

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**



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

**JUNE 30, 2020**

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

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

**June 30, 2020 and 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Mount Wachusett Community College  
Gardner, Massachusetts

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented major component unit of Mount Wachusett Community College (an agency of the State of Massachusetts) (the "College"), as of and for the years ending June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor' Responsibility**

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

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

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

**Opinions**

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

**Emphasis of Matter**

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

**Required Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

October 21, 2020

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020 and 2019**

The following discussion and analysis provides an overview of the financial position and activities of Mount Wachusett Community College (the "College") for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements and notes that follow this section of the report.

Mount Wachusett Community College is an accredited, public two-year institution serving 29 cities and towns in North Central Massachusetts. The 269-acre main campus is located in Gardner, Massachusetts; satellite sites are located in Leominster, Fitchburg, and Devens.

The College offers over 50 associate degree and certificate programs, as well as adult basic education/GED programs, education and training for business and industry and noncredit community service programs. The College's corporate training programs are offered through the Division of Workforce Training which operates at the Devens Campus.

The College's students enjoy many support services and resources including the Fitness and Wellness Center, the Academic Support Center, and the 555-seat Theater at the Mount. Courses are offered in the day, evening, on weekends, and via the Internet.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 18, 2020, the Community College began to transition students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online.

### **Financial Highlights**

As of June 30, 2020, the College's net position is \$33,707,740. The amount represents \$83,228,133 in total assets and deferred outflows of resources while liabilities and deferred inflows of resources equal \$49,520,393. Operating expenses for the fiscal year ended June 30, 2020 total \$50,959,395 while operating revenues were \$29,644,147.

The College's non-operating revenues/expenses for the fiscal year ended June 30, 2020 netted to \$22,892,077. This includes \$22,260,270 of state appropriations as well as \$776,400 from the CARES Act funding for pandemic relief for students as well as some institutional costs. The College also received \$3,733,501 in capital appropriations.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Mount Wachusett Community College's basic financial statements. The College's basic *financial statements* are comprised of two components: 1) the *financial statements* and 2) the *notes* to the financial statements. This report also contains other *required supplementary information* in addition to the basic financial statement.

**The Financial Statements:** The financial statements (pages 18-22) are designed to provide readers with a broad overview of the College's finances in a manner similar to a private sector College.

The *Statements of Net Position* (p. 18) present information on the College's assets, liabilities and deferred outflows and inflows of resources, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the College's financial position is improving or weakening.

The *Statements of Revenues and Expenses and Changes in Net Position* (p. 19-20) present 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. expenses are recorded upon receipt of an invoice, regardless of when payment is made).

The *Statements of Cash Flows* (p. 21-22) 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.

**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 to the financial statements can be found on pages 23-60 of this report. Mount Wachusett Community College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. Mount Wachusett Community 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.

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Management's Discussion and Analysis (Unaudited) - Continued

**June 30, 2020 and 2019**

Included in the Comparative Statements of Net Position, Statements of Revenues and Expenses, and Statements of Changes in Net Position is a separate column representing the activity of the Mount Wachusett Community College Foundation, Inc. (the "Foundation"). According to GASB 39, the Foundation is classified as a component unit of the College.

### **Financial Analysis of the College as a Whole**

#### *Schedules of Net Position*

Net position over time serves as a useful indicator of Mount Wachusett Community College's financial position. For the year ended June 30, 2020, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33.71 million.

The following schedules are prepared from the College's Statements of Net Position (page 18):

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Current assets	\$ 14.52	\$ 11.24	\$ 10.98
Non-current assets:			
Capital assets, net of depreciation	65.50	64.26	60.90
Other	<u>0.41</u>	<u>0.40</u>	<u>0.41</u>
Total Assets	<u>\$ 80.43</u>	<u>\$ 75.90</u>	<u>\$ 72.29</u>
Deferred outflows of resources	<u>2.81</u>	<u>3.64</u>	<u>4.58</u>
Current liabilities	\$ 6.71	\$ 5.75	\$ 5.97
Noncurrent liabilities	<u>30.64</u>	<u>39.17</u>	<u>41.29</u>
Total Liabilities	<u>37.35</u>	<u>44.92</u>	<u>47.26</u>
Deferred inflows of resources	<u>12.16</u>	<u>6.22</u>	<u>5.23</u>
Net Position:			
Investment in capital assets	56.59	54.85	50.96
Restricted	0.41	0.43	0.41
Unrestricted	<u>(23.29)</u>	<u>(26.88)</u>	<u>(26.99)</u>
Total Net Position	<u>\$ 33.71</u>	<u>\$ 28.40</u>	<u>\$ 24.38</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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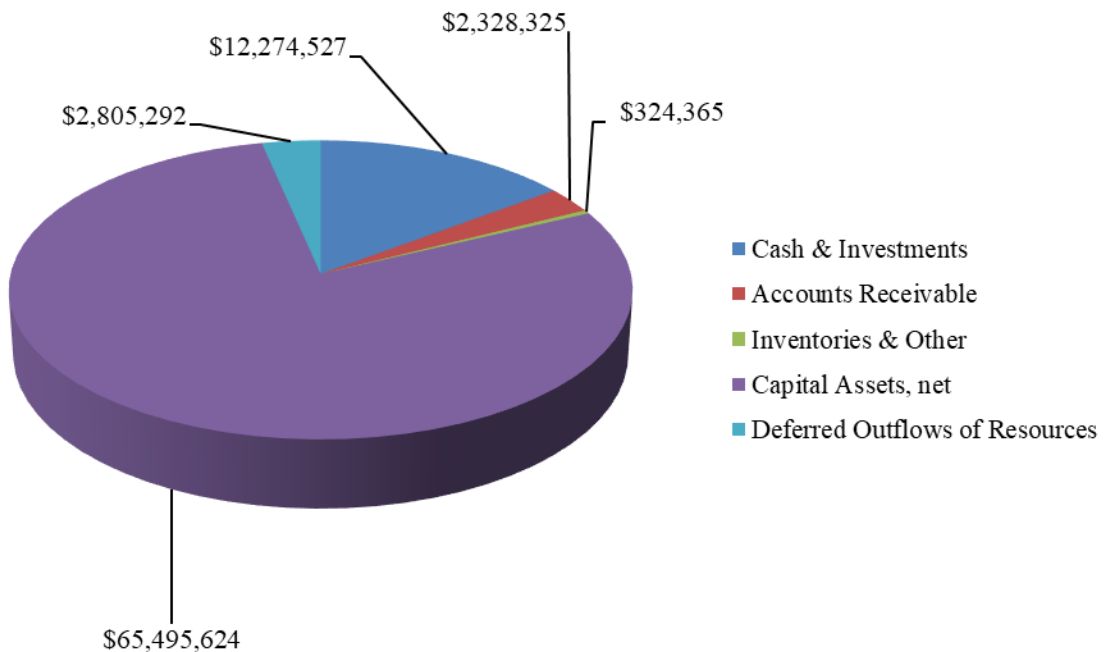
## Management’s Discussion and Analysis (Unaudited) - Continued

**June 30, 2020 and 2019**

Current assets increased by approximately \$3.28 million from 2019 to 2020 due primarily to an increase in state-appropriated dollars and decrease in full-time payroll salary costs as a result of prior year early retirement program. Capital assets, net of depreciation, increased by approximately \$1.2 million, the majority of which is the mechanical infrastructure upgrade of the power plant.

The largest portion of the College’s net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt, including capital leases, used to acquire those assets. Unrestricted Net Position reflects assets that are available to meet the day-to-day operations of the College.

The College’s assets and deferred outflows of resources include the following breakdown:



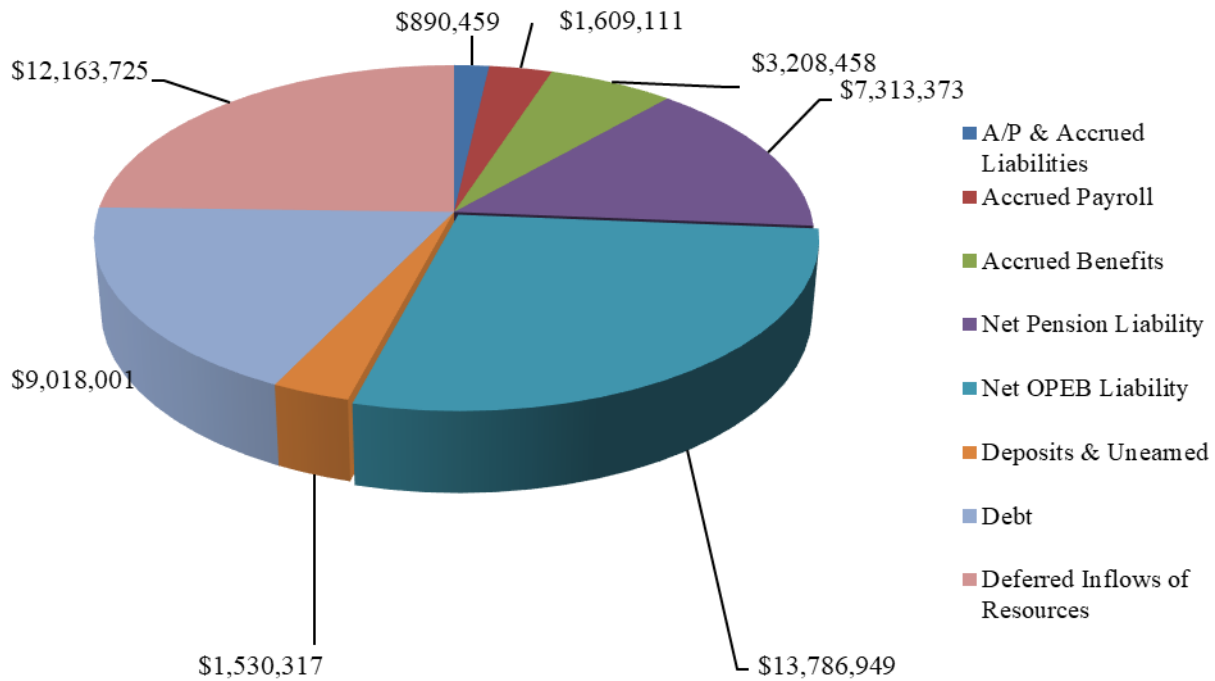
Current liabilities increased from 2019 to 2020 by approximately \$.96 million. The drivers of this increase are compensated absences, accrued payroll, and accounts payable. Non-current liabilities decreased from 2019 to 2020 by approximately \$8.5 million primarily due to a decrease in the net OPEB liability (\$6.1m) and net pension liability (\$1.8m), as well as a (\$.8m) reduction in debt.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

The College's liabilities and deferred inflows of resources include the following breakdown:



**Accrued Benefits** is made up of an accrual for compensated absences (\$2.9 million) and the College's Workers' Compensation liability (approximately \$0.3 million).

**Deposits and Unearned Revenue** consists of student deposits and advance tuition payments (approximately \$277,400), advance bonus for the bookstore (\$40,000), advance grant payments (approximately \$954,100), funds held for others (approximately \$5,400) and deferred revenue for the theater and fitness and wellness center (approximately \$253,500).

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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## **Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

*Debt* is comprised of the following:

- A twenty-year loan with Massachusetts Health and Educational Facilities Authority (\$1,200,000) to add a 12,000 sq. ft. technology center to the main building.
- A fifteen-year Clean Renewable Energy Bond (“CREB”) (\$310,000), the proceeds of which have been used to install photovoltaic cells on the College’s rooftop.
- An eighteen-year Clean Renewable Energy Bond (CREB) (\$2,145,000), and a thirty-year CEIP Bond (Clean Energy Investment Program) \$4,400,000, which were used for the construction of two wind turbines.
- A \$500,000 loan from the Mount Wachusett Community College Foundation.
- A twenty-year bond (\$3,000,000) from the Mass State College Building Authority to support the construction of a new science & technology center.
- A twenty-year bond (\$3,055,000) from the Mass State College Building Authority to support construction of a new student center.

During FY 2020, the College repaid \$732,153 of the principal on its capital asset related debt.

### *Schedules of Revenues and Expenses Schedules of Changes in Net Position*

The following schedules are prepared from the College’s Schedules of Revenues and Expenses, and Schedules of Changes in Net Position (pages 19-20), which are presented on an accrual basis. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These schedules represent the results of the College’s operations.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

<b>Operating Results</b>			
<b>Years Ended June 30,</b>			
<b><u>(in millions)</u></b>			
	<b><u>2020</u></b>	<b>Restated <u>2019</u></b>	<b><u>2018</u></b>
<b>Operating Revenue:</b>			
Tuition and fees	\$ <b>9.65</b>	\$ 11.35	\$ 10.80
Grants and contracts	<b>17.59</b>	15.83	15.68
Auxiliary	<b>0.76</b>	1.21	1.09
Other	<b><u>1.65</u></b>	<u>2.21</u>	<u>2.06</u>
Total	<b><u>29.65</u></b>	30.60	29.63
Less: operating expenses	<b><u>50.96</u></b>	<u>52.74</u>	<u>51.97</u>
Net operating loss	<b><u>(21.31)</u></b>	<u>(22.14)</u>	<u>(22.34)</u>
<b>Non-operating Revenue:</b>			
State appropriations	<b>22.26</b>	20.96	19.83
Net interest & other non-operating	<b>0.63</b>	(0.06)	(0.12)
Capital appropriations, grants, and gifts	<b><u>3.73</u></b>	<u>5.26</u>	<u>3.24</u>
Total	<b><u>26.62</u></b>	<u>26.16</u>	<u>22.95</u>
Increase in net position	<b>5.31</b>	4.02	0.61
Net Position, Beginning of Year	<b><u>28.40</u></b>	<u>24.38</u>	<u>23.77</u>
Net Position, End of Year	<b><u>\$ 33.71</u></b>	<u>\$ 28.40</u>	<u>\$ 24.38</u>

A number of revenue streams supplement student tuition and fees and currently include federal and state grants and contracts, nongovernmental grants and contracts, contracted services of the cafeteria and bookstore, and operation of the fitness and wellness center. The College will continue to aggressively seek additional funding to support its operation consistent with its mission, as well as to continue to make prudent use of its financial resources for funding its operating activities.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

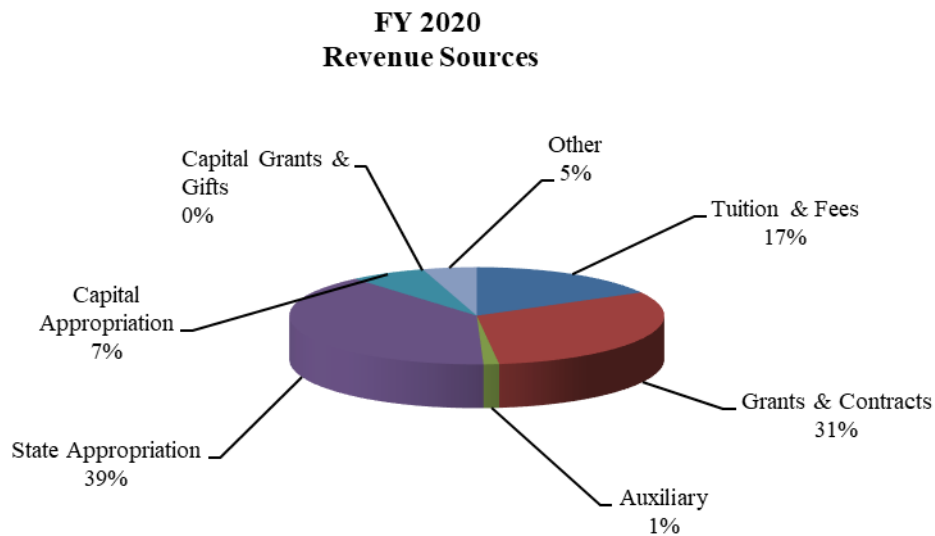
**June 30, 2020 and 2019**

Revenues

Revenues consisted of the following (in thousands) for the fiscal years ended June 30,:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tuition & Fees	\$ 9,649	\$ 11,350	\$ 10,797
Grants	16,324	14,467	14,712
Contracts	1,264	1,363	968
Auxiliary	759	1,204	1,086
State Appropriation	22,260	20,969	19,827
Capital Appropriation	3,734	4,088	3,151
Capital Grants & Gifts	-	1,167	96
Other	<u>2,644</u>	<u>2,530</u>	<u>2,375</u>
	<u>\$ 56,634</u>	<u>\$ 57,138</u>	<u>\$ 53,012</u>

The following is a graphic illustration of the College's revenues by source:



# MOUNT WACHUSETT COMMUNITY COLLEGE

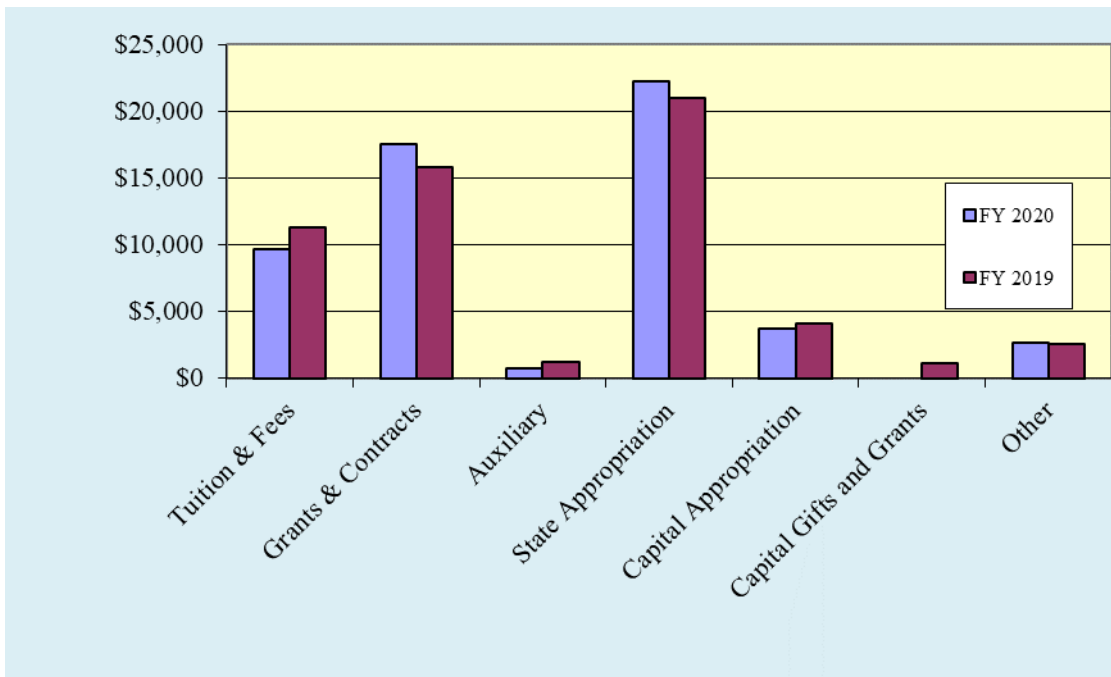
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## Management’s Discussion and Analysis (Unaudited) - Continued

**June 30, 2020 and 2019**

Major components of the operating revenue for the year include tuition and fees, and federal and state grants and contracts. Federal and state grants and contracts include Tech Hire through the United States Department of Labor, Student Support Services project, GEAR-Up, Adult Basic Education funded through the Massachusetts Department of Education, and the Educational Opportunity Center. Grants also include federal financial aid such as PELL. Other includes approximately \$0.8m from the CARES Act grant.

The chart below shows a year-to-year comparison of the College’s revenue sources:



Tuition and fees decreased by (\$1,700k) over FY 2019 due primarily to lower enrollment, offset marginally by a fee increase. Grant and contract revenue increased approximately \$1,757k. This was largely driven by an increase in Pell due to the timing of disbursements, as well as the Adult Learning, ECE Career Pathways, GEAR UP and Health Care Opportunity programs. State appropriation increased by approximately \$1,291k. There was a capital appropriation of \$3,734k consisting of approximately \$3.5 million for the Powerplant project, as well as residual parking lot improvements.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

*Operating Expenses*

Operating expenses can be displayed in two formats, natural classification and functional classification. Both formats are included on the next two pages. The following is a summary of the College's expenses using the *Natural Classification Format*:

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Salaries & wages	<b>\$27,188,988</b>	\$28,805,436	\$27,790,104
Employee related expenses	<b>(888,443)</b>	1,042,277	273,748
Fringe benefits	<b>7,790,548</b>	7,433,989	7,378,572
Administrative	<b>3,307,638</b>	3,214,271	4,657,626
Supplies	<b>1,553,132</b>	1,736,382	1,443,965
Utilities/space rental	<b>1,899,902</b>	2,040,766	1,940,324
Consultants	<b>631,146</b>	823,572	899,241
Facility operations	<b>345,156</b>	432,603	308,347
Equipment purchase	<b>832,434</b>	1,123,842	970,117
Equipment lease	<b>1,213,619</b>	1,115,754	928,887
Client purchased service	<b>245,209</b>	217,804	233,430
Building & land maintenance	<b>49,821</b>	212,684	240,124
Scholarship	<b>3,690,284</b>	2,794,541	3,002,306
Depreciation	<b>2,584,012</b>	2,455,438	2,247,583
Compensated absences	<b><u>515,949</u></b>	<u>(710,322)</u>	<u>(347,737)</u>
	<b><u>\$50,959,395</u></b>	<b><u>\$52,739,037</u></b>	<b><u>\$51,966,637</u></b>

\*Please note that Employee-related expenses includes Pension and OPEB. FY 2019 includes a restatement of \$678k additional expense. This year contains a (\$1,113k) credit, compared to expense of \$742k last year for combined Pension and OPEB.

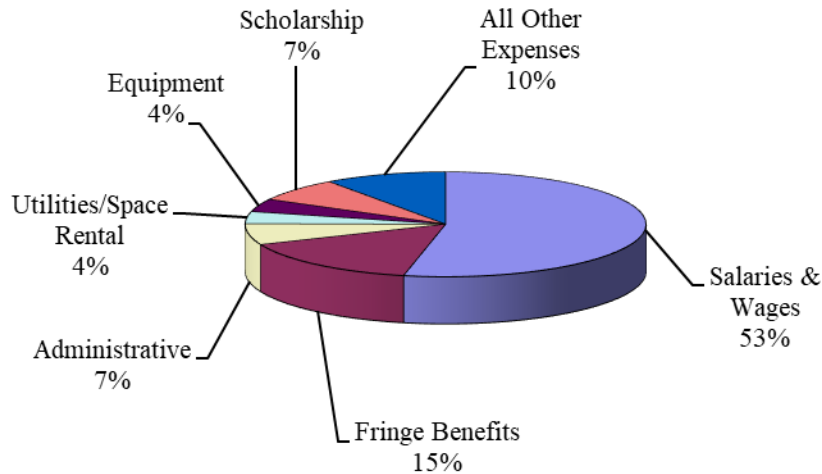
# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

The following chart graphically illustrates the College's major expenses under the natural classification format:



Salaries and wages make up the majority of expenditures for the College. Coupled with the resulting fringe benefits, they make up 69% of the cost of operations in both FY2020 and FY2019.

In FY2019, the College offered an early retirement incentive program (ERIP) as a means of lowering future costs. This resulted in lower Salaries and Wages in FY20 of approximately \$1.3 million (\$0.9m due to the prior year payout and \$0.4m in lower costs).

Natural classifications of expenditures are useful for budgetary and analytical purposes; however, functional classification can give more insight when attempting to compare institutions of higher education. Functional classifications show the expenditures grouped by programmatic areas.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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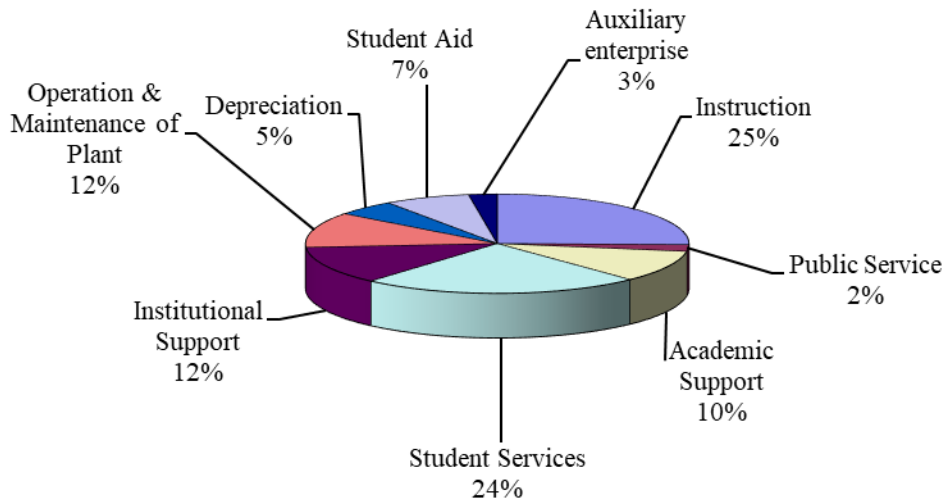
**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

The following is a summary of the College's expenses using the functional classification format:

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Instruction	\$12,922,474	\$14,407,048	\$14,376,117
Public service	1,103,205	1,104,214	1,148,685
Academic support	5,274,828	5,692,559	5,518,585
Student services	11,994,037	11,879,218	11,632,788
Institutional support	6,294,718	6,484,164	6,406,868
Operation & maintenance of plant	5,875,494	6,504,143	6,253,875
Depreciation	2,584,012	2,455,439	2,247,583
Student aid	3,686,844	2,796,996	3,002,306
Auxiliary enterprise	<u>1,223,784</u>	<u>1,415,256</u>	<u>1,379,820</u>
	<u>\$ 50,959,395</u>	<u>\$52,739,037</u>	<u>\$51,966,627</u>

The following is a graphic representation of the operating expenses under the functional classification format:



# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Management's Discussion and Analysis (Unaudited) - Continued

**June 30, 2020 and 2019**

Expenses for instruction, academic support, student services, and student aid make up the bulk of the College's operational expense with a combined total of 66% in FY 2020. Another 29% of the College's resources went to institutional support and the maintenance of the College's facilities in FY 2020, while 5% is spent on public service and the operation of the College's fitness center and cafeteria.

### **Capital Asset and Debt Administration**

As of June 30, 2020, the College had \$65,495,624 invested in capital assets, net of accumulated depreciation of \$30,488,234. This investment in capital assets includes land, buildings (including improvements) furnishings and equipment, and books. Depreciation charges for FY 2020 and 2019 were \$2,584,013 and \$2,455,439 respectively. Additions totaled \$3,818,020 primarily for the Powerplant project and residual spend on Parking Lots and the Mass Life Sciences lab.

The College records capital assets under General Accepted Accounting Principles, whereby assets are recorded at their historical cost and depreciated over a period of 3 - 40 years. In the case of land and buildings, these historical costs may vary significantly from their current fair market value where they would typically appreciate in value rather than depreciate.

The following table is a summary of the College's capital assets at June 30,:

	<b>Capital Assets</b>		
	<b><u>(in thousands)</u></b>		
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 41	\$ 41	\$ 41
Construction in progress	-	5,475	2,971
Buildings & improvements	<b>90,567</b>	81,274	78,242
Furnishing & equipment	<b>4,968</b>	4,968	4,682
Library books	<b><u>408</u></b>	<u>408</u>	<u>408</u>
 Total	 <b>95,984</b>	 92,166	 86,344
 Less: accumulated depreciation	 <b><u>30,488</u></b>	 <u>27,904</u>	 <u>25,449</u>
 Net capital assets	 <b><u>\$ 65,496</u></b>	 <u>\$64,262</u>	 <u>\$60,895</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

All capital asset purchases are pre-approved by the Board of Trustees and 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 Mount Wachusett Community College's capital assets can be found in Note 8 of this report.

Long-Term Liabilities

The College's outstanding long-term liabilities consist of the following at June 30,:

	<u>2020</u>	Restated <u>2019</u>	<u>2018</u>
Bonds payable	\$ <b>8,906,022</b>	\$ 9,532,533	\$ 10,144,133
Compensated absences	<b>2,925,159</b>	2,409,210	3,119,532
Net pension liability	<b>7,313,373</b>	9,091,855	10,269,022
Net OPEB liability	<b>13,786,949</b>	19,894,729	19,973,298
Notes payable – Foundation	<b>111,979</b>	217,621	317,282
Workers' compensation	<b>283,299</b>	290,401	238,557
	<b><u>33,326,781</u></b>	<u>41,436,349</u>	<u>44,061,824</u>
Less: current portion	<b><u>2,701,932</u></b>	<u>2,266,993</u>	<u>2,772,841</u>
Long-term liabilities	<b><u>\$ 30,624,849</u></b>	<u>\$ 39,169,356</u>	<u>\$ 41,288,983</u>

**Economic Factors that Will Affect the Future**

Statewide Concerns

The College's annual maintenance appropriation is comprised of a base amount, a performance based annual increase, and an allocation to cover the costs of new collective bargaining agreements. Generally, these three components will roll over into the next fiscal year as the new base amount component of the appropriation.

As of the date of publication of this audit report, the Commonwealth has not passed an FY 2021 budget and it is unlikely that a budget will be passed prior to the end of this calendar year. In the interim, the Commonwealth is allotting appropriation funding based on last year's base amount without rollover of the performance increase or collective bargaining monies. The College's FY 21 operating budget is based on this same amount.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020 and 2019**

### *National Concerns*

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. The potential impacts to enrollment are varied, from the current remote learning model, the change in unemployment levels, and the other life factors that a student may be facing, all of which may affect the priority of secondary education.

Nationwide, enrollments, which peaked in 2011, have been on a steady decline. Shifts in demographics leading to fewer high school graduates have been one of the major factors. During economic downturns, displaced workers will return to college to seek new skills. These older non-traditional students make up a large portion of the community college attendees. As the economy improves, these students are able to find new careers and leave the college campuses.

### *Regional Concerns*

Due to the demographic changes associated with an aging and increasingly diverse population in the North Central Worcester County area, the need for an affordable, accessible education remains high. In addition, much of the region consists of rural communities where economic development and workforce development issues are dependent upon higher education to respond. Furthermore, excellence in technical education and the demands of the contemporary high-tech workplace require the college to maintain state-of-the-art equipment, to develop new programs, and continue with faculty development efforts.

The College's ability to respond to these concerns depends on the continuation of state funding, the availability of federal and state grants and contracts, a steady enrollment, and cost containment and conservation strategies in order to meet the College's basic operational needs.

### *Requests for Information*

This financial report is designed to provide a general overview, for all those with an interest in Mount Wachusett Community College's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to Robert E. LaBonte, Vice President of Finance & Administration, 444 Green Street, Mount Wachusett Community College, Gardner, MA.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Statements of Net Position**

**June 30,**

**Assets and Deferred Outflows of Resources**

	2020	(Restated) 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
<b>Current Assets:</b>				
Cash and equivalents	\$ 7,210,159	\$ 3,639,650	\$ 577,964	\$ 298,996
Cash held by State Treasurer	2,309,732	2,618,718	-	-
Deposits held by MSCBA	-	119,513	-	-
Short-term investments	2,347,642	2,151,519	-	-
Accounts receivable, net	2,328,325	2,472,408	-	-
Current portion of pledges receivable	-	25,000	-	-
Current portion of note receivable - College	-	-	111,979	105,641
Other current assets	<u>324,365</u>	<u>217,793</u>	<u>10,329</u>	<u>29,746</u>
<b>Total Current Assets</b>	<u>14,520,223</u>	<u>11,244,601</u>	<u>700,272</u>	<u>434,383</u>
<b>Non-Current Assets:</b>				
Cash restricted for long term purposes	44,943	20,601	-	-
Investments restricted for long term purposes	362,051	379,785	5,098,978	5,095,217
Beneficial interest	-	-	1,797,885	2,057,815
Note receivable - College	-	-	-	111,980
Capital assets, net	<u>65,495,624</u>	<u>64,261,617</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Assets</b>	<u>65,902,618</u>	<u>64,662,003</u>	<u>6,896,863</u>	<u>7,265,012</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows related to pensions	1,416,881	2,264,103	-	-
Deferred outflows related to OPEB	<u>1,388,411</u>	<u>1,371,211</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>2,805,292</u>	<u>3,635,314</u>	<u>-</u>	<u>-</u>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <u>\$ 83,228,133</u>	 <u>\$ 79,541,918</u>	 <u>\$ 7,597,135</u>	 <u>\$ 7,699,395</u>

*The accompanying notes are an integral part of the financial statements.*

## Liabilities, Deferred Inflows of Resources and Net Position

	2020	(Restated) 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 890,459	\$ 704,195	\$ 39,615	\$ 25,468
Accrued payroll	1,609,111	1,426,607	-	-
Accrued compensated absences	1,896,541	1,471,813	-	-
Accrued workers' compensation	51,560	63,017	-	-
Student deposits and unearned revenue	1,530,317	1,357,201	-	-
Current portion of bonds payable	641,852	626,522	-	-
Current portion of note payable - Foundation	<u>111,979</u>	<u>105,641</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>6,731,819</u>	<u>5,754,996</u>	<u>39,615</u>	<u>25,468</u>
<b>Non-Current Liabilities:</b>				
Accrued compensated absences	1,028,618	937,397	-	-
Accrued workers' compensation	231,739	227,384	-	-
Net OPEB liability	13,786,949	19,894,729	-	-
Net pension liability	7,313,373	9,091,855	-	-
Bonds payable	8,264,170	8,906,011	-	-
Note payable - Foundation	<u>-</u>	<u>111,980</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Liabilities</b>	<u>30,624,849</u>	<u>39,169,356</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<b>37,356,668</b>	44,924,352	<b>39,615</b>	25,468
<b>Deferred Inflows of Resources:</b>				
Deferred inflows related to pension plan	3,899,477	3,293,484	-	-
Deferred inflows related to OPEB	<u>8,264,248</u>	<u>2,926,672</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>12,163,725</u>	<u>6,220,156</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	56,589,602	54,848,597	-	-
Restricted:				
Nonexpendable	367,457	367,459	1,248,358	1,248,844
Expendable	39,537	57,928	3,232,335	3,438,429
Unrestricted	<u>(23,288,856)</u>	<u>(26,876,574)</u>	<u>3,076,827</u>	<u>2,986,654</u>
<b>Total Net Position</b>	<u>33,707,740</u>	<u>28,397,410</u>	<u>7,557,520</u>	<u>7,673,927</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 83,228,133</u>	<u>\$ 79,541,918</u>	<u>\$ 7,597,135</u>	<u>\$ 7,699,395</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues and Expenses**

**For the Years Ended June 30,**

	2020	(Restated) 2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
<b>Operating Revenues:</b>				
Tuition and fees	\$ 15,977,900	\$ 16,898,374	\$ -	\$ -
Less: Scholarships and allowances	<u>(6,328,306)</u>	<u>(5,548,369)</u>	-	-
Net tuition and fees	9,649,594	11,350,005	-	-
Gifts and contributions	-	-	1,026,010	463,572
Federal grants and contracts	13,242,621	11,149,870	-	-
State and local grants and contracts	3,081,787	3,317,758	-	-
Non-governmental grants and contracts	1,263,849	1,363,808	-	-
Auxiliary enterprises	758,776	1,204,134	-	-
Other operating revenues	<u>1,647,520</u>	<u>2,201,129</u>	-	-
<b>Total Operating Revenues</b>	<u>29,644,147</u>	<u>30,586,704</u>	<u>1,026,010</u>	<u>463,572</u>
<b>Operating Expenses:</b>				
Instruction	12,922,474	14,407,048	-	-
Public service	1,103,205	1,104,214	39,040	37,900
Academic support	5,274,828	5,692,559	1,035,899	961,256
Student services	11,994,037	11,879,218	-	-
Institutional support	6,294,718	6,484,164	93,485	92,148
Operation and maintenance of plant	5,875,494	6,504,143	-	-
Depreciation	2,584,013	2,455,439	-	-
Scholarships and fellowships	3,686,844	2,796,996	-	-
Auxiliary enterprise	<u>1,223,782</u>	<u>1,415,256</u>	-	-
<b>Total Operating Expenses</b>	<u>50,959,395</u>	<u>52,739,037</u>	<u>1,168,424</u>	<u>1,091,304</u>
<b>Net Operating Loss</b>	<u>(21,315,248)</u>	<u>(22,152,333)</u>	<u>(142,414)</u>	<u>(627,732)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Federal grants	776,400	-	-	-
State appropriation, unrestricted	22,232,495	20,829,750	-	-
State appropriation, restricted	27,775	139,194	-	-
Investment income	219,750	329,241	85,937	390,411
Change in value of beneficial interest	-	-	(59,930)	31,230
Interest expense	<u>(364,343)</u>	<u>(391,511)</u>	-	-
<b>Net Non-Operating Revenues</b>	<u>22,892,077</u>	<u>20,906,674</u>	<u>26,007</u>	<u>421,641</u>
<b>Net Increase (Decrease) in Net Position before Capital Revenue</b>	<b>1,576,829</b>	<b>(1,245,659)</b>	<b>(116,407)</b>	<b>(206,091)</b>
Capital grants	-	1,167,211	-	-
Capital appropriations	<u>3,733,501</u>	<u>4,088,569</u>	-	-
<b>Total Capital Revenue</b>	<u>3,733,501</u>	<u>5,255,780</u>	-	-
<b>Net Increase (Decrease) in Net Position</b>	<u>\$ 5,310,330</u>	<u>\$ 4,010,121</u>	<u>\$ (116,407)</u>	<u>\$ (206,091)</u>

*The accompanying notes are an integral part of the financial statements.*

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	College				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2018</b>	\$ 50,965,231	\$ 367,459	\$ 44,137	\$ (26,989,538)	\$ 24,387,289
Changes in net position	<u>3,883,366</u>	<u>-</u>	<u>13,791</u>	<u>790,888</u>	<u>4,688,045</u>
<b>Balance at June 30, 2019, as previously reported</b>	54,848,597	367,459	57,928	(26,198,650)	29,075,334
Prior period adjustment - See Note 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>(677,924)</u>	<u>(677,924)</u>
<b>Balance at June 30, 2019, as restated</b>	54,848,597	367,459	57,928	(26,876,574)	28,397,410
Changes in net position	<u>1,741,005</u>	<u>(2)</u>	<u>(18,391)</u>	<u>3,587,718</u>	<u>5,310,330</u>
<b>Balance at June 30, 2020</b>	<u>\$ 56,589,602</u>	<u>\$ 367,457</u>	<u>\$ 39,537</u>	<u>\$ (23,288,856)</u>	<u>\$ 33,707,740</u>

	Foundation				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2018</b>	\$ -	\$ 1,133,114	\$ 3,911,060	\$ 2,835,844	\$ 7,880,018
Changes in net position	<u>-</u>	<u>115,730</u>	<u>(472,631)</u>	<u>150,810</u>	<u>(206,091)</u>
<b>Balance at June 30, 2019</b>	-	1,248,844	3,438,429	2,986,654	7,673,927
Changes in net position	<u>-</u>	<u>(486)</u>	<u>(206,094)</u>	<u>90,173</u>	<u>(116,407)</u>
<b>Balance at June 30, 2020</b>	<u>\$ -</u>	<u>\$ 1,248,358</u>	<u>\$ 3,232,335</u>	<u>\$ 3,076,827</u>	<u>\$ 7,557,520</u>

See accompanying notes to the financial statements.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Statements of Cash Flows

For the Years Ended June 30,

		(Restated)
	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 10,193,603	\$ 10,475,509
Grants and contracts	16,933,695	16,326,156
Payments to employees	(21,158,993)	(23,479,083)
Payments to students	(3,690,284)	(2,794,541)
Payments to suppliers and vendors	(17,858,229)	(18,638,178)
Other receipts	<u>2,432,590</u>	<u>3,372,731</u>
Net Cash Applied to Operating Activities	<u>(13,147,618)</u>	<u>(14,737,406)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Federal grants	776,400	-
State appropriations	16,976,215	16,126,679
Restricted appropriations	27,775	139,194
Tuition remitted to State	<u>(326,761)</u>	<u>(322,662)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>17,453,629</u>	<u>15,943,211</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Capital grants	-	1,167,211
Purchases of capital assets	(84,519)	(1,733,306)
Principal paid on Foundation note	(105,642)	(99,661)
Principal paid on note and bonds payable	(626,511)	(611,600)
Interest paid on note and bonds payable	<u>(364,343)</u>	<u>(391,511)</u>
Net Cash Applied to Capital Financing Activities	<u>(1,181,015)</u>	<u>(1,668,867)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(168,081)	(152,843)
Proceeds from sale of investments	-	1,029,841
Investment income	<u>209,437</u>	<u>316,256</u>
Net Cash Provided by Investing Activities	<u>41,356</u>	<u>1,193,254</u>
<b>Net Increase in Cash and Equivalents</b>	<b>3,166,352</b>	<b>730,192</b>
Cash and Equivalents, Beginning of Year	<u>6,398,482</u>	<u>5,668,290</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ 9,564,834</b>	<b>\$ 6,398,482</b>

The accompanying notes are an integral part of the financial statements.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2020</u>	(Restated) <u>2019</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (21,315,248)	\$ (22,152,333)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	2,584,013	2,455,439
Fringe benefits provided by the State	5,854,592	5,360,926
Service concession arrangement	-	(50,000)
Decrease (increase) in allowance for doubtful accounts	170,836	(90,741)
Net pension activity	(325,267)	151,422
Net OPEB activity	(787,404)	590,232
Changes in assets and liabilities:		
Accounts receivables	(26,753)	(205,490)
Other current assets	(81,572)	(91,166)
Accounts payable and accrued expenses	186,269	(71,989)
Accrued payroll	182,504	(86,417)
Accrued compensated absences and workers' compensation	508,847	(658,478)
Student deposits and unearned revenues	<u>(98,435)</u>	<u>111,189</u>
<b>Net Cash Applied to Operating Activities</b>	<b><u>\$ (13,147,618)</u></b>	<b><u>\$ (14,737,406)</u></b>
<b>Reconciliation of Cash and Equivalents to the Statement of Net Assets:</b>		
Cash and equivalents	\$ 7,210,159	\$ 3,639,650
Cash held by State Treasurer	2,309,732	2,618,718
Deposits held by MSCBA	-	119,513
Restricted cash and equivalents	<u>44,943</u>	<u>20,601</u>
<b>Cash and Equivalents</b>	<b><u>\$ 9,564,834</u></b>	<b><u>\$ 6,398,482</u></b>
<b>Non-Cash Transactions:</b>		
Fringe benefits provided by the State	<u>\$ 5,854,592</u>	<u>\$ 5,360,926</u>
Debt reserve applied towards bond principal	<u>\$ 540</u>	<u>\$ 540</u>
Capital improvements provided by capital appropriations	<u>\$ 3,733,501</u>	<u>\$ 4,088,569</u>
Unrealized gain on investments	<u>\$ 181,270</u>	<u>\$ 153,167</u>

*The accompanying notes are an integral part of the financial statements.*

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements**

**June 30, 2020 and 2019**

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

*Organization*

Mount Wachusett Community College (the “College”) is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With its primary campus located in Gardner, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses as well as community service programs. The College is accredited by the New England Commission of Higher Education.

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

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 18, 2020, the College began to transition students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded \$2,554,747 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is eligible for the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$749,000 for emergency grants to students and \$27,400 for institutional costs from the HEERF funds.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

*Basis of Presentation*

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 demonstrate 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 required supplementary information. The College presents statements of net position, revenues and expenses, 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.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

The Mount Wachusett Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt organization. The Foundation was formed in 1971 to render financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2020 and 2019 and is therefore discretely presented in the College's financial statements.

The Foundation is a private not-for-profit organization that reports in accordance with standards of the Financial Accounting Standards Board ("FASB"), including ASC 958-205, Presentation of Financial Statements for Not-for-Profit Entities. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Complete financial statements can be obtained from the Foundation's administrative offices in Gardner, 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 assets subject to externally imposed conditions that the College must maintain in perpetuity.

Restricted - expendable: Net assets 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 assets. Unrestricted net assets may be designated by actions of the College's Board of Trustees (the "Board of Trustees")

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

### Trust Funds

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

### Cash and Equivalents

The College considers all highly liquid debt instruments with original maturity dates of three months or less, whether held in its own accounts or by State agencies on its behalf, to be cash equivalents.

### Cash Held by State Treasurer

Cash held by State Treasurer represents funds accessible by the College held by the Commonwealth of Massachusetts for payroll.

### Deposits Held by MSCBA

Deposits held represent funds held by the Massachusetts State College Building Authority ("MSCBA") for specific projects.

### Investments

Investments in marketable securities are stated at fair market value. Dividends, interest, and net gains or losses are reported in the statements of revenues and expenses. Any net earnings not expended are included in net position categories as follows:

- (i) 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;
- (ii) As increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant State law imposes 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
- (iii) As increases in unrestricted net position in all other cases.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

### Allowance for Doubtful Accounts

Accounts and pledges receivable are periodically evaluated for collectability based on past history with students.

### 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. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

### Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of State service at June 30, 2020 and 2019. Upon retirement, these employees are entitled to receive payment for this accrued balance.

### Fringe Benefits

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

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

### Workers' Compensation

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

### Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs, tuition received for the following academic year, advance theater ticket sales, and unexpired health center memberships are deferred and recorded as revenues as earned.

### 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.

### Post-employment 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 Tuition and Fees

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

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

### 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.

### 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 net OPEB liabilities.

### Adoption of New Governmental Accounting Pronouncements

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

### New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 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 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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.

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

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

**Reclassification**

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, however, there was no change to the net position, with the exception of Note 2.

Note 2 - **Prior Period Adjustment**

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

The following presents the effects of the prior period adjustment:

	As Previously Reported <u>at June 30, 2019</u>	Correction of <u>the Error</u>	As Restated <u>at June 30, 2019</u>
Statement of Net Position:			
Deferred outflows related to OPEB	\$ 1,352,156	\$ 19,055	\$ 1,371,211
Net OPEB liability	15,969,547	3,925,182	19,894,729
Deferred inflows related to OPEB	6,154,875	(3,228,203)	2,926,672
Unrestricted net position	(26,198,650)	(677,924)	(26,876,574)
Statement of Revenues and Expenses:			
Operating expenses	52,061,113	677,924	52,739,037

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 3 - **Cash and Equivalents**

Custodial credit risk is the risk that in the event of a financial institution's failure, the College would not be able to recover its deposits in full. The College periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insurable limits. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each ownership category. Some of the College's deposits are made in domestic banks that are insured with supplemental insurance for those accounts exceeding the federally insured limits.

For the banks without supplemental insurance, management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum. At June 30, 2020 and 2019, the carrying amount of the College's bank balances were \$7,550,071 and \$3,816,607, respectively. The College had deposits of \$5,000,754 and \$1,481,563 in excess of FDIC and other supplemental insurance at June 30, 2020 and 2019, respectively, which were exposed to custodial credit risk and are uncollateralized.

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

Accounts payable and accrued salaries to be funded from State-appropriated funds totaled \$2,309,732 and \$2,618,718 at June 30, 2020 and 2019, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Investments**

*Investment Policy*

In accordance with Chapter 15A of the Massachusetts General Laws, The College's Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the State Legislator or derived from federal allocation. The primary objective of the College's investment policy is to provide a source of liquidity, income, and capital appreciation for the College. The College's investments are comprised of short-term/liquid investments, which include cash and other short-term investments expected to mature within three years, and long-term investments, which include bonds, equities, and other investments expected to mature within three to ten years. Investments identified as endowment funds are designed to ensure a total return sufficient to preserve and enhance the principal of the funds and provide a dependable source of revenue for the identified purposes.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

*Concentration of Credit Risk*

The College places no limit on the amount it may invest in any one issuer. The College had no investments exceeding 5% of its total investment balance as of June 30, 2020 and 2019. Under accounting principles generally accepted in the United States of America, investments issued or explicitly guaranteed by the Federal Government and mutual funds are specifically excluded for purposes of determining concentration of credit risk disclosures.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, or are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The College's policy is to hold all investments in its name.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The College's investment policy establishes guidelines for permissible investments, which include certificates of deposits, mutual funds, equities, and bonds.

*Disclosure of Credit Risk and Maturities of Debt Securities*

Certificates of deposits of \$561,188 and \$555,337 at June 30, 2020 and 2019, respectively, are stated at fair value, mature in less than one year and had an unrated credit risk. The College holds no debt securities with a maturity date greater than one year.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Fair Value Measurements

The College's investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below.

**Level 1** - Observable market prices (unadjusted) in active markets for identical assets or liabilities that the College can access at measurement date.

**Level 2** - Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3** - Unobservable inputs that are not corroborated by observable market data.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

*Certificates of Deposit:* Valued at initial investment cost plus accrued interest.

*Equities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds are open-end funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.

The College's investments at fair value measurement are as follows at June 30,:

	<u>June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Recurring fair value measurements:</b>				
Certificates of deposit	\$ -	\$ 561,188	\$ -	\$ 561,188
Mutual funds	232,823	-	-	232,823
Equities	<u>1,915,682</u>	<u>-</u>	<u>-</u>	<u>1,915,682</u>
<b>Total investments at fair value</b>	<u>\$2,148,505</u>	<u>\$ 561,188</u>	<u>\$ -</u>	<u>\$ 2,709,693</u>
	<u>June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring fair value measurements:				
Certificates of deposit	\$ -	\$ 555,337	\$ -	\$ 555,337
Mutual funds	176,228	-	-	176,228
Equities	<u>1,799,739</u>	<u>-</u>	<u>-</u>	<u>1,799,739</u>
<b>Total investments at fair value</b>	<u>\$1,975,967</u>	<u>\$ 555,337</u>	<u>\$ -</u>	<u>\$ 2,531,304</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Equities	\$ 3,364,154	\$ 3,365,529
Fixed-income funds	<u>1,734,824</u>	<u>1,729,688</u>
	<u>\$ 5,098,978</u>	<u>\$ 5,095,217</u>

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 respective component unit for more information.

Note 6 - Accounts Receivable

The accounts receivable balance comprises the following at June 30,:

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 2,178,104	\$ 2,732,553
Grants receivable	1,224,734	858,032
Other receivables	<u>711,831</u>	<u>497,331</u>
	<u>4,114,669</u>	4,087,916
Less: allowance for doubtful accounts	<u>1,786,344</u>	<u>1,615,508</u>
	<u>\$ 2,328,325</u>	<u>\$ 2,472,408</u>

Note 7 - Pledges Receivable

The College had no unconditional promises to give at June 30, 2020. At June 30, 2019 the College had \$25,000 in outstanding pledges receivable. These receivables were all classified as current on the statements of net position.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

June 30, 2020						
	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Land		\$ 40,704	\$ -	\$ -	\$ -	\$ 40,704
Construction in progress		<u>5,475,095</u>	-	-	<u>(5,475,095)</u>	-
Total capital assets non-depreciable		<u>5,515,799</u>	-	-	<u>(5,475,095)</u>	<u>40,704</u>
Building, including improvements	25-40	81,273,856	3,818,020	-	5,475,095	90,566,971
Furnishing and equipment (including cost of capital leases)	3-5	4,967,860	-	-	-	4,967,860
Books	5	<u>408,323</u>	-	-	-	<u>408,323</u>
Total depreciable assets		<u>86,650,039</u>	<u>3,818,020</u>	-	<u>5,475,095</u>	<u>95,943,154</u>
Less: accumulated depreciation						
Building, including improvements		23,297,624	2,282,214	-	-	25,579,838
Furnishings and equipment		4,198,274	301,799	-	-	4,500,073
Books		<u>408,323</u>	-	-	-	<u>408,323</u>
Total accumulated depreciation		<u>27,904,221</u>	<u>2,584,013</u>	-	-	<u>30,488,234</u>
Capital assets, net		<u>\$ 64,261,617</u>	<u>\$ 1,234,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,495,624</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Capital asset activity for the year ended June 30, 2019 was as follows:

June 30, 2019						
	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Land		\$ 40,704	\$ -	\$ -	\$ -	\$ 40,704
Construction in progress		<u>2,970,590</u>	<u>5,378,970</u>	<u>-</u>	<u>(2,874,465)</u>	<u>5,475,095</u>
Total capital assets non-depreciable		<u>3,011,294</u>	<u>5,378,970</u>	<u>-</u>	<u>(2,874,465)</u>	<u>5,515,799</u>
Building, including improvements	25-40	78,242,546	156,845	-	2,874,465	81,273,856
Furnishing and equipment (including cost of capital leases)	3-5	4,681,800	286,060	-	-	4,967,860
Books	5	<u>408,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408,323</u>
Total depreciable assets		<u>83,332,669</u>	<u>442,905</u>	<u>-</u>	<u>2,874,465</u>	<u>86,650,039</u>
Less: accumulated depreciation						
Building, including improvements		21,175,228	2,122,396	-	-	23,297,624
Furnishings and equipment		3,865,231	333,043	-	-	4,198,274
Books		<u>408,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408,323</u>
Total accumulated depreciation		<u>25,448,782</u>	<u>2,455,439</u>	<u>-</u>	<u>-</u>	<u>27,904,221</u>
Capital assets, net		<u>\$ 60,895,181</u>	<u>\$ 3,366,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,261,617</u>

**Note 9 - Deferred Inflows of Resources**

The College entered into an agreement, categorized as a service concession arrangement under GASB 60 *Accounting and Reporting for Service Concession Arrangements*, which expired June 2019, with a vendor for the provision of bookstore management services. As part of this arrangement, the vendor provided the College with \$250,000 in support of the mission of the College. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the College had accounted for these monies as deferred inflows of resources and amortized the amounts into income over the life of the agreement. In addition, the agreement provides for additional payments to the College to defray certain costs and as revenue sharing. These payments were fully amortized during the fiscal year ended June 30, 2019.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

**June 30, 2020 and 2019**

Note 10 - **Long-Term Liabilities**

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

	June 30, 2020				
	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes and bonds payable:					
Bonds payable	\$ 9,532,533	\$ -	\$ 626,511	\$ 8,906,022	\$ 641,852
Notes payable - related party	<u>217,621</u>	<u>-</u>	<u>105,642</u>	<u>111,979</u>	<u>111,979</u>
Total notes and bonds payable	<u>9,750,154</u>	<u>-</u>	<u>732,153</u>	<u>9,018,001</u>	<u>753,831</u>
Other long-term liabilities:					
Compensated absences	2,409,210	515,949	-	2,925,159	1,896,541
Workers' compensation	290,401	-	7,102	283,299	51,560
Net pension liability	9,091,855	-	1,778,482	7,313,373	-
Net OPEB liability	<u>19,894,729</u>	<u>-</u>	<u>6,107,780</u>	<u>13,786,949</u>	<u>-</u>
Total other long-term liabilities	<u>31,686,195</u>	<u>515,949</u>	<u>7,893,364</u>	<u>24,308,780</u>	<u>1,948,101</u>
	<u>\$ 41,436,349</u>	<u>\$ 515,949</u>	<u>\$ 8,625,517</u>	<u>\$ 33,326,781</u>	<u>\$ 2,701,932</u>

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

	June 30, 2019				
	Beginning Balance	Additions	Reductions	(Restated) Ending Balance	Current Portion
Notes and bonds payable:					
Bonds payable	\$ 10,144,133	\$ -	\$ 611,600	\$ 9,532,533	\$ 626,522
Notes payable - related party	<u>317,282</u>	<u>-</u>	<u>99,661</u>	<u>217,621</u>	<u>105,641</u>
Total notes and bonds payable	<u>10,461,415</u>	<u>-</u>	<u>711,261</u>	<u>9,750,154</u>	<u>732,163</u>
Other long-term liabilities:					
Compensated absences	3,119,532	-	710,322	2,409,210	1,471,813
Workers' compensation	238,557	51,844	-	290,401	63,017
Net pension liability	10,269,022	-	1,177,167	9,091,855	-
Net OPEB liability	<u>19,973,298</u>	<u>-</u>	<u>78,569</u>	<u>19,894,729</u>	<u>-</u>
Total other long-term liabilities	<u>33,600,409</u>	<u>51,844</u>	<u>1,966,058</u>	<u>31,686,195</u>	<u>1,534,830</u>
	<u>\$ 44,061,824</u>	<u>\$ 51,844</u>	<u>\$ 2,677,319</u>	<u>\$ 41,436,349</u>	<u>\$ 2,266,993</u>

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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## **Notes to the Financial Statements - Continued**

### **June 30, 2020 and 2019**

#### *Bonds Payable*

The College issued a \$1,200,000 Massachusetts Health and Education Facilities Authority (“HEFA”) Variable Rate Demand Revenue Bond, Capital Asset Program Issue, Series M-2 with interest of 1.67% payable monthly. Annual principal payments of \$60,000 commenced June 15, 2003 and reduced to annual payments of \$54,545 during fiscal year 2006. Under the HEFA Bond agreement, the College is required to maintain the ratio of gross tuition and fees to total debt service of at least 10:1. This bond matures in July 2022. The balance at June 30, 2020 and 2019 was \$109,077 and \$163,622, respectively.

The College issued a \$310,000 Clean Renewable Energy Bond (“CREB”) through the Massachusetts Development Finance Agency. The bond is for fifteen years and is interest free. No interest has been imputed due to a lack of materiality. Annual principal payments in the amount of \$20,667 commenced on December 31, 2007. The bond matures in December 2022. The balance at June 30, 2020 and 2019 was \$41,333 and \$62,000, respectively.

In 2011, the College issued a \$2,145,000 Clean Renewable Energy Bond through the Massachusetts Development Finance Agency with interest at 3.5%. Annual principal payments of \$126,176 and bi-annual interest payments began May 2011 through maturity in May 2027. The balance at June 30, 2020 and 2019 was \$883,236 and \$1,009,412, respectively.

On October 1, 2010, the College issued a \$4,400,000 Clean Energy Investment Program Bond (“CEIP”) through the Massachusetts Department of Capital Asset Management. The bond is for twenty years at 4.7% interest. Annual principal and interest payments in the amount of \$310,571 are due through January 2032. The balance at June 30, 2020 and 2019 was \$2,831,968 and \$3,007,215, respectively.

On March 6, 2014, the College issued a \$3,000,000 bond through the MSCBA. These funds are being used for the upgrade and renovation of the Haley Academic Center. The bond is for twenty years at the interest rate of 4.25%. The College is required to make bi-annual principal and interest payments beginning in May 2015. The bond matures in May 2034. The balance at June 30, 2020 and 2019 was \$2,365,000 and \$2,485,000, respectively.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

In 2017, the College issued a \$3,055,000 bond through Massachusetts State College Building Authority (“MSCBA”). These funds are being used to build a new student center. The bond is for twenty years at interest rates varying from 1.865% to 3.398%. The College is required to make bi-annual principal and interest payments beginning in November 2017. The bond matures in November 2036. The balance at June 30, 2020 and 2019 was \$2,675,408 and \$2,805,284, respectively.

*Notes Payable - Related Party*

During the year ended June 30, 2016, the College received a loan from the Foundation for \$500,000. This loan will be repaid in annual payments of \$118,698, including interest at 6% per annum, beginning October 31, 2016 through 2020. A corresponding note receivable has been recorded on the records of the Foundation.

*Future Maturities*

Principal and interest on notes and bonds payable for the next five years are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 753,831	\$ 334,365
2022	659,869	306,363
2023	608,159	284,347
2024	624,883	262,308
2025	642,113	239,326
2025-2029	3,129,603	836,392
2030-2034	2,300,142	254,309
2035-2039	<u>299,401</u>	<u>10,273</u>
	<u>\$ 9,018,001</u>	<u>\$ 2,527,683</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Lease Commitments

The College also leases facilities and equipment under various operating leases. Rent expense for operating leases was \$1,538,115 for the year ended June 30, 2020. The following schedule summarizes future minimum payments under non-cancelable leases as of June 30, 2020:

Years Ending <u>June 30,</u>	
2021	\$ 1,168,495
2022	1,050,562
2023	748,322
2024	164,321
2025	<u>159,492</u>
	<u>\$ 3,291,192</u>

Note 11 - **Pension**

Defined Benefit Plan Description

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

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

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

### *Benefit Provisions*

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

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

### *Contributions*

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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 employee paid by State appropriations. Pension funding for employees paid from State appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$2,323,354, \$1,853,046 and \$1,712,221 for the years ended June 30, 2020, 2019 and 2018, respectively.

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.08%, 12.06% and 11.78% of annual covered payroll for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. The College contributed \$470,220, \$497,656 and \$628,433 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 66%, 68% and 72% of total related payroll for fiscal years ended 2020, 2019 and 2018, respectively.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

At June 30, 2020 and 2019, the College reported a liability of \$7,313,373 and \$9,091,855, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.050% and 0.069%, respectively.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$144,954 and \$649,079, 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 Related to Pension

	<u>2020</u>	<u>2019</u>
Contributions subsequent to the measurement date	\$ 470,220	\$ 497,656
Change in plan actuarial assumptions	542,099	921,403
Differences between expected and actual experience	242,879	288,317
Changes in proportion - Commonwealth	12,912	24,520
Changes in proportion - internal	<u>148,771</u>	<u>532,207</u>
Total	<u>\$ 1,416,881</u>	<u>\$ 2,264,103</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between projected and actual		
earnings on pension plan investments	\$ 109,089	\$ 316,024
Differences between expected and actual		
experience	95,114	185,292
Changes in proportion - Commonwealth	371	1,728
Changes in proportion - internal	<u>3,694,903</u>	<u>2,790,440</u>
 Total	 <u>\$ 3,899,477</u>	 <u>\$ 3,293,484</u>

The College's contributions of \$470,220 and \$497,656 made during the fiscal years ending 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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	
<u>June 30,</u>	
2021	\$ (523,824)
2022	(809,274)
2023	(700,929)
2024	(686,426)
2025	<u>(232,363)</u>
	<u>\$ (2,952,816)</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

### Actuarial Assumptions

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

Measurement date	June 30, 2019	June 30, 2018
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.35%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2019 and 2018, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females.
- Disability - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.

The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019. The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018.

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% and 7.35% at June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

*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,:

<b>2020</b>		
1.00% Decrease	Discount Rate	1.00% Increase
6.25%	7.25%	8.25%
\$ 9,734,337	\$ 7,313,373	\$ 5,244,776
<b>2019</b>		
1.00% Decrease	Discount Rate	1.00% Increase
6.35%	7.35%	8.35%
\$ 12,254,301	\$ 9,091,855	\$ 6,389,667

Note 12 - **Other Post-Employment Benefits (“OPEB”) (Restated)**

*Plan Description*

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

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

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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## **Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

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

### *Benefits Provided*

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

### *Contributions*

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and 2019, and as of the valuation date (January 1, 2019 and 2018), 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 among the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.29% and 8.79% of annual covered payroll for the fiscal year ended June 30, 2020 and 2019, respectively. The College contributed \$243,585 and \$362,888 for the fiscal year ended June 30, 2020, and 2019, respectively, which is equal to 100% of the required contribution for each year.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

At June 30, 2020 and 2019, the College reported a liability of \$13,786,949 and \$19,894,729, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2019 and 2018. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.075% and 0.107%, respectively.

For the years ended June 30, 2020 and 2019, the College recognized OPEB expense (benefit) of (\$454,283) and \$1,057,632, respectively.

The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Contributions subsequent to the measurement date	\$ <b>243,585</b>	\$ 362,888
Difference between expected experience	<b>552,921</b>	193,964
Changes in proportion due to internal allocation	<b>547,680</b>	743,982
Changes in proportion from the Commonwealth of Massachusetts	<b>33,617</b>	51,322
Change in plan assumptions	<u><b>10,608</b></u>	<u>19,055</u>
Total	\$ <u><b>1,388,411</b></u>	\$ <u>1,371,211</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Deferred Inflows of Resources

	<u>2020</u>	<u>2019</u>
Net difference between projected and actual earnings on pension plan investments	\$ 6,341	\$ 39,876
Difference between expected experience	17,655	34,086
Changes in proportion due to internal allocation	6,167,049	1,174,383
Change in plan assumptions	<u>2,073,203</u>	<u>1,678,327</u>
Total	\$ <u>8,264,248</u>	\$ <u>2,926,672</u>

The College's contributions of \$243,585 and \$362,888 made during the fiscal year 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2021	\$ (1,751,308)
2022	(1,751,308)
2023	(1,678,519)
2024	(1,431,449)
2025	<u>(506,838)</u>
Total	\$ <u>(7,119,422)</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Actuarial Assumptions

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

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

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

The participation rates are actuarially assumed as below:

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

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

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

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

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2020 and 2019, are the same as discussed in the pension footnote (note 11).

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Discount Rate

The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.95%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% and 3.87%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025 and 2023 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	<u>2020</u>	
	<b>Current</b>	
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(2.63%)</b>	<b>(3.63%)</b>	<b>(4.63%)</b>
<b>\$ 16,457,161</b>	<b>\$ 13,786,949</b>	<b>\$ 11,675,743</b>
	<u>2019</u>	
	<b>Current</b>	
1.00% Decrease	Discount Rate	1.00% Increase
(2.95%)	(3.95%)	(4.95%)
\$ 23,648,508	\$ 19,984,729	\$ 16,916,850

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

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

	<u>2020</u>	
<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
<b>(B)</b>	<b>(A)</b>	<b>(C)</b>
\$ 11,362,188	\$ 13,786,949	\$ 16,986,162
	<u>2019</u>	
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
<b>(B)</b>	<b>(A)</b>	<b>(C)</b>
\$ 16,829,237	\$ 19,894,729	\$ 23,770,017

- (A) - Current healthcare cost trend rate, as disclosed on page 51.
- (B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 51.
- (C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 51.

**Note 13 - Other Fringe Benefits**

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

Group Insurance Commission

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

The GIC is a quasi-independent State agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2020 and 2019, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

*Other Employee Benefits*

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

Note 14 - **Restricted Net Position**

*College*

The College has received funding to establish an endowment in which the earnings must be used to support research, education, and public programs in the humanities. As of June 30, 2020 and 2019, \$367,457 and \$367,459, respectively, of the endowment was nonexpendable, respectively. As of June 30, 2020 and 2019 earnings of \$39,534 and \$57,928, respectively, were available for expenditure within the purpose and guidelines of the endowment.

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**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Foundation

The Foundation's restricted-expendable net position consists of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Sterilite Student Success	<b>\$1,903,267</b>	\$2,080,169
Other scholarships	<b>693,888</b>	653,081
Garrison Early Childhood Education	<b>234,857</b>	285,578
John Burton Scholarship	<b>102,465</b>	102,842
Needy Books Fund	<b>88,438</b>	91,671
College to Career Project	<b>81,732</b>	4,630
Haley Scholarship Fund	<b>56,472</b>	67,222
Youth Venture	<b>42,258</b>	40,208
Robinson Broadhurst	<b>24,551</b>	27,977
Education Assistance Fund	<b>4,407</b>	4,407
Student Center	<u>-</u>	<u>80,644</u>
	<u><b>\$ 3,232,335</b></u>	<u>\$ 3,438,429</u>

The Foundation also has nonexpendable net position of \$1,248,358 and \$1,248,844 at June 30, 2020 and 2019, respectively, which consists of scholarship endowment funds. The earnings on these funds are available to award student scholarships.

Note 15 - **Contingencies**

Various lawsuits are pending or threatened against the College, which arose in the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened, which would materially affect the College's financial position.

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.

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

### Note 16 - Operating Expenses

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

	<u>2020</u>	Restated <u>2019</u>
Compensation and benefits	\$ 34,094,532	\$ 37,127,824
Supplies and services	10,594,006	10,358,778
Depreciation	2,584,013	2,455,439
Scholarships and fellowships	<u>3,686,844</u>	<u>2,796,996</u>
	<u>\$ 50,959,395</u>	<u>\$ 52,739,037</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 17 - **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") using 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. The amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*. The College's State appropriations are comprised of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Direct unrestricted appropriations	\$ <b>16,704,664</b>	\$ 15,791,486
Add: Fringe benefits for benefited employees on the State payroll	<b>5,854,592</b>	5,360,926
Less: Day school tuition remitted to the State and included in tuition and fees revenue	<u>(326,761)</u>	<u>(322,662)</u>
Total unrestricted appropriations	<b>22,232,495</b>	20,829,750
Capital appropriations	<b>3,733,501</b>	4,088,569
Restricted appropriations	<u>27,775</u>	<u>139,194</u>
Total Appropriations	<u><b>\$ 25,993,771</b></u>	<u>\$ 25,057,513</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

A reconciliation between the College and MMARS as of June 30, 2020 and 2019 is as follows (unaudited):

	<u>2020</u>	<u>2019</u>
Revenue per MMARS	\$ 31,255,864	\$ 30,792,931
Revenue per College	<u>31,255,864</u>	<u>30,792,931</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 18 - **Pass-Through Grants**

The College distributed \$4,893,088 and \$5,305,477 during the years ended June 30, 2020 and 2019, respectively, for student loans through the U.S. Department of Education Federal Direct Lending 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 19 - **Subsequent Events**

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

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Proportionate Share of Net Pension Liability (Unaudited)**

**Massachusetts State Employees' Retirement System**

Year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.050%	0.069%	0.080%	0.083%	0.118%	0.100%
Proportionate share of the collective net pension liability	\$ 7,313,373	\$ 9,091,855	\$ 10,269,022	\$ 11,503,109	\$ 13,481,424	\$ 7,434,353
College's covered payroll	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568	\$ 6,338,995	\$ 7,136,429	\$ 2,467,743
College's proportionate share of the net pension liability as a percentage of its covered payroll	177.23%	170.43%	163.22%	181.47%	188.91%	301.26%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

*See accompanying notes to the required supplementary information.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Schedule of Contributions - Pension (Unaudited)**

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 470,220	\$ 497,656	\$ 628,433	\$ 626,011	\$ 599,035	\$ 741,475
Contributions in relation to the statutorily required contribution	<u>(470,220)</u>	<u>(497,656)</u>	<u>(628,433)</u>	<u>(626,011)</u>	<u>(599,035)</u>	<u>(741,475)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568	\$ 6,338,995	\$ 7,136,429
Contribution as a percentage of covered payroll	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Required Supplementary Information - Pension (Unaudited)**

**For the Year Ended June 30, 2020**

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Required Supplementary Information - Pension (Unaudited) -  
Continued**

**For the Year Ended June 30, 2020**

Measurement date – June 30, 2016

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

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Proportionate Share of Net OPEB Liability (Unaudited)**

**Massachusetts State Retirees' Benefit Trust**

	June 30, 2020	<u>Restated</u> June 30, 2019	June 30, 2018
Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.075%	0.107%	0.114%
Proportionate share of the collective net OPEB liability	\$ 13,786,949	\$ 19,894,729	\$ 19,973,298
College's covered payroll	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%

Notes:

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

*See accompanying notes to the required supplementary information.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
 (an agency of the Commonwealth of Massachusetts)

**Schedule of Contributions - OPEB (Unaudited)**

**Massachusetts State Retirees' Benefit Trust**

**For the Years Ended June 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 243,585	\$ 362,888	\$ 475,799
Contributions in relation to the statutorily required contribution	<u>(243,585)</u>	<u>(362,888)</u>	<u>(475,799)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745
Contribution as a percentage of covered payroll	7.29%	8.79%	8.92%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Notes to the Required Supplementary Information – OPEB (Unaudited)**

**June 30, 2020**

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2019

*Change in Inflation*

The inflation rate decreased from 3.0% to 2.5%.

*Change in Salary Assumptions*

Salary decreased from 4.5% to 4.0%.

*Investment rate of return*

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

*Change in Trend on Future Costs*

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

*Change in Participation Rates*

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

*Change in Discount Rate*

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

*See Independent Auditor's Report.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Notes to the Required Supplementary Information – OPEB (Unaudited) -  
Continued**

**June 30, 2020**

Measurement date – June 30, 2018

*Change in Trend on Future Costs*

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

*Change in Mortality Rates*

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

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

*Change in Discount Rate*

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

Measurement date – June 30, 2017

*Change in Discount Rate*

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

**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***



## **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  
Mount Wachusett Community College  
Gardner, 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 Mount Wachusett Community College (the "College"), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated of October 21, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the College's 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.

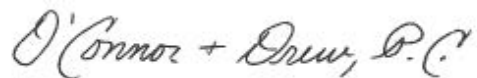
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not 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 College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Purpose of this Report**

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

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

**Certified Public Accountants  
Braintree, Massachusetts**

October 21, 2020