100,000
Proceeds from bond payable	-	1,009,796
Proceeds from service concession agreement	1,500,000	3,000,000
Interest paid on bonds, notes and capital leases	<u>(191,950)</u>	<u>(156,993)</u>
Net Cash Provided by (Applied to) Capital Financing Activities	<u>(4,073,419)</u>	<u>1,975,696</u>
Cash Flows from Investing Activity:		
Interest income	<u>263,524</u>	<u>146,618</u>
Net Increase (Decrease) in Cash and Equivalents	(4,794,927)	2,867,680
Cash and Equivalents, Beginning of the Year	<u>18,859,803</u>	<u>15,992,123</u>
Cash and Equivalents, End of the Year	<u>\$ 14,064,876</u>	<u>\$ 18,859,803</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2020</u>	Restated <u>2019</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (28,020,856)	\$ (28,284,735)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	3,528,962	3,767,367
Amortization of service concession agreement	(404,247)	(518,919)
Net closeout of Perkins grant program	(29,312)	-
Net pension activity	47,298	8,084
Net OPEB activity	107,692	494,561
Fringe benefits provided by State appropriations	6,685,931	6,389,004
Changes in assets and liabilities:		
Accounts receivable, net	(549,436)	(21,783)
Other current assets	13,287	18,938
Loans receivable	19,329	172,360
Due from Foundation	(60,156)	78,030
Accounts payable and accrued liabilities	(448,574)	421,906
Accrued employee compensation and benefits	(31,623)	435,429
Student deposits and unearned revenues	(192,949)	(2,219)
Grants refundable	<u>(148,802)</u>	<u>(54,551)</u>
Net Cash Applied to Operating Activities	<u>\$ (19,483,456)</u>	<u>\$ (17,096,528)</u>
Reconciliation of Cash and Equivalents to the Statement of Net Assets:		
Cash and equivalents	\$ 12,749,961	\$ 15,348,061
Deposits held by State Treasurer	713,408	887,927
Cash held by State Treasurer	571,112	822,418
Deposits held by MSCBA	-	1,604,747
Restricted cash and equivalents	<u>30,395</u>	<u>196,650</u>
Cash and Equivalents	<u>\$ 14,064,876</u>	<u>\$ 18,859,803</u>
Non-Cash Transactions:		
Perkins loans assigned to the Department of Education, net	<u>\$ 553,059</u>	<u>\$ -</u>
Perkins grants refunded to the Department of Education	<u>\$ 582,371</u>	<u>\$ -</u>
Capital leases	<u>\$ 193,086</u>	<u>\$ -</u>
Capital improvements provided by capital appropriations	<u>\$ 249,814</u>	<u>\$ 310,038</u>
Amortization on bond premiums	<u>\$ 27,829</u>	<u>\$ 21,018</u>
Fringe benefits provided by the State appropriations	<u>\$ 6,685,931</u>	<u>\$ 6,389,004</u>

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2020 and 2019

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

Organization

Massachusetts College of Liberal Arts (the “College”) was founded in 1894 and is located in North Adams, Massachusetts. It is one of nine state colleges and universities within the Massachusetts Public Higher Education System. Approximately 1,900 graduate and undergraduate students are enrolled including evening students and special program students. The College also offers, through the Division of Continuing Education, credit and non-credit courses as well as community service programs. 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.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. On March 16, 2020, the College transitioned students to a distant learning environment for the completion of the 2020 spring semester and the 2020 summer semester was taught online. The College refunded a total of \$1,505,144 before June 30, 2020 to students for a pro-rata share of the housing and meals fees charged for the period from when the College transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded \$1,309,397 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$235,920 for emergency grants to students. The College did not expend any institutional costs from the HEERF funds as of June 30, 2020.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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 revenue.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund 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 the Foundation. The College presents statements of net position, revenues and expenses, and changes in net position, and cash flows on a combined College-wide basis.

The College’s policy is to define operating activities in the 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 of Massachusetts, net investment income, gifts, and interest expense.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Basis of Presentation and Accounting - continued

The Massachusetts College of Liberal Arts Foundation, Inc. (the “Foundation”) is a legally separate tax-exempt organization. The Foundation was formed in 1971 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, 2020 and 2019 and is therefore discretely presented in the College’s financial statements. Complete financial statements can be obtained from the Foundation’s administrative offices in North Adams, Massachusetts.

Net Position

Resources are classified for accounting purposes into the following four 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 - nonexpendable: Net position subject to externally imposed conditions such 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.

The College has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

Cash and Equivalents

The College has defined cash and equivalents to include cash on hand, demand deposits, and cash and deposits held by State agencies on behalf of the College.

Deposits Held by State Treasurer

Deposits held represent funds accessible by the College held by the Commonwealth of Massachusetts (the “Commonwealth”) for payments on payroll.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Deposits Held by MSCBA

Deposits held represent funds held by the Massachusetts State College Building Authority for specific projects.

Restricted Cash and Equivalents

Restricted cash and equivalents are monies held by the College restricted by the United States Government for use as part of the Federal Perkins Loan Program.

Trust Funds

In accordance with the requirements of the Commonwealth of Massachusetts, the College's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Investments

Investments in marketable securities are stated at fair value.

Dividends, interest, and net gains or losses on investments of endowments and similar funds are reported in the Statements of Revenues, Expenses, and Changes in Net Position. Any net earnings not expended are included in net position categories as follows:

- A) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- B) as increases in temporarily restricted – expendable net position if the terms of the gift or the College's interpretation of relevant State law impose restrictions on the current use of the income or net gains. The College has relied upon the Attorney General's interpretation of State law that unappropriated endowment gains should generally be classified as restricted - expendable; and
- C) as increases in unrestricted net position in all other cases.

The College is currently authorized by its Board of Trustees and the statutes of the Commonwealth of Massachusetts to invest in certificates of deposit.

Allowance for Doubtful Accounts

Accounts and pledges receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic condition.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the State's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Library materials are generally expensed. Internal costs on debt related to capital assets are capitalized during the construction period. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Buildings are depreciated over useful lives of 40 years; building and land improvements for 20 years; and equipment and furnishings range from 3 to 10 years.

The College has a collection of art displayed in the Feigenbaum Center for Science and Innovation. The College's policies regarding the display and management of the collection meet the guidelines of GASB 34, exempting it from capitalization.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2020 and 2019. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Fringe Benefits

The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, and workers' compensation benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College. Workers' compensation costs are assessed separately based on the College's actual experience.

Students' Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are unearned and are recorded as revenues as earned. Funds received in advance from various grants and contracts are unearned.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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.

Postemployment Benefits Other Than Pensions ("OPEB")

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

Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain scholarships are paid directly to, or refunded to, the students 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.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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 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, and determining the net pension and OPEB liabilities.

Adoption of New Governmental Accounting Pronouncements

The College adopted GASB Statement 84 – *Fiduciary Activities*. The objective of this statement is to establish the criteria for identifying and reporting fiduciary activities. The implementation of this statement did not have a material effect on the financial statements.

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2020. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

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

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

New Governmental Accounting Pronouncements - continued

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 standard and its applicability.

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. Management has not completed its review of the requirements of this standard and its applicability.

Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, however, there was no change to the net position.

Note 2 - **Prior Period Adjustment**

Management of the College was notified of an error in the calculation of OPEB for the year ended June 30, 2019. The error did not have an effect on the calculation of OPEB as of June 30, 2018.

The table below presents the effects of the corrections made to the previously issued financial statements:

	As Previously <u>Reported</u>	Correction of <u>the Error</u>	<u>As Restated</u>
Statement of Net Position:			
Deferred outflows related to OPEB	\$ 2,037,162	\$ 7,982	\$ 2,045,144
Deferred inflows related to OPEB	\$ 3,119,586	\$ (1,352,164)	\$ 1,767,422
Net OPEB liability	\$ 6,688,999	\$ 1,644,100	\$ 8,333,099
Unrestricted net position	\$ (3,988,109)	\$ (283,954)	\$ (4,272,063)
Statement of Revenues and Expenses:			
Operating revenue	\$ 24,623,470	\$ (721,493)	\$ 23,901,977
Operating expenses	\$ 52,624,251	\$ (437,539)	\$ 52,186,712

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Cash and 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 deposits that are in the possession of the outside parties. The College's policy is to mitigate as much custodial credit risk associated with its cash assets as possible. The College deposits funds with a banking institution that obtained specific depository insurance to mitigate the College's credit risk associated with funds deposited in excess of federally insured levels.

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2020 and 2019, the carrying amount of the College's deposits, net of deposits and disbursements in transit, were \$13,074,948 and \$15,721,669, respectively.

Note 4 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$571,112 and \$822,418 June 30, 2020 and 2019, respectively. The College has recorded a comparable 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 5 - **Investments - Foundation**

The Foundation's investments consist of mutual funds and other equity investments. In order to minimize excessive risk in geographical, industry, and market sectors, the Board of Directors meets quarterly with its investment advisors and reviews the portfolio for such concentrations and other matters.

Foundation investments, which are carried at fair value, as of June 30, are as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 72,572	\$ 66,189
Equities	3,870,769	3,711,743
Corporate bonds	416,725	505,681
Certificates of deposit	1,024,340	1,006,411
Mutual funds	<u>8,340,934</u>	<u>7,694,095</u>
Total	<u>\$ 13,725,340</u>	<u>\$ 12,984,119</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - **Investments - Foundation - Continued**

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the Foundation for more information.

Note 6 - **Accounts Receivable**

The accounts receivable balance comprised of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 238,411	\$ 253,054
Grants receivable	615,048	108,102
Other receivables	<u>47,454</u>	<u>1,529,488</u>
	<u>900,913</u>	<u>1,890,644</u>
Less: allowance for doubtful accounts	<u>184,971</u>	<u>190,645</u>
	<u>\$ 715,942</u>	<u>\$ 1,699,999</u>

Note 7 - **Unconditional Promises to Give - Foundation**

Unconditional promises to give due in more than one year are reflected at the present value of estimated cash flows using a discount rate of 5% and consist of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 578,935	\$ 518,706
Receivable in one to five years	2,248,189	2,287,843
Receivable in greater than five years	280,000	705,000
Less: discount to net present value	<u>555,106</u>	<u>683,916</u>
Present value of unconditional promises to give	2,552,018	2,827,633
Current unconditional promises to give	<u>551,311</u>	<u>495,353</u>
Unconditional promises to give, net of current portion	<u>\$ 2,000,707</u>	<u>\$ 2,332,280</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **Loans Receivable**

Loans receivable represent outstanding loans in the College's Federal Perkins Loan Program. During 2020, the College assigned the remaining population of the loans receivable to the U.S. Department of Education as part of final liquidation procedures. As of June 30, 2020, the remaining Perkins Loan receivable is \$0. As of June 30, 2019, the Perkins Loan receivable balance was \$915,289 and the allowance for loss provision totaled \$342,901, resulting in a net loan receivable reported of \$572,388.

Note 9 - **Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Capital assets, not depreciated					
Land	\$ 619,442	\$ -	\$ -	\$ -	\$ 619,442
Construction in progress	<u>6,593,457</u>	<u>4,313,375</u>	-	<u>(454,903)</u>	<u>10,451,929</u>
Total, not depreciated	7,212,899	4,313,375	-	(454,903)	11,071,371
Capital assets, depreciated:					
Buildings, including building and land improvements	97,778,521	1,492,297	(429,382)	454,903	99,296,339
Furnishing and equipment (including cost of capital leases)	<u>7,954,724</u>	<u>600,251</u>	-	-	<u>8,554,975</u>
Total capital assets	<u>112,946,144</u>	<u>6,405,923</u>	<u>(429,382)</u>	<u>-</u>	<u>118,922,685</u>
Less: accumulated depreciation:					
Buildings, including improvements	36,723,340	3,203,997	(307,722)		39,616,615
Furnishing and equipment	<u>7,093,823</u>	<u>324,965</u>	-	-	<u>7,418,788</u>
Total accumulated depreciation	<u>43,817,162</u>	<u>3,528,962</u>	<u>(307,722)</u>	<u>-</u>	<u>47,038,403</u>
Capital assets, net	\$ <u>69,128,981</u>	\$ <u>2,876,961</u>	\$ <u>(121,660)</u>	\$ <u>-</u>	\$ <u>71,884,282</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 9 - **Capital Assets - Continued**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Capital assets, not depreciated					
Land	\$ 619,442	\$ -	\$ -	\$ -	\$ 619,442
Construction in progress	<u>5,139,662</u>	<u>1,453,795</u>	<u>-</u>	<u>-</u>	<u>6,593,457</u>
Total, not depreciated	5,759,104	1,453,795	-	-	7,212,899
Capital assets, depreciated:					
Buildings, including building and land improvements	97,624,581	153,940	-	-	97,778,521
Furnishing and equipment (including cost of capital leases)	<u>7,846,094</u>	<u>108,630</u>	<u>-</u>	<u>-</u>	<u>7,954,724</u>
Total capital assets	<u>111,229,779</u>	<u>1,716,365</u>	<u>-</u>	<u>-</u>	<u>112,946,144</u>
Less: accumulated depreciation:					
Buildings, including improvements	33,522,237	3,201,103		-	36,723,340
Furnishing and equipment	<u>6,527,559</u>	<u>566,264</u>	<u>-</u>	<u>-</u>	<u>7,093,823</u>
Total accumulated depreciation	<u>40,049,796</u>	<u>3,767,367</u>	<u>-</u>	<u>-</u>	<u>43,817,162</u>
Capital assets, net	\$ <u>71,179,983</u>	\$ <u>(2,051,002)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>69,128,981</u>

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - **Deferred Inflows of Resources**

During fiscal year 2019, the College amended and restated an agreement with a nongovernmental operator for management of the food services operations and related dining facilities of the College (the "agreement"). The agreement provided for \$4,500,000 of a financial commitment, categorized as a service concession arrangement under GASB 60 Accounting and Reporting for Service Concession Arrangements, to be paid in two installments. The first payment of \$3,000,000 was collected during fiscal year 2019 with the remaining \$1,500,000 paid in fiscal year 2020 and was included in accounts receivable at June 30, 2019. The financial commitment is for facilities renovations to the College including areas of the dining facilities and will be amortized through June 2028. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the College has accounted for these monies as deferred inflows of resources. The College reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$4,543,334 and \$3,182,217 at June 30, 2020 and 2019, respectively, including \$454,903 of construction in progress at June 30, 2019.

Note 11 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2020, consist of:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Current Portion
Leases and notes payable:					
Lease obligations	\$ -	\$ 193,086	\$ (38,056)	\$ 155,030	\$ 47,137
Notes payable	1,203,711	-	(448,338)	755,373	365,222
Bonds payable	3,881,617	-	(201,809)	3,679,808	219,839
Bond premium	<u>254,354</u>	<u>-</u>	<u>(27,829)</u>	<u>226,525</u>	<u>24,962</u>
Total leases and notes payable	\$ <u>5,339,682</u>	\$ <u>193,086</u>	\$ <u>(716,032)</u>	\$ <u>4,816,736</u>	\$ <u>657,160</u>
Other long-term liabilities:					
Compensated absences	\$ 2,801,101	\$ 38,229	\$ -	\$ 2,839,330	\$ 1,851,236
Workers' compensation	312,354	32,482	-	344,836	62,760
Net pension liability	3,808,223	-	(303,632)	3,504,591	-
OPEB liability	8,333,099	-	(1,726,352)	6,606,747	-
Perkins grant refundable	<u>731,173</u>	<u>-</u>	<u>(731,173)</u>	<u>-</u>	<u>-</u>
Total other long-term liabilities	\$ <u>15,985,950</u>	\$ <u>70,711</u>	\$ <u>(2,761,157)</u>	\$ <u>13,295,504</u>	\$ <u>1,913,996</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 11 - **Long-Term Liabilities - Continued**

Long-term liabilities at June 30, 2019, consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance (As Restated)</u>	<u>Current Portion</u>
Leases and notes payable:					
Lease obligations	\$ 11,373	\$ -	\$ (11,373)	\$ -	\$ -
Notes payable	1,536,222	100,000	(432,511)	1,203,711	447,621
Bonds payable	3,120,480	940,000	(178,863)	3,881,617	201,282
Bond premium	<u>205,576</u>	<u>69,796</u>	<u>(21,018)</u>	<u>254,354</u>	<u>27,829</u>
Total leases and notes payable	\$ <u>4,873,651</u>	\$ <u>1,109,796</u>	\$ <u>(643,765)</u>	\$ <u>5,339,682</u>	\$ <u>676,732</u>
Other long-term liabilities:					
Compensated absences	\$ 3,072,088	\$ -	\$ (270,987)	\$ 2,801,101	\$ 1,849,548
Workers' compensation	289,903	22,451	-	312,354	64,649
Net pension liability	4,603,049	-	(794,826)	3,808,223	-
OPEB liability	8,952,955	-	(619,856)	8,333,099	-
Perkins grant refundable	<u>785,724</u>	<u>-</u>	<u>(54,551)</u>	<u>731,173</u>	<u>-</u>
Total other long-term liabilities	\$ <u>17,703,719</u>	\$ <u>22,451</u>	\$ <u>(1,740,220)</u>	\$ <u>15,985,950</u>	\$ <u>1,914,197</u>

Capital Leases

The College leases equipment under a capital lease agreement. The following is a summary of capital assets held under capital lease as of June 30, 2020:

Furniture and equipment	\$ 193,086
Less: accumulated depreciation	<u>32,064</u>
	\$ <u>161,022</u>

The following schedule summarizes future minimum payments under capital leases subsequent to June 30, 2020:

Years Ending	
<u>June 30,</u>	
2021	\$ 51,758
2022	51,758
2023	51,758
2024	<u>8,626</u>
	163,900
Less: Interest	<u>8,870</u>
	\$ <u>155,030</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 11 - **Long-Term Liabilities - Continued**

Capital Leases - Continued

The College also leased a turf field and certain equipment under various capital leases totaling \$628,380. The lease was paid in full and completely amortized during the fiscal year ended June 30, 2019.

Bonds Payable

The College has project revenue bonds outstanding (series 2009C, 2012B, 2012C, 2014D, 2015A, 2019A, 2019C) issued through Massachusetts State College Building Authority. Principal is payable annually and interest is payable semiannually at a predetermined rate, which varies between 2% and 5.6%.

Maturities of the bond payable subsequent to June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 219,839	\$ 116,622
2022	227,585	109,167
2023	240,465	102,017
2024	247,947	94,371
2025	265,361	86,526
2026-2030	1,363,611	304,818
2031-2035	785,000	113,656
2036-2039	<u>330,000</u>	<u>20,234</u>
	<u>\$ 3,679,808</u>	<u>\$ 947,411</u>

Notes Payable

The College has notes payable outstanding for the purpose of financing capital assets. The payments are due in monthly installments ranging from \$2,193 to \$17,983, with interest set at 2.0% above the bank's certificate deposit rate, currently 2.499%, adjusted annually. The notes are collateralized by first priority security interest in the College's deposits held by the bank.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 11 - **Long-Term Liabilities - Continued**

Notes Payable - continued

Maturities of the notes payable subsequent to June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 365,222	\$ 14,351
2022	167,397	7,899
2023	132,605	4,069
2024	<u>90,149</u>	<u>815</u>
	<u>\$ 755,373</u>	<u>\$ 27,134</u>

Note 12 - **Long-Term Debt - Foundation**

At June 30, long-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
Mortgage note payable to MountainOne Bank, payable in monthly installments of \$4,269 including interest at 4.82% through March 2029. Secured by real property.	\$ 365,165	\$ 397,880
Mortgage note payable to Greylock Federal Credit Union, payable in monthly installments of \$4,948 including interest at 3.37% through June 2035. Secured by real property.	696,000	-
Mortgage note payable to Greylock Federal Credit Union, payable in monthly installments of \$3,720 including interest at 5.75% through November 2023 with a balloon payment of approximately \$170,000. Refinanced during 2020.	<u>-</u>	<u>303,055</u>
	1,061,165	700,935
Less: Current portion of long-term debt	<u>70,485</u>	<u>60,422</u>
Total long-term debt, net of current portion	\$ <u>990,680</u>	\$ <u>640,513</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 12 - **Long-Term Debt - Foundation - Continued**

Future principal payments subsequent to June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 70,485	\$ 40,118
2022	73,485	37,119
2023	76,561	34,043
2024	79,717	30,886
2025	83,115	27,488
2026-2035	<u>677,802</u>	<u>108,158</u>
	<u>\$ 1,061,165</u>	<u>\$ 277,812</u>

Note 13 - **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. Restricted-nonexpendable funds consist of endowment funds, the income from which are available for academic programs. Restricted expendable funds are available for academic programs.

The Foundation's restricted - nonexpendable and expendable net position consist of investments that are mainly used for various scholarships and program support including the College's library and two endowed lectures.

Note 14 - **Related Party Transactions**

The Foundation has purchased services and made investments, all at prevailing rates, with entities controlled by a member of its Board of Directors.

Note 15 - **Contingencies**

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.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 15 - **Contingencies - Continued**

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there has been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College.

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 expenditures resulting from such audits become a liability of the College. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. 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.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). The 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 the Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of this program cannot be determined, as it is contingent on future tuition increases and the Program participants who attend the College.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 16 - **Operating Expenses**

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

	<u>2020</u>	As Restated <u>2019</u>
Compensation and benefits	\$ 33,091,212	\$ 32,529,937
Supplies and services	13,070,182	14,371,611
Depreciation	3,528,962	3,767,367
Scholarships and fellowships	<u>1,991,598</u>	<u>1,233,843</u>
	\$ <u>51,681,954</u>	\$ <u>52,186,712</u>

Note 17 - **Pensions**

Defined Benefit Plan Description

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

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

Benefit Provisions

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

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Benefit Provisions - continued

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.

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 \$2,653,265, \$2,208,409, and \$2,007,152, for the years ended June 30, 2020, 2019 and 2018, respectively.

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Contributions - continued

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 14.08%, 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. The College contributed \$238,478, \$263,226, and \$280,607 for the fiscal years ended June 30, 2019, 2018, and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 86%, 85%, and 85% of total related payroll for fiscal years end 2020, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020 and 2019, the College reported a liability of \$3,504,591 and \$3,808,223, respectively, for its proportionate share of the net pension liability related to its participation in SERS. 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. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.024% and 0.029%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources - continued

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$296,471 and \$246,563, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Contributions subsequent to the measurement date	\$ 249,172	\$ 238,478
Difference between expected experience	116,388	120,765
Changes in proportion due to internal allocation	374,917	577,369
Changes in proportion from the Commonwealth of Massachusetts	6,187	10,271
Change in plan assumptions	<u>259,776</u>	<u>385,940</u>
Total	\$ <u>1,006,440</u>	\$ <u>1,332,823</u>

Deferred Inflows of Resources

	<u>2020</u>	<u>2019</u>
Net difference between projected and actual earnings on pension plan investments	\$ 52,276	\$ 132,370
Difference between expected experience	45,579	77,612
Change in proportion from the Commonwealth of Massachusetts	178	724
Change in proportion due to internal allocation	<u>1,122,201</u>	<u>984,981</u>
Total	\$ <u>1,220,234</u>	\$ <u>1,195,687</u>

The College's contributions of \$249,172 and \$238,478 made during the fiscal years ending 2020 and 2019, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources - continued

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 Ending June 30,	
2021	\$ (29,616)
2022	(166,404)
2023	(114,485)
2024	(107,535)
2025	<u>(44,926)</u>
Total	\$ <u>(462,966)</u>

Actuarial Assumptions

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

	<u>2020</u>	<u>2019</u>
	June 30, 2019	June 30, 2018
Measurement date		
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2019 and 2018, 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 generational with Scale MP-2016 set forward 1 year for June 30, 2019
- Disability - reflects RP-200 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) for June 30, 2018

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Actuarial Assumptions - continued

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. The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2018.

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:

Asset Class	2020		2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%	39.0%	5.0%
Portfolio Completion Strategies	11.0%	3.7%	13.0%	3.7%
Core Fixed Income	15.0%	0.9%	12.0%	90.0%
Private Equity	13.0%	6.6%	12.0%	6.6%
Real Estate	10.0%	3.8%	10.0%	3.8%
Value Added Fixed Income	8.0%	3.8%	10.0%	3.8%
Timberland / Natural Resources	4.0%	3.4%	4.0%	3.4%
Total	<u>100.0%</u>		<u>100.0%</u>	

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.25% and 7.35% at June 30, 2020 and 2019, 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,:

<u>June 30, 2020</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 4,664,724	\$ 3,504,591	\$ 2,513,313
<u>June 30, 2019</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.35%)	(7.35%)	(8.35%)
\$ 5,132,848	\$ 3,808,223	\$ 2,676,382

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated)**

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

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

Benefits Provided

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

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

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, 2020 and 2019, and as of the valuation date (January 1, 2019 and 2018), participants contributed 0% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. The College contributed \$129,077 and \$173,897 for the fiscal years ended June 30, 2020 and 2019, respectively, equal to 100% of the required contribution for the year.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

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

At June 30, 2020 and 2019, the College reported a liability of \$6,606,747 and \$8,333,099, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2018, 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 2019 and 2018. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.038% and 0.045%, respectively.

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense of \$279,676 and \$712,233, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Contributions subsequent to the measurement date	\$ 129,077	\$ 173,897
Difference between expected and actual experience	264,961	81,244
Change of assumptions	5,084	7,982
Changes in proportion due to internal allocation	1,296,005	1,760,524
Changes in proportion from the Commonwealth of Massachusetts	<u>16,109</u>	<u>21,497</u>
Total	\$ <u>1,711,236</u>	\$ <u>2,045,144</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

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

Deferred Inflows of Resources

	<u>2020</u>	<u>2019</u>
Net difference between projected and actual earnings on pension plan investments	\$ 3,039	\$ 16,703
Difference between expected experience	8,460	14,277
Changes in proportion due to internal allocation	2,262,573	1,033,458
Change in plan assumptions	<u>993,485</u>	<u>702,984</u>
Total	\$ <u>3,267,557</u>	\$ <u>1,767,422</u>

The College's contributions of \$127,077 and \$173,897 made during the fiscal year 2020 and 2019, 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 Ending <u>June 30,</u>	
2021	\$ (437,778)
2022	(437,778)
2023	(402,898)
2024	(284,501)
2025	<u>(122,443)</u>
Total	\$ <u>(1,685,398)</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

Actuarial Assumptions

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

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.50%	3.00%
Salary increases	4.0% per year	4.0% per year
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation	7.35%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	7.5%, decreasing by 0.5% each year to 5.5% in 2023 and 2024 and then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP until 2025 then decreasing to 4.5% in 2026; 4.5% for administrative costs	8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing .25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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

The participation rates are actuarially assumed as below:

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

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

Actuarial Assumptions - continued

- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age, if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	25.0%	85.0%
POS/PPO	60.0%	0.0%
HMO	15.0%	15.0%

The actuarial assumptions used in the January 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2017 and 2016 through December 31, 2018 and 2017, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2018 and 2017 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

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, 2020 and 2019, are the same as discussed in the pension footnote (note 17).

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

Discount Rate

The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.92, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% and 3.87%) 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 2029 and 2025 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the 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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

<u>2020</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(2.63%)	(3.63%)	(4.63%)
\$ 7,886,321	\$ 6,606,747	\$ 5,595,051
<u>2019</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(2.92%)	(3.92%)	(4.92%)
\$ 9,947,027	\$ 8,333,099	\$ 7,057,045

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 18 - **Other Postemployment Benefits (OPEB) (Restated) - Continued**

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

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:

<u>2020</u>		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 5,444,794	\$ 6,606,747	\$ 8,139,819
<u>2019</u>		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 6,867,526	\$ 8,952,955	\$ 10,986,770

(A) - Current healthcare cost trend rate, as disclosed on page 46.

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 46.

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 46.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 19 - **Fringe Benefits Provided by State**

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

Group Insurance Commission

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

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 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 Retirement Plans

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-out.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 20 - **Massachusetts Management Accounting and Reporting System**

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

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

During the years ended June 30, 2020 and 2019 the College received restricted State appropriations of \$50,000 and \$76,943, respectively, to support the work of the Berkshire Cultural Resource Center.

The College's State appropriation comprises the following at June 30,:

	<u>2020</u>	<u>2019</u>
Direct unrestricted appropriations	\$ 18,353,000	\$ 17,948,552
Add: Fringe benefits for benefited employees on the state payroll	6,685,931	6,389,004
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(140,496)</u>	<u>(183,601)</u>
Total unrestricted appropriations	<u>24,898,435</u>	<u>24,153,955</u>
Restricted appropriations	<u>50,000</u>	<u>76,943</u>
Capital appropriations:		
Direct	1,269,757	51,967
Department of Capital Asset Management Allocation	<u>249,814</u>	<u>310,038</u>
Total Capital Appropriations	<u>1,519,571</u>	<u>362,005</u>
Total appropriations	<u>\$ 26,468,006</u>	<u>\$ 24,592,903</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 20 - **Massachusetts Management Accounting and Reporting System - Continued**

A reconciliation of revenues between the College and MMARS as of August 31, is as follows (unaudited):

	<u>2020</u>	<u>2019</u>
Revenue per MMARS	\$ <u>13,493,764</u>	\$ <u>16,432,638</u>
Revenue per College	\$ <u>13,493,764</u>	\$ <u>16,432,638</u>

Note 21 - **Pass - Through Grants**

The College distributed \$7,766,760 and \$7,478,507 in 2020 and 2019, respectively, for student loans through the U.S. Department of Education Direct Student Loan Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 22 - **Massachusetts State College Building Authority**

The Massachusetts State College Building Authority (the “MSCBA”) was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing dormitories, for use by students of the State universities of the Commonwealth.

The College is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The Commonwealth guarantees these obligations. All facilities and obligations of MSCBA are included in the financial statements of MSCBA.

Dormitory trust fund schedules included in the supplemental information include revenues and expenses, which are included in residence and dining fees revenue and auxiliary enterprises expenses.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 23 - **Subsequent Events**

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.

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester. In addition, capacity of residence hall occupancy has been reduced to meet social distancing guidelines.

On July 1, 2020, the MSCBA closed on Refunding Revenue Bonds Series 2020A for the purpose of providing budgetary relief to the Institution. The refunding included several of the Institution's bonds which will result in no principal payments due for fiscal year 2021 and an additional reduction in principal payments for fiscal year 2022. It is also anticipated the refunding will reduce fiscal year 2021's assessment due to the MSCBA for the Institution's use of the dormitories.

Required Supplementary Information

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Schedules of the Proportionate Share of the Net Pension Liability (Unaudited)

Massachusetts State Employee Retirement System

Year end	June 30 2020	June 30 2019	June 30 2018	June 30 2017	June 30 2016	June 30 2015
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.024%	0.029%	0.036%	0.029%	0.034%	0.030%
Proportionate share of the collective net pension liability	\$ 3,504,591	\$ 3,808,223	\$ 4,603,049	\$ 3,930,927	\$ 3,871,254	\$ 2,259,312
Covered payroll	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171	\$ 2,166,212	\$ 2,049,258	\$ 2,257,364
Proportionate share of the net pension liability as a percentage of its covered payroll	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	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 most recent ten years.

See accompanying notes to the required supplemental information.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Schedules of the Contributions - Pension (Unaudited)

Massachusetts State Employee Retirement System

For the Year Ended June 30,

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 249,172	\$ 238,478	\$ 263,226	\$ 280,607	\$ 204,707	\$ 212,918
Contributions in relation to the contractually required contribution	<u>249,172</u>	<u>238,478</u>	<u>263,226</u>	<u>280,607</u>	<u>204,707</u>	<u>212,918</u>
Contribution excess	<u>\$ -</u>					
Covered payroll	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171	\$ 2,166,212	\$ 2,049,258
Contribution as a percentage of covered payroll	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 supplemental information.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Required Supplementary Information - SERS (Unaudited)

June 30, 2020 and 2019

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

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.

The mortality rate assumptions were changed as follows:

- Disabled members – was changed from reflects RP-200 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) to reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year

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

See Independent Auditors' Report.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Required Supplementary Information - SERS (Unaudited)

June 30, 2020 and 2019

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

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)

See Independent Auditors' Report.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)

Schedules of the Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year end	June 30 2019	June 30 2019	June 30 2018
Valuation date	January 1, 2018	January 1, 2018	January 1, 2017
Measurement date	June 30, 2018	June 30, 2018	June 30, 2017
Proportion of the collective net OPEB liability	0.038%	0.045%	0.051%
Proportionate share of the collective net OPEB liability	\$ 6,606,747	\$ 8,333,099	\$ 8,952,955
Covered payroll	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171
Proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplemental information.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)

Schedules of the Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2020	2019	2018
Contractually required contribution	\$ 129,077	\$ 173,897	\$ 199,293
Contributions in relation to the contractually required contribution	<u>129,077</u>	<u>173,897</u>	<u>199,293</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516
Contribution as a percentage of covered payroll	7.29%	8.79%	8.92%

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, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Required Supplementary Information – SRBT (Unaudited)

June 30, 2020 and 2019

Note 1 - **Change in Plan Assumptions**

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%.

Investment rate of return

The investment rate of return changed 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 impact the high cost excise tax.

Change in Participation Rates

Certain percentages changed including the 80% of participants that who elect healthcare benefits at age 55 and the allocation of coverage at retirement age.

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:

Investment rate of return

The investment rate of return changed from 7.50% to 7.35

Change in Trend on Future Costs

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

See Independent Auditors' Report.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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**Notes to the Required Supplementary Information – SRBT (Unaudited) -
Continued**

June 30, 2020 and 2019

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%.

Supplemental Information

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)

**Schedules of Net Position -
 Dormitory Trust Fund Report (Unaudited)**

June 30,

Assets

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and equivalents	\$ 168,257	\$ 846,514
Accounts receivable, net	<u>6,209</u>	<u>7,013</u>
Total Dormitory Trust Fund Assets	<u>\$ 174,466</u>	<u>\$ 853,527</u>

Liabilities and Net Position

Liabilities:		
Accounts payable	\$ 20,521	\$ 49,477
Accrued payroll	20,350	19,183
Compensated absences	141,205	227,560
Unearned revenue	<u>18,755</u>	<u>55,983</u>
Total Dormitory Trust Fund Liabilities	200,831	352,203
Net Position	<u>(26,365)</u>	<u>501,324</u>
Total Dormitory Trust Fund Liabilities and Net Position	<u>\$ 174,466</u>	<u>\$ 853,527</u>

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)

**Schedules of Revenues, Expenses, and Changes in Net Position -
 Dormitory Trust Fund Report
 (Unaudited)**

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>
Revenues:		
Student fees	\$ 4,229,669	\$ 4,815,690
Repair income	7,097	9,387
Commissions	27,688	25,095
Rentals	145,930	109,043
Other	<u>9,583</u>	<u>12,530</u>
Total Revenues	<u>4,419,967</u>	<u>4,971,745</u>
Expenses:		
Regular employee compensation	531,151	705,467
Regular employee related	2,062	3,778
Student employee compensation	292,067	302,601
Pension and insurance related	234,773	267,289
Administrative	10,111	14,270
Facility operational	38,895	35,528
Energy costs	435,433	495,785
Operational services	221,264	226,165
Equipment purchases	4,993	3,347
Equipment leases	634	1,059
Educational assistance	105,307	154,089
Loans and special payments	<u>3,184,443</u>	<u>3,109,069</u>
Total Expenses	<u>5,061,133</u>	<u>5,318,447</u>
Non-Operating Revenues:		
Other revenues MSCBA	<u>113,477</u>	<u>-</u>
Net Decrease in Net Position	(527,689)	(346,702)
Net Position, Beginning of Year	<u>501,324</u>	<u>848,026</u>
Net Position, End of Year	<u>\$ (26,365)</u>	<u>\$ 501,324</u>

**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 College of Liberal Arts
North Adams, 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 College of Liberal Arts (the "College"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues and 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 Massachusetts College of Liberal Arts' basic financial statements and have issued our report thereon with a dual date of October 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Massachusetts College of Liberal Arts' internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 audits 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 Massachusetts College of Liberal Arts' 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 audits 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 entity'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**

October 23, 2020