

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

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

June 30, 2021

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

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

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Massachusetts College of Liberal Arts (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the years ending June 30, 2021 and 2020, and the discretely presented major component unit, Massachusetts College of Liberal Arts Foundation, Inc. (the "Foundation"), and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2021 and 2020, 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.

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 13, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2021

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

The following discussion and analysis provides management's view of the financial position of Massachusetts College of Liberal Arts as of June 30, 2021, 2020, and 2019 (restated), and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto which are also presented in this document.

Massachusetts College of Liberal Arts is a public institution of higher education serving approximately 1,765 graduate and undergraduate students, with 87 Full Time Equivalent faculty and 222 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, 2021, the College's assets of \$89,993,815 exceeded its liabilities of \$29,070,116 by \$60,923,699. The resulting net position is summarized into the following categories:

| | |
|---|---------------|
| • Invested in capital assets, net of related debt | \$ 66,136,128 |
| • Restricted, non-expendable | 39,932 |
| • Restricted - expendable | - |
| • Unrestricted | (5,252,361) |
| • Total net position | \$ 60,923,699 |

- The College received a general state Appropriation for Fiscal Year 2021 of \$18,734,536. This appropriation was reduced by tuition remitted to the state of \$178,897, plus fringe benefits of \$7,269,014.
- The College's total net position increased by \$1,068,973. This increase is largely due to Cares Act funding, additional State Appropriation allocations and a reduced amount of expenditures related to COVID-19 and remote learning.
- The College's Trustees may use the unrestricted net assets to meet the College's ongoing obligations to its stakeholders. Additionally, the restricted, expendable net assets may also be used, but only for the purposes for which the donor or grantor intended.
- The COVID-19 crisis impacted the college with lost revenue. These uncertain times will have an effect on future enrollment and operations.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

Overview of the Financial Statements

The Massachusetts College of Liberal Arts financial statements are comprised of 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 15 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 16 through 52 of this report.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

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 \$60,923,699 at the close of the most recent fiscal year.

Massachusetts College of Liberal Arts Net Position

| | June 30, 2021 | June 30, 2020 | Restated June 30, 2019 |
|---|----------------------|----------------------|----------------------------------|
| Current assets | \$17,149,697 | \$15,027,071 | \$20,725,693 |
| Non-current assets | 70,440,510 | 71,917,126 | 69,734,213 |
| Deferred outflows of resources | <u>2,403,608</u> | <u>2,717,676</u> | <u>3,377,967</u> |
| Total assets | <u>\$89,993,815</u> | <u>\$89,661,873</u> | <u>\$93,837,873</u> |
| | | | |
| Current liabilities | 6,026,090 | 6,201,438 | 6,965,067 |
| Non-current liabilities | <u>14,308,197</u> | <u>15,541,084</u> | <u>18,734,703</u> |
| Total liabilities | <u>\$20,334,287</u> | <u>\$21,742,522</u> | <u>\$25,699,770</u> |
| | | | |
| Deferred inflows of resources | <u>\$8,735,829</u> | <u>\$8,064,625</u> | <u>\$6,944,190</u> |
| | | | |
| Net Position: | | | |
| | | | |
| Invested in capital assets, net of related debt | \$66,136,128 | \$67,100,390 | \$65,394,046 |
| Restricted, non-expendable | 39,932 | 33,494 | 34,065 |
| Restricted, expendable | - | 30,395 | 37,865 |
| Unrestricted | <u>(5,252,361)</u> | <u>(7,309,553)</u> | <u>(4,272,063)</u> |
| Total net assets | <u>\$60,923,699</u> | <u>\$59,854,726</u> | <u>\$61,193,913</u> |

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Management's Discussion and Analysis

By far the largest portion of the Massachusetts College of Liberal Arts net position is investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt, including capital leases, used to acquire those assets that are 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 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. In addition, the debt noted above, which is reflected in the College's financial statements, 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 the financial statements.

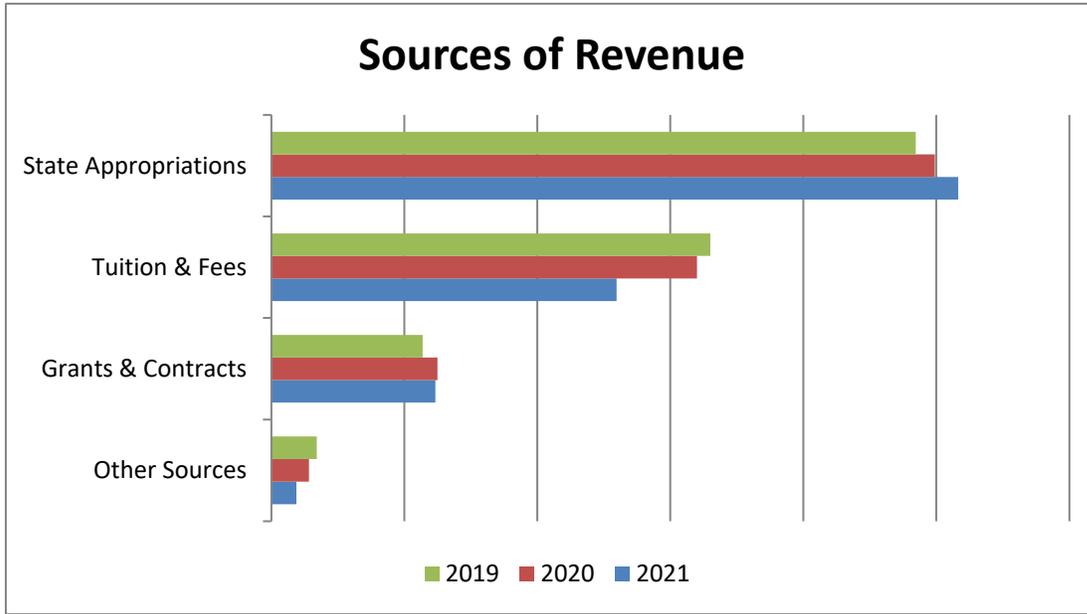
The position increased by \$1,068,973 during the current fiscal year. This increase is largely due to an increase in State Appropriation and Cares Act funding. Net Capital assets decreased by \$1,443,772. The depreciation expense on the entire amount of capital assets was \$3,671,036.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

I
Massachusetts College of Liberal Arts Changes in Net Position

| | For the Fiscal Year Ended June 30, 2021 | For the Fiscal Year Ended June 30, 2020 | For the Fiscal Year Ended June 30, 2019 |
|--|--|--|--|
| Operating Revenues: | | | Restated |
| Net tuition and fees | 12,977,508 | 16,003,883 | 16,503,331 |
| Grants and contracts | 6,050,124 | 6,242,830 | 5,688,772 |
| Other sources | 942,702 | 1,414,385 | 1,709,874 |
| Total operating revenues | \$19,970,334 | \$23,661,098 | \$23,901,977 |
| Total operating expenses | \$47,890,270 | \$51,681,954 | \$52,186,712 |
| Net operating loss | (27,919,936) | (28,020,856) | (28,284,735) |
| Non-operating revenues (expenses): | | | |
| State appropriation | 25,824,653 | 24,948,435 | 24,230,898 |
| Cares Act Revenue | 1,910,004 | 235,920 | - |
| Capital appropriations | 1,284,184 | 1,519,571 | 362,005 |
| Investment Income | 66,596 | 150,047 | 146,618 |
| Proceeds from MSCBA | - | 113,477 | - |
| Interest Expense | (96,528) | (164,121) | (135,975) |
| Loss on disposal of assets | - | (121,660) | - |
| Increase (decrease) in net assets | 1,068,973 | (1,339,187) | (3,681,189) |
| Net assets – beginning of year | \$59,854,726 | \$61,193,913 | \$64,875,102 |
| Net assets – end of year | \$60,923,699 | \$59,854,726 | \$61,193,913 |

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
 (an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis



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 remained relatively flat.
- Other sources of revenue decreased primarily due to the re-amortization of the Aramark agreement that was extended over 10 years along with outside events eliminated due to COVID-19.

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

| | June 30, 2021 | June 30, 2020 | Change |
|--------------------|----------------------|----------------------|---------------|
| Tuition | 1,941,598 | 2,417,982 | (476,384) |
| Room & Board Fee | 4,871,395 | 6,787,391 | (1,915,996) |
| Campus Support Fee | 8,485,627 | 10,222,217 | (1,736,590) |

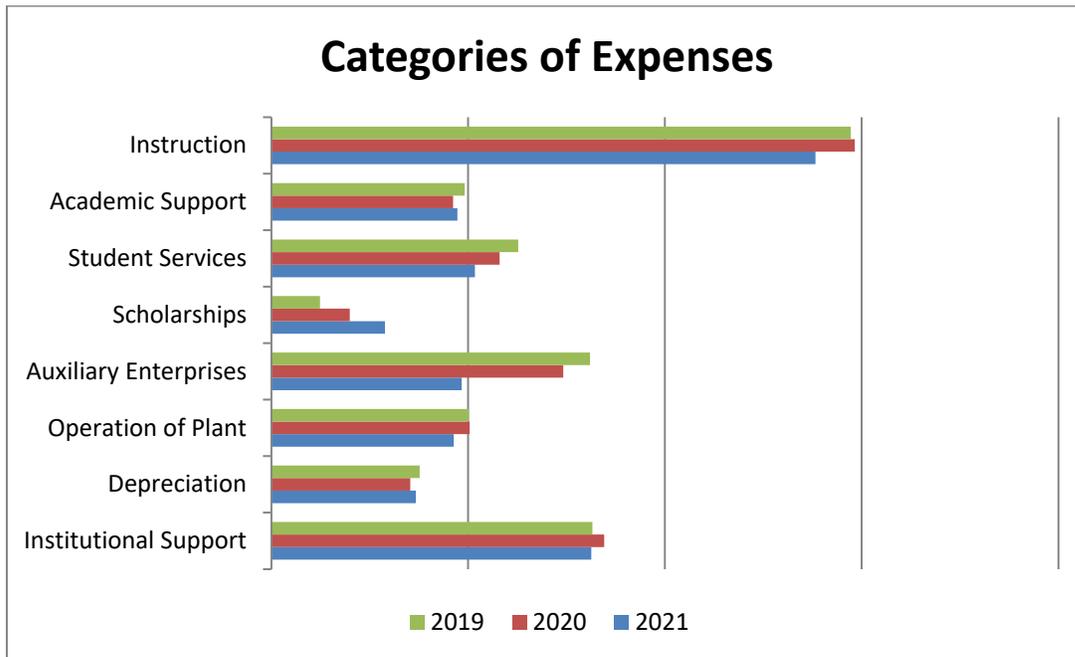
MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Management’s Discussion and Analysis

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 \$401,397 to increase persistence and four-year graduation rates of MCLA students;
- Skills Capital Grant in the amount of \$380,579 to purchase equipment for the development of workforce training for in-demand industries;
- Adult Basic Ed Grant from Mass. Department of Education in the amount of \$202,125 for GED and community literacy programs;
- TRIO Student Support Services Grant in the amount of \$152,359 to provide opportunities for academic development, assist students with basic college requirements, and to motivate students toward successful degree completion.

Expenses

While Academic Support had an increase in expenses, Instruction, Operation and Maintenance of Plant, Institutional Support, Student Services, and Auxiliary expenses all had a decrease in expenses. Thus, leading to a 7% decrease in overall Operating Expenses. Auxiliary enterprises include the operation of the food service and residence hall operations.



MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

Non-operating revenues and expenses

The College received a general state appropriation of \$18,734,536. In addition, state payroll fringe benefits in the amount of \$7,269,014 were received, less tuition remitted to the state of \$178,897, for a total appropriation of \$25,824,653. Interest income decreased due to lower rates received on our certificates of deposit. Interest expense decreased approximately 40% due to the pay down of principal on notes related to the borrowings used to purchase equipment and also interest forgiveness from the MSCBA. 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, 2021 was \$70,440,510 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:

- Campus Center Pool Area Renovation \$5,313,327
- Venable Theater renovation \$311,695
- Freel Library Roof replacement \$411,573
- Energy Performance Project (CIP) \$84,429
- Sim Lab equipment \$217,016

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 7 on page 27 of this report.

Long-term liabilities: The College carries long-term liabilities in the form of accruals for compensated absences and workers compensation (\$3,245,893), bonds with the Mass State College Building Authority (\$3,806,729) 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 (\$389,760) for the construction of the Ashland Street Facilities Building and furniture and equipment for Bowman Hall. The accrual for compensated absences and worker's compensation consists of the current and long-term portion of sick and vacation pay relating to employees on the College's payroll.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis

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

In FY21, base appropriations were level funded from FY20. The College received additional funding for formula funding and retroactive collective bargaining increases in FY21. The student fees were increased in FY21 to help cover the losses derived from lower budgeted enrollment. Campus based financial aid was also 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 workforce. The College cannot predict the extent to which enrollment may vary in this current environment.

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 Vice President of Administration and Finance, 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

| | 2021 <u>College</u> | 2020 <u>College</u> | 2021 <u>Foundation</u> | 2020 <u>Foundation</u> |
|--|--------------------------|--------------------------|---------------------------|---------------------------|
| Current Assets: | | | | |
| Cash and equivalents | \$ 14,658,409 | \$ 12,749,961 | \$ 1,536,168 | \$ 1,940,894 |
| Deposits held by State Treasurer | 829,588 | 713,408 | - | - |
| Cash held by State Treasurer | 851,306 | 571,112 | - | - |
| Restricted cash and equivalents | - | 30,395 | - | - |
| Accounts receivable, net | 416,059 | 715,942 | - | - |
| Due from Foundation | 116,184 | 158,095 | - | - |
| Unconditional promises to give | - | - | 498,723 | 551,311 |
| Other assets | <u>278,151</u> | <u>88,158</u> | <u>31,496</u> | <u>37,111</u> |
| Total Current Assets | <u>17,149,697</u> | <u>15,027,071</u> | <u>2,066,387</u> | <u>2,529,316</u> |
| Non-Current Assets: | | | | |
| Investments | - | - | 17,383,639 | 13,725,340 |
| Unconditional promises to give, net of current portion | - | - | 1,695,372 | 2,000,707 |
| Debt service reserve | - | 32,844 | - | - |
| Capital assets, net | <u>70,440,510</u> | <u>71,884,282</u> | <u>2,487,782</u> | <u>2,366,027</u> |
| Total Non-Current Assets | <u>70,440,510</u> | <u>71,917,126</u> | <u>21,566,793</u> | <u>18,092,074</u> |
| Deferred Outflows of Resources: | | | | |
| Pension related | 915,030 | 1,006,440 | - | - |
| OPEB related | <u>1,488,578</u> | <u>1,711,236</u> | <u>-</u> | <u>-</u> |
| Total Deferred Outflows of Resources | <u>2,403,608</u> | <u>2,717,676</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 89,993,815</u> | <u>\$ 89,661,873</u> | <u>\$ 23,633,180</u> | <u>\$ 20,621,390</u> |

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

| | 2021 | 2020 | 2021 | 2020 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>College</u> | <u>College</u> | <u>Foundation</u> | <u>Foundation</u> |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 850,396 | \$ 724,515 | \$ 15,063 | \$ 9,478 |
| Accrued payroll | 2,159,560 | 2,072,561 | - | - |
| Compensated absences | 1,882,127 | 1,851,236 | - | - |
| Workers' compensation | 57,103 | 62,760 | - | - |
| Students' deposits and unearned revenue | 727,252 | 833,206 | 13,300 | - |
| Due to College | - | - | 116,184 | 158,095 |
| Current portion of notes payable | 165,221 | 365,222 | 73,540 | 70,485 |
| Current portion of charitable gift annuity liability | - | - | 2,250 | 2,250 |
| Current portion of bond payable | 135,637 | 244,801 | - | - |
| Current portion of capital lease obligation | <u>48,794</u> | <u>47,137</u> | <u>-</u> | <u>-</u> |
| Total Current Liabilities | <u>6,026,090</u> | <u>6,201,438</u> | <u>220,337</u> | <u>240,308</u> |
| Non-Current Liabilities: | | | | |
| Compensated absences | 890,161 | 988,094 | - | - |
| Workers' compensation | 416,502 | 282,076 | - | - |
| Notes payable | 224,539 | 390,151 | 917,094 | 990,680 |
| Charitable gift annuity liability, net of current portion | - | - | 22,323 | 24,573 |
| Bond payable | 3,671,092 | 3,661,532 | - | - |
| Capital lease obligation | 59,099 | 107,893 | - | - |
| Net pension liability | 3,956,157 | 3,504,591 | - | - |
| Net OPEB liability | <u>5,090,647</u> | <u>6,606,747</u> | <u>-</u> | <u>-</u> |
| Total Non-Current Liabilities | <u>14,308,197</u> | <u>15,541,084</u> | <u>939,417</u> | <u>1,015,253</u> |
| Total Liabilities | <u>20,334,287</u> | <u>21,742,522</u> | <u>1,159,754</u> | <u>1,255,561</u> |
| Deferred Inflows of Resources: | | | | |
| Service concession revenue applicable to future years | 3,569,421 | 3,576,834 | - | - |
| Pension related | 878,353 | 1,220,234 | - | - |
| OPEB related | <u>4,288,055</u> | <u>3,267,557</u> | <u>-</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>8,735,829</u> | <u>8,064,625</u> | <u>-</u> | <u>-</u> |
| Net Position: | | | | |
| Net investment in capital assets | 66,136,128 | 67,100,390 | 1,497,148 | 1,304,862 |
| Restricted: | | | | |
| Nonexpendable | 39,932 | 33,494 | 14,111,424 | 13,867,751 |
| Expendable | - | 30,395 | 6,023,955 | 3,413,247 |
| Unrestricted | <u>(5,252,361)</u> | <u>(7,309,553)</u> | <u>840,899</u> | <u>779,969</u> |
| Total Net Position | <u>60,923,699</u> | <u>59,854,726</u> | <u>22,473,426</u> | <u>19,365,829</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 89,993,815</u> | <u>\$ 89,661,873</u> | <u>\$ 23,633,180</u> | <u>\$ 20,621,390</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,

| | 2021 | 2020 | 2021 | 2020 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>College</u> | <u>College</u> | <u>Foundation</u> | <u>Foundation</u> |
| Operating Revenues: | | | | |
| Tuition and fees | \$ 12,711,389 | \$ 15,341,267 | \$ - | \$ - |
| Residence and dining fees | 4,871,395 | 6,787,391 | - | - |
| Less: Scholarship allowances | <u>(4,605,276)</u> | <u>(6,124,775)</u> | <u>-</u> | <u>-</u> |
| Net student fees | 12,977,508 | 16,003,883 | - | - |
| Gifts and contributions | - | - | 1,016,822 | 1,781,818 |
| Grants and contracts | 6,050,124 | 6,242,830 | - | - |
| Other sources | <u>942,702</u> | <u>1,414,385</u> | <u>209,718</u> | <u>227,875</u> |
| Total Operating Revenues | <u>19,970,334</u> | <u>23,661,098</u> | <u>1,226,540</u> | <u>2,009,693</u> |
| Operating Expenses: | | | | |
| Instruction | 13,828,933 | 14,826,123 | - | - |
| Academic support | 4,728,686 | 4,618,772 | - | - |
| Student services | 5,172,403 | 5,801,469 | - | - |
| Scholarships and fellowships | 2,884,929 | 1,991,598 | 521,597 | 477,344 |
| Auxiliary enterprises | 4,838,023 | 7,417,089 | - | - |
| Operation and maintenance of plant | 4,635,445 | 5,038,335 | 70,494 | 68,264 |
| Depreciation | 3,671,036 | 3,528,962 | 83,381 | 73,659 |
| Institutional support | <u>8,130,815</u> | <u>8,459,606</u> | <u>1,112,118</u> | <u>1,239,694</u> |
| Total Operating Expenses | <u>47,890,270</u> | <u>51,681,954</u> | <u>1,787,590</u> | <u>1,858,961</u> |
| Net Operating Income (Loss) | <u>(27,919,936)</u> | <u>(28,020,856)</u> | <u>(561,050)</u> | <u>150,732</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Federal grants | 1,910,004 | 235,920 | - | - |
| State appropriations, net - unrestricted | 25,824,653 | 24,898,435 | - | - |
| State appropriations - restricted | - | 50,000 | - | - |
| Net investment income | 66,596 | 150,047 | 3,668,647 | 497,649 |
| Other revenues MSCBA | - | 113,477 | - | - |
| Loss on disposal of capital assets | - | (121,660) | - | - |
| Interest expense | <u>(96,528)</u> | <u>(164,121)</u> | <u>-</u> | <u>-</u> |
| Net Non-Operating Revenues | <u>27,704,725</u> | <u>25,162,098</u> | <u>3,668,647</u> | <u>497,649</u> |
| Net Increase (Decrease) Before Other Revenues | (215,211) | (2,858,758) | 3,107,597 | 648,381 |
| Capital appropriations | 1,199,692 | 1,269,757 | - | - |
| Capital appropriations - DCAM | <u>84,492</u> | <u>249,814</u> | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in Net Position | 1,068,973 | (1,339,187) | 3,107,597 | 648,381 |
| Net Position, Beginning of Year | <u>59,854,726</u> | <u>61,193,913</u> | <u>19,365,829</u> | <u>18,717,448</u> |
| Net Position, End of Year | <u>\$ 60,923,699</u> | <u>\$ 59,854,726</u> | <u>\$ 22,473,426</u> | <u>\$ 19,365,829</u> |

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>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities: | | |
| Tuition, residence, dining, and other student fees | \$ 12,918,170 | \$ 15,672,408 |
| Grants and contracts | 6,258,646 | 5,881,674 |
| Payments to suppliers | (10,053,812) | (13,505,470) |
| Payments to employees | (23,998,714) | (26,281,913) |
| Payments to students | (2,884,929) | (1,991,598) |
| Perkins grants refunded to the Department of Education | - | (148,802) |
| Collections on loans issued to students | - | 19,329 |
| Other sources | <u>1,021,945</u> | <u>870,916</u> |
| Net Cash Applied to Operating Activities | <u>(16,738,694)</u> | <u>(19,483,456)</u> |
| Cash Flows from Non-Capital Financing Activities: | | |
| Federal grants | 1,910,004 | 235,920 |
| Tuition remitted to the State | (178,897) | (140,496) |
| State appropriations | <u>18,734,536</u> | <u>18,403,000</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>20,465,643</u> | <u>18,498,424</u> |
| Cash Flows from Capital Financing Activities: | | |
| Capital appropriations | 1,199,692 | 1,269,757 |
| Purchases of capital assets | (2,142,772) | (5,963,023) |
| Advances from debt service reserve | 32,844 | - |
| Principal paid on bonds, notes and capital leases | (484,100) | (688,203) |
| Proceeds from service concession agreement | - | 1,500,000 |
| Interest paid on bonds, notes and capital leases | <u>(124,782)</u> | <u>(191,950)</u> |
| Net Cash Provided by (Applied to) Capital Financing Activities | <u>(1,519,118)</u> | <u>(4,073,419)</u> |
| Cash Flows from Investing Activity: | | |
| Interest income | <u>66,596</u> | <u>263,524</u> |
| Net Increase (Decrease) in Cash and Equivalents | 2,274,427 | (4,794,927) |
| Cash and Equivalents, Beginning of the Year | <u>14,064,876</u> | <u>18,859,803</u> |
| Cash and Equivalents, End of the Year | <u>\$ 16,339,303</u> | <u>\$ 14,064,876</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>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Reconciliation of Net Operating Loss to Net Cash | | |
| Applied to Operating Activities: | | |
| Net operating loss | \$ (27,919,936) | \$ (28,020,856) |
| Adjustments to reconcile net operating loss to net cash applied to operating activities: | | |
| Depreciation | 3,671,036 | 3,528,962 |
| Amortization of service concession agreement | (7,413) | (404,247) |
| Net closeout of Perkins grant program | - | (29,312) |
| Net pension activity | 201,095 | 47,298 |
| Net OPEB activity | (272,944) | 107,692 |
| Decrease (increase) in allowance for doubtful accounts | (32,289) | (5,674) |
| Fringe benefits provided by State appropriations | 7,269,014 | 6,685,931 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 332,172 | (543,762) |
| Other current assets | (189,993) | 13,287 |
| Loans receivable | - | 19,329 |
| Due from Foundation | 41,911 | (60,156) |
| Accounts payable and accrued liabilities | 125,881 | (448,574) |
| Accrued employee compensation and benefits | 148,726 | (31,623) |
| Student deposits and unearned revenues | (105,954) | (192,949) |
| Grants refundable | <u>-</u> | <u>(148,802)</u> |
| Net Cash Applied to Operating Activities | <u>\$ (16,738,694)</u> | <u>\$ (19,483,456)</u> |
| Reconciliation of Cash and Equivalents to the Statement of Net Assets: | | |
| Cash and equivalents | \$ 14,658,409 | \$ 12,749,961 |
| Deposits held by State Treasurer | 829,588 | 713,408 |
| Cash held by State Treasurer | 851,306 | 571,112 |
| Restricted cash and equivalents | <u>-</u> | <u>30,395</u> |
| Cash and Equivalents | <u>\$ 16,339,303</u> | <u>\$ 14,064,876</u> |
| Non-Cash Transactions: | | |
| Perkins loans assigned to the Department of Education, net | <u>\$ -</u> | <u>\$ 553,059</u> |
| Perkins grants refunded to the Department of Education | <u>\$ -</u> | <u>\$ 582,371</u> |
| Capital leases | <u>\$ -</u> | <u>\$ 193,086</u> |
| Capital improvements provided by capital appropriations | <u>\$ 84,492</u> | <u>\$ 249,814</u> |
| Amortization on bond premiums | <u>\$ 28,254</u> | <u>\$ 27,829</u> |
| Fringe benefits provided by the State appropriations | <u>\$ 7,269,014</u> | <u>\$ 6,685,931</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, 2021 and 2020

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 1,765 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.

Operations

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

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

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 14, 2022, while the SIP funding must be spent by August 3, 2022.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Operations - Continued

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

| | Student Aid Award | Institutional Award | Strengthening Institution Program | Total |
|--------------|----------------------|------------------------|---|---------------------|
| CARES | \$ 654,699 | \$ 654,698 | \$ 64,928 | \$ 1,374,324 |
| CRRSAA | 654,699 | 1,548,153 | 93,153 | 2,296,005 |
| ARPA | 1,984,543 | 1,958,049 | 173,795 | 4,116,387 |
| Total | \$ 3,293,941 | \$ 4,160,900 | \$ 331,875 | \$ 7,786,716 |

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

| | For the Year Ended June 30, 2021 | | | | For the Year Ended June 30, 2020 | | | |
|--------------|----------------------------------|------------------------|---|--------------------|----------------------------------|------------------------|---|-------------------|
| | Student Aid Award | Institutional Award | Strengthening Institution Program | Total | Student Aid Award | Institutional Award | Strengthening Institution Program | Total |
| CARES | \$ 418,779 | \$ 654,698 | \$ 64,928 | \$1,138,405 | \$ 235,920 | \$ - | \$ - | \$ 235,920 |
| CRRSAA | 654,699 | - | - | 654,699 | - | - | - | - |
| ARPA | - | - | - | - | - | - | - | - |
| Total | \$1,073,478 | \$ 654,698 | \$ 64,928 | \$1,793,104 | \$ 235,920 | \$ - | \$ - | \$ 235,920 |

As of June 30, 2021 and 2020 the College received \$116,900 and \$0 in Governor's Emergency Education Relief Fund ("GEERF") as a pass through from the State of Massachusetts.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 and is therefore discretely presented in the College’s financial statements. Complete financial statements can be obtained from the Foundation’s administrative offices in 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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2021 and 2020. 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, 2021 and 2020

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, 2021 and 2020

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.

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. 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.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Governmental Accounting Pronouncements - continued

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

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

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

Management is in the process of evaluating these pronouncements and has not yet determined their impact on the financial statements.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation; however, there was no change to the net position.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **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, 2021 and 2020, the carrying amount of the College's bank balances were \$15,088,233 and \$13,074,948, respectively of which none are uninsured and uncollateralized.

Note 3 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$851,306 and \$571,112 at June 30, 2021 and 2020, 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 4 - **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>2021</u> | <u>2020</u> |
|-------------------------|----------------------|----------------------|
| Money market funds | \$ 51,822 | \$ 72,572 |
| Equities | 4,731,010 | 3,870,769 |
| Corporate bonds | 207,492 | 416,725 |
| Certificates of deposit | 707,424 | 1,024,340 |
| Mutual funds | <u>11,685,891</u> | <u>8,340,934</u> |
| Total | <u>\$ 17,383,639</u> | <u>\$ 13,725,340</u> |

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **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 5 - **Accounts Receivable**

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

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Student accounts receivable | \$ 210,578 | \$ 238,411 |
| Grants receivable | 357,158 | 615,048 |
| Other receivables | <u>1,005</u> | <u>47,454</u> |
| | <u>568,741</u> | <u>900,913</u> |
| Less: allowance for doubtful accounts | <u>152,682</u> | <u>184,971</u> |
| | \$ <u>416,059</u> | \$ <u>715,942</u> |

Note 6 - **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.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Capital Assets**

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

| | <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>10,451,929</u> | <u>756,966</u> | <u>-</u> | <u>(4,737,352)</u> | <u>6,471,543</u> |
| Total, not depreciated | 11,071,371 | 756,966 | - | (4,737,352) | 7,090,985 |
| Capital assets, depreciated: | | | | | |
| Buildings, including building and land improvements | 99,296,339 | 840,815 | - | 4,737,352 | 104,874,506 |
| Furnishing and equipment (including cost of capital leases) | <u>8,554,975</u> | <u>629,483</u> | <u>-</u> | <u>-</u> | <u>9,184,457</u> |
| Total capital assets | <u>118,922,685</u> | <u>2,227,264</u> | <u>-</u> | <u>-</u> | <u>121,149,948</u> |
| Less: accumulated depreciation: | | | | | |
| Buildings, including improvements | 39,619,615 | 3,240,962 | | | 42,860,577 |
| Furnishing and equipment | <u>7,418,788</u> | <u>430,074</u> | <u>-</u> | <u>-</u> | <u>7,848,862</u> |
| Total accumulated depreciation | <u>47,038,403</u> | <u>3,671,036</u> | <u>-</u> | <u>-</u> | <u>50,709,438</u> |
| Capital assets, net | \$ <u>71,884,282</u> | \$ <u>(1,443,772)</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>70,440,510</u> |

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

June 30, 2021 and 2020

Note 7 - **Capital Assets - Continued**

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>-</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>-</u> | <u>-</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) | | 39,619,615 |
| Furnishing and equipment | <u>7,093,823</u> | <u>324,965</u> | <u>-</u> | <u>-</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, 2021 and 2020

Note 8 - **Deferred Inflows of Resources**

During fiscal year 2021, the College entered into an agreement with a nongovernmental operator for management of the food services operations and related dining facilities of the College (the "agreement"). Pursuant to the terms of the agreement, a financial commitment made during fiscal year of \$4,500,000 was reamortized and the commitment term was extended to June 2030 (previously June 2028). This financial commitment is categorized as a service concession arrangement under GASB 60, Accounting and Reporting for Service Concession Arrangements, to be paid in two installments. The financial commitment is for facilities renovations to the College, including areas of the dining facilities, and will be amortized for the term of the agreement. 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 balance of deferred inflows of resources at June 30, 2021 and 2020 was approximately \$3,569,000 and \$3,577,000, respectively. The College reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$4,187,000 and \$4,543,000 at June 30, 2021 and 2020, respectively.

Note 9 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2021 consist of:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|--------------------------|------------------------------|-----------------------------|----------------------------|
| Leases and notes payable: | | | | | |
| Lease obligations | \$ 155,030 | \$ - | \$ (47,137) | \$ 107,893 | \$ 48,794 |
| Notes payable | 755,373 | - | (365,613) | 389,760 | 165,221 |
| Bonds payable | 3,679,808 | - | (71,350) | 3,608,458 | 113,415 |
| Bond premium | <u>226,525</u> | <u>-</u> | <u>(28,254)</u> | <u>198,271</u> | <u>22,222</u> |
| Total leases and notes payable | \$ <u>4,816,736</u> | \$ <u>-</u> | \$ <u>(512,354)</u> | \$ <u>4,304,382</u> | \$ <u>349,652</u> |
| Other long-term liabilities: | | | | | |
| Compensated absences | \$ 2,839,330 | \$ - | \$ (67,042) | \$ 2,772,288 | \$ 1,882,127 |
| Workers' compensation | 344,836 | 128,769 | - | 473,605 | 57,103 |
| Net pension liability | 3,504,591 | 451,566 | - | 3,956,157 | - |
| OPEB liability | 6,606,747 | - | (1,516,100) | 5,090,647 | - |
| Perkins grant refundable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other long-term liabilities | \$ <u>13,295,504</u> | \$ <u>580,335</u> | \$ <u>(1,583,142)</u> | \$ <u>12,292,697</u> | \$ <u>1,939,230</u> |

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

June 30, 2021 and 2020

Note 9 - **Long-Term Liabilities - Continued**

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

| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Current</u> <u>Portion</u> |
|-----------------------------------|------------------------------------|-------------------|-----------------------|---------------------------------|----------------------------------|
| 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> |

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, 2021:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|------------------|-------------------|
| Furniture and equipment | \$ 193,086 | \$ 193,086 |
| Less: accumulated depreciation | <u>96,367</u> | <u>32,064</u> |
| | \$ <u>96,719</u> | \$ <u>161,022</u> |

The following schedule summarizes future minimum payments under capital leases subsequent to June 30, 2021:

| | |
|-----------------|-------------------|
| Years Ending | |
| <u>June 30,</u> | |
| 2022 | \$ 51,758 |
| 2023 | 51,758 |
| 2024 | <u>8,626</u> |
| | 112,142 |
| Less: Interest | <u>4,249</u> |
| | \$ <u>107,893</u> |

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 9 - **Long-Term Liabilities - Continued**

Bonds Payable

The College has project revenue bonds outstanding (series 2009C, 2012B, 2012C, 2014D, 2015A, 2019A, 2019C, 2020A) issued through Massachusetts State College Building Authority. The bonds were issued to finance certain renovations and repairs to the College's buildings and athletic fields. Principal is payable annually ranging from approximately \$5,000 to \$80,000 with interest payable semiannually at a predetermined rate, which varies between 1.0% and 5.6%, maturing 2026 through 2039.

On July 1, 2020, the College's MSCBA Series 2009C, 2012B, 2012C, 2014D, 2015A, 2019A and 2019C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A with a par value of approximately \$258,000. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the College. The refunding resulted in an economic gain of approximately \$56,000. No deferred gain was recognized on the Statement of Net Position due to materiality. The first principal payment is due on May 1, 2024, and the final payment is due on May 1, 2033 with an interest rate that ranges from 1.0% to 2.1%.

Maturities of the bond payable subsequent to June 30, 2021 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|---------------------|---------------------|
| 2022 | \$ 113,415 | \$ 149,652 |
| 2023 | 240,464 | 144,777 |
| 2024 | 247,947 | 134,150 |
| 2025 | 265,362 | 123,275 |
| 2026 | 268,190 | 112,280 |
| 2027-2031 | 1,421,970 | 372,376 |
| 2032-2036 | 861,110 | 122,165 |
| 2037-2039 | <u>190,000</u> | <u>12,756</u> |
| | <u>\$ 3,608,458</u> | <u>\$ 1,171,431</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 \$11,389, with interest set at 2.0% above the bank's certificate deposit rate, currently .25%, 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, 2021 and 2020

Note 9 - **Long-Term Liabilities - Continued**

Notes Payable - continued

Maturities of the notes payable subsequent to June 30, 2021 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|-------------------|------------------|
| 2022 | \$ 165,221 | \$ 7,926 |
| 2023 | 137,439 | 4,081 |
| 2024 | <u>87,100</u> | <u>813</u> |
| | <u>\$ 389,760</u> | <u>\$ 12,820</u> |

Note 10 - **Long-Term Debt - Foundation**

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

| | <u>2021</u> | <u>2020</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. | \$ 330,787 | \$ 365,165 |
| 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. | <u>659,847</u> | <u>696,000</u> |
| | 990,634 | 1,061,165 |
| Less: Current portion of long-term debt | <u>73,540</u> | <u>70,485</u> |
| Total long-term debt, net of current portion | \$ <u>917,094</u> | \$ <u>990,680</u> |

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

June 30, 2021 and 2020

Note 10 - **Long-Term Debt - Foundation - Continued**

Future principal payments subsequent to June 30, 2021 are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|-------------------|-------------------|
| 2022 | \$ 73,540 | \$ 37,119 |
| 2023 | 76,561 | 34,043 |
| 2024 | 79,717 | 30,886 |
| 2025 | 83,115 | 27,488 |
| 2026 | 86,608 | 23,996 |
| 2027-2031 | 369,478 | 68,329 |
| 2032-2035 | <u>221,615</u> | <u>15,833</u> |
| | <u>\$ 990,634</u> | <u>\$ 237,694</u> |

Note 11 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. 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 12 - **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 13 - **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, 2021 and 2020

Note 13 - **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 have 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, 2021 and 2020

Note 14 - **Operating Expenses**

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

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------------|-----------------------------|
| Compensation and benefits | \$ 31,344,606 | \$ 33,091,212 |
| Supplies and services | 9,989,699 | 13,070,182 |
| Depreciation | 3,671,036 | 3,528,962 |
| Scholarships and fellowships | <u>2,884,929</u> | <u>1,991,598</u> |
| | <u>\$ 47,890,270</u> | <u>\$ 51,681,954</u> |

Note 15 - **Pensions**

Defined Benefit Plan Description

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

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

Benefit Provisions

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

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

June 30, 2021 and 2020

Note 15 - **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 is made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$2,957,507, \$2,653,265, and \$2,208,409, for the years ended June 30, 2021, 2020 and 2019, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **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 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The College contributed \$142,717, \$249,172, and \$238,478 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 90%, 86%, and 85% of total related payroll for fiscal years end 2021, 2020 and 2019, respectively.

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

At June 30, 2021 and 2020, the College reported a liability of \$3,956,157 and \$3,504,591, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

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 fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020, relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.023% and 0.024%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **Pensions - Continued**

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

For the years ended June 30, 2021 and 2020, the College recognized pension expense of \$343,812 and \$296,471, 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>2021</u> | <u>2020</u> |
|--|--------------------------|----------------------------|
| Contributions subsequent to the measurement date | \$ 142,717 | \$ 249,172 |
| Difference between expected experience | 125,879 | 116,388 |
| Changes in proportion due to internal allocation | 201,667 | 374,917 |
| Net difference between projected and actual earnings on pension plan investments | 217,472 | - |
| Changes in proportion from the Commonwealth of Massachusetts | 2,988 | 6,187 |
| Change in plan assumptions | <u>224,307</u> | <u>259,776</u> |
| Total | \$ <u>915,030</u> | \$ <u>1,006,440</u> |

Deferred Inflows of Resources

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|----------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 52,276 |
| Difference between expected experience | 25,599 | 45,579 |
| Change in proportion from the Commonwealth of Massachusetts | 9,643 | 178 |
| Change in proportion due to internal allocation | <u>843,111</u> | <u>1,122,201</u> |
| Total | \$ <u>878,353</u> | \$ <u>1,220,234</u> |

The College's contributions of \$142,717 and \$249,172 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **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, | |
|--------------------------|---------------------|
| 2022 | \$ (43,792) |
| 2023 | 6,197 |
| 2024 | 12,888 |
| 2025 | (43,019) |
| 2026 | <u>(38,314)</u> |
| Total | \$ <u>(106,040)</u> |

Actuarial Assumptions

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

| | <u>2021</u> June 30, 2020 | <u>2020</u> June 30, 2019 |
|--|------------------------------|------------------------------|
| Measurement date | June 30, 2020 | June 30, 2019 |
| Inflation | 3.00% | 3.00% |
| Salary increases | 4.00% to 9.00% | 4.00% to 9.00% |
| Investment rate of return | 7.15% | 7.25% |
| Interest rate credited to annuity savings fund | 3.50% | 3.50% |

For measurement dates June 30, 2020 and 2019, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for June 30, 2020
- Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) for June 30, 2019

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **Pensions - Continued**

Actuarial Assumptions - continued

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

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

| Asset Class | 2021 | | 2020 | |
|---------------------------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-term expected real rate of return | Target Allocation | Long-term expected real rate of return |
| Global Equity | 39.0% | 4.8% | 39.0% | 4.9% |
| Core Fixed Income | 15.0% | 0.7% | 15.0% | 1.3% |
| Private Equity | 13.0% | 8.2% | 13.0% | 8.2% |
| Portfolio Completion Strategies | 11.0% | 3.2% | 11.0% | 3.9% |
| Real Estate | 10.0% | 3.5% | 10.0% | 3.6% |
| Value Added Fixed Income | 8.0% | 4.2% | 8.0% | 4.7% |
| Timber/Natural Resources | 4.0% | 4.1% | 4.0% | 4.1% |
| | <u>100.0%</u> | | <u>100.0%</u> | |

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% at June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| <u>June 30, 2021</u> | | |
|-----------------------|----------------------------------|-----------------------|
| 1.00% Decrease | Current Discount Rate | 1.00% Increase |
| (6.15%) | (7.15%) | (8.15%) |
| \$ 5,212,582 | \$ 3,956,157 | \$ 2,923,556 |
| <u>June 30, 2020</u> | | |
| 1.00% Decrease | Current Discount Rate | 1.00% Increase |
| (6.25%) | (7.25%) | (8.25%) |
| \$ 4,664,724 | \$ 3,504,591 | \$ 2,513,313 |

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

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB)**

Plan Description

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

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

Management of the SRBT is vested with the 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, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - 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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed \$74,942 and \$129,077 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - Continued**

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

At June 30, 2021 and 2020, the College reported a liability of \$5,090,647 and \$6,606,747, 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, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019, relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.025% and 0.038%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized an OPEB benefit of \$(192,057) and expense of \$279,676, 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>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Contributions subsequent to the measurement date | \$ 74,942 | \$ 129,077 |
| Difference between expected and actual experience | 140,492 | 264,961 |
| Change of assumptions | 419,223 | 5,084 |
| Net difference between projected and actual earnings on pension plan investments | 14,719 | - |
| Changes in proportion due to internal allocation | 831,487 | 1,296,005 |
| Changes in proportion from the Commonwealth of Massachusetts | <u>7,715</u> | <u>16,109</u> |
| Total | \$ <u>1,488,578</u> | \$ <u>1,711,236</u> |

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

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - Continued**

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

Deferred Inflows of Resources

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 3,039 |
| Difference between expected experience | 125,654 | 8,460 |
| Changes in proportion due to internal allocation | 3,653,119 | 2,262,573 |
| Changes in proportion from the Commonwealth of Massachusetts | 17,289 | - |
| Change in plan assumptions | <u>491,993</u> | <u>993,485</u> |
| Total | <u>\$ 4,288,055</u> | <u>\$ 3,267,557</u> |

The College's contributions of \$74,942 and \$127,077 made during the fiscal year 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

| Years Ending <u>June 30,</u> | |
|---------------------------------|-----------------------|
| 2022 | \$ (740,256) |
| 2023 | (716,494) |
| 2024 | (635,838) |
| 2025 | (630,841) |
| 2026 | <u>(150,990)</u> |
| Total | <u>\$ (2,874,419)</u> |

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

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - 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 | January 00, 1900 | January 00, 1900 |
|------------------------------|--|---|
| Inflation | 2.50% | 2.50% |
| Salary increases | Rates vary by years of service and group classification, consistent with SERS | 4.0% per year |
| Investment rate of return | 7.15%, net of OPEB plan investment expense, including inflation | 7.25%, net of OPEB plan investment expense, including inflation |
| Health care cost trend rates | Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70% | 7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for medical; 5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% for administrative costs |

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue to have 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
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - Continued**

Actuarial Assumptions - continued

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

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

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

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2019 and 2018 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020 are the same as discussed in the Pension footnote number 15.

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

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - Continued**

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2029 and 2025 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.15% and 7.25%, respectively, per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care 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>2021</u> | | |
|----------------|---------------|----------------|
| Current | | |
| 1.00% Decrease | Discount Rate | 1.00% Increase |
| (1.28%) | (2.28%) | (2.28%) |
| \$ 6,117,535 | \$ 5,090,647 | \$ 4,279,280 |
| <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 |

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

June 30, 2021 and 2020

Note 16 - **Other Postemployment Benefits (OPEB) - Continued**

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care 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 health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

| <u>2021</u> | | |
|----------------|--|----------------|
| 1.00% Decrease | Current Health Care Cost Trend Rate | 1.00% Increase |
| (B) | (A) | (C) |
| \$ 4,134,784 | \$ 5,090,647 | \$ 6,360,595 |
| <u>2020</u> | | |
| 1.00% Decrease | Current Health Care Cost Trend Rate | 1.00% Increase |
| (B) | (A) | (C) |
| \$ 5,444,794 | \$ 6,606,747 | \$ 8,139,819 |

(A) - Current health care cost trend rate, as disclosed on page 45.

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 45.

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 45.

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

June 30, 2021 and 2020

Note 17 - **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, 2021, 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, 2021 and 2020

Note 18 - **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, 2021 and 2020, the College received restricted State appropriations of \$0 and \$50,000, respectively, to support the work of the Berkshire Cultural Resource Center.

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

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|----------------------|
| Direct unrestricted appropriations | \$ 18,734,536 | \$ 18,353,000 |
| Add: Fringe benefits for benefited employees on the state payroll | 7,269,014 | 6,685,931 |
| Less: Day school tuition remitted to the state and included in tuition and fee revenue | <u>(178,897)</u> | <u>(140,496)</u> |
| Total Unrestricted appropriations | <u>25,824,653</u> | <u>24,898,435</u> |
| Restricted appropriations | <u>-</u> | <u>50,000</u> |
| Capital appropriations: | | |
| Direct | 1,199,692 | 1,269,757 |
| Department of Capital Asset Management Allocation | <u>84,492</u> | <u>249,814</u> |
| Total Capital Appropriations | <u>1,284,184</u> | <u>1,519,571</u> |
| Total Appropriations | <u>\$ 27,108,837</u> | <u>\$ 26,468,006</u> |

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

June 30, 2021 and 2020

Note 18 - **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>2021</u> | <u>2020</u> |
|---------------------|----------------------|----------------------|
| Revenue per MMARS | \$ <u>15,487,997</u> | \$ <u>13,493,764</u> |
| Revenue per College | \$ <u>15,487,997</u> | \$ <u>13,493,764</u> |

Note 19 - **Pass - Through Grants**

The College distributed \$6,053,367 and \$7,766,760 in 2021 and 2020, 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 20 - **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.

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 Valuation date Measurement date | June 30 2021 January 1, 2019 June 30, 2020 | June 30 2020 January 1, 2019 June 30, 2019 | June 30 2019 January 1, 2018 June 30, 2018 | June 30 2018 January 1, 2017 June 30, 2017 | June 30 2017 January 1, 2016 June 30, 2016 | June 30 2016 January 1, 2015 June 30, 2015 | June 30 2015 January 1, 2014 June 30, 2014 |
|---|--|--|--|--|--|--|--|
| Proportion of the collective net pension liability | 0.023% | 0.024% | 0.029% | 0.036% | 0.029% | 0.034% | 0.030% |
| Proportionate share of the collective net pension liability | \$ 3,956,157 | \$ 3,504,591 | \$ 3,808,223 | \$ 4,603,049 | \$ 3,930,927 | \$ 3,871,254 | \$ 2,259,312 |
| Covered payroll | \$ 1,769,688 | \$ 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 | 223.55% | 177.23% | 170.43% | 163.22% | 181.47% | 188.91% | 100.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.48% | 66.28% | 67.91% | 67.21% | 63.48% | 67.87% | 76.32% |

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the 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 Years Ended June 30,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 142,717 | \$ 249,172 | \$ 238,478 | \$ 263,226 | \$ 280,607 | \$ 204,707 | \$ 212,918 |
| Contributions in relation to the contractually required contribution | <u>142,717</u> | <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 | \$ 973,513 | \$ 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 | 14.66% | 14.08% | 12.06% | 11.78% | 9.95% | 9.45% | 10.39% |

Notes:

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

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

See accompanying notes to the required supplemental information.

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

June 30, 2021 and 2020

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

Measurement date – June 30, 2020

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

Measurement Date – June 30, 2019

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

The mortality rate assumptions were changed as follows:

- Disabled members – was changed from reflects RP-2000 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

See Independent Auditor's Report.

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

June 30, 2021 and 2020

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

See Independent Auditor’s Report.

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

June 30, 2021 and 2020

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

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 Auditor’s 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, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|--|-----------------|-----------------|-----------------|-----------------|
| Measurement date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| Valuation date | January 1, 2020 | January 1, 2019 | January 1, 2018 | January 1, 2017 |
| Proportion of the collective net OPEB liability | 0.025% | 0.038% | 0.045% | 0.051% |
| Proportionate share of the collective net OPEB liability | \$ 5,090,647 | \$ 6,606,747 | \$ 8,333,099 | \$ 8,952,955 |
| Covered payroll | \$ 1,769,688 | \$ 1,977,430 | \$ 2,234,516 | \$ 2,820,171 |
| Proportionate share of the net OPEB liability as a percentage of its covered payroll | 287.66% | 334.11% | 372.93% | 317.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 6.96% | 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,

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 74,942 | \$ 129,077 | \$ 173,897 | \$ 199,293 |
| Contributions in relation to the contractually required contribution | <u>74,942</u> | <u>129,077</u> | <u>173,897</u> | <u>199,293</u> |
| Contribution excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 973,510 | \$ 1,769,688 | \$ 1,977,430 | \$ 2,234,516 |
| Contribution as a percentage of covered payroll | 7.70% | 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
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB

June 30, 2021

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

The original health care trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Notes to the Required Supplementary Information – OPEB - Continued

June 30, 2021

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The health care trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

Change in Mortality Rates

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

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

Change in Discount Rate

The discount rate was increased to 3.92% based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

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>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Assets: | | |
| Cash and equivalents | \$ 805,428 | \$ 168,257 |
| Accounts receivable, net | <u>7,590</u> | <u>6,209</u> |
| Total Dormitory Trust Fund Assets | <u>\$ 813,018</u> | <u>\$ 174,466</u> |

Liabilities and Net Position

| | | |
|--|--------------------------|--------------------------|
| Liabilities: | | |
| Accounts payable | \$ 30,822 | \$ 20,521 |
| Accrued payroll | 19,851 | 20,350 |
| Compensated absences | 145,627 | 141,205 |
| Unearned revenue | <u>15,450</u> | <u>18,755</u> |
| Total Dormitory Trust Fund Liabilities | 211,750 | 200,831 |
| Net Position | <u>601,268</u> | <u>(26,365)</u> |
| Total Dormitory Trust Fund Liabilities and Net Position | <u>\$ 813,018</u> | <u>\$ 174,466</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>2021</u> | <u>2020</u> |
|--|-------------------|--------------------|
| Revenues: | | |
| Student fees | \$ 3,107,137 | \$ 4,229,669 |
| Repair income | 2,262 | 7,097 |
| Commissions | 276 | 27,688 |
| Rentals | 2,286 | 145,930 |
| Other | <u>130,795</u> | <u>9,583</u> |
| Total Revenues | <u>3,242,756</u> | <u>4,419,967</u> |
| Expenses: | | |
| Regular employee compensation | 529,441 | 531,151 |
| Regular employee related | - | 2,062 |
| Student employee compensation | 257,375 | 292,067 |
| Pension and insurance related | 207,039 | 234,773 |
| Administrative | 7,159 | 10,111 |
| Facility operational | 25,659 | 38,895 |
| Energy costs | 396,108 | 435,433 |
| Operational services | 264,868 | 221,264 |
| Equipment purchases | 3,766 | 4,993 |
| Equipment leases | - | 634 |
| Educational assistance | 116,000 | 105,307 |
| Loans and special payments | <u>1,527,334</u> | <u>3,184,443</u> |
| Total Expenses | <u>3,334,749</u> | <u>5,061,133</u> |
| Non-Operating Revenues: | | |
| Federal grants | 719,626 | - |
| Other revenues MSCBA | <u>-</u> | <u>113,477</u> |
| Total Non-Operating Revenues | <u>719,626</u> | <u>113,477</u> |
| Net Increase (Decrease) in Net Position | 627,633 | (527,689) |
| Net Position, Beginning of Year | <u>(26,365)</u> | <u>501,324</u> |
| Net Position, End of Year | <u>\$ 601,268</u> | <u>\$ (26,365)</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, 2021, 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 13, 2021.

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.

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2021