MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements and
Management's Discussion and Analysis

June 30, 2022 and 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Middlesex Community College
Lowell, Massachusetts

Report on the Audit of the Financial Statements

Opinions
We have audited the accompanying financial statements of the business-type activities of Middlesex Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the financial statements of the College and its discretely presented component unit present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2022 and 2021, 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.

We did not audit the financial statements of the Middlesex Community College Foundation, which represent 100 percent of the component unit activity for the years ended June 30, 2022 and 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions
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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle
As discussed in Note 2 to the financial statements, the College and the Foundation adopted new accounting guidance for leases. The adoption of the applicable lease pronouncements required the College and the Foundation to restate beginning net position and net assets, respectively. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 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.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 27, 2022

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provide management's view of the financial position of Middlesex Community College (the "College" or "MCC") as of June 30, 2022, 2021 and 2020, and the changes in its financial position for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereon, which are also presented in this document.

The College is an entrepreneurial learning community committed to providing educational programs and services that support personal growth and economic opportunity for our diverse student populations. A public institution of higher education in the Commonwealth of Massachusetts, MCC maintains campuses in Bedford and Lowell. The College offers 88 programs leading to degrees or certificates, as well as 13 noncredit career and professional development certificates serving approximately 10,692 credit-bearing students and 2,086 noncredit students. In addition, the College has more than 40 partnerships with schools and colleges throughout the Merrimack Valley.

The Middlesex Community College Foundation (the "Foundation") is a legally separate tax-exempt component unit of Middlesex Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. 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. Because these resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Management's Discussion and Analysis focuses on the College, not its component unit.

Financial Highlights

- As of the close of the fiscal year, June 30, 2022, the College's financial position is good. The College's final state maintenance appropriation for FY2022, FY2021 and FY2020 was $27.7 million, $26.6 million and $26.2 million, respectively. The increase of $1.1 million was due to the additional appropriation to cover the increase in contract rates.
- For FY2022, the mandatory per credit cost of education was $252 per credit. This is stable from FY21. The Student Success Fund was funded at $1.5 million in FY21 and FY22.

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Management's Discussion and Analysis (Unaudited)

Financial Highlights - Continued

The College's total operating expenses from restricted and unrestricted funds totaled $73.5 million, $62.8 million and $70.6 million in FY2022, FY2021 and FY2020, respectively. This overall increase in expenses from FY2021 to FY2022 is mainly attributable to the College resuming a standard level of spending and normal course of business after COVID. In FY2021 Higher Education Emergency Relief Fund expenses for lost revenue of $6.5 million along with the corresponding revenue have been excluded from the face of the statement as to not be double counted. However, the lost revenue receipt of $6.5 million from HEERF has been recognized as non-operating revenue on the Statement of Changes in Net Position as of June 30, 2021. The amount calculated was based on a three-year-average model of tuition and fee revenue.

- There were no material deviations from the approved budget and final expenditures and all records were in order and maintained in accordance with trust fund guidelines.
- Total credits generated in FY2022 were 108,865 and decreased 6% from the FY2021 total of 116,582. The FY2021 total decreased 13% from the FY2020 total of 133,537.
- Consistent with the College's strategic plan, investment continued in technology and physical plant. Technology investment projects totaled $2,149,995 including life cycle management, equipment upgrades, and continued software updates and maintenance.
- Physical plant renovations not being capitalized, including improvements and adaptation, and renewal projects totaled $970,572. This includes life safety improvements and various deferred maintenance projects, including the continued refreshing of some classrooms.
- The effect of the GASB pension and OPEB credits on the operating statement for FY22 and FY21 was a reduction in expenses of $6.4 million and $6.5 million respectively. These expenses flow through the operating expenses due to actuarial changes to reduce the liability.
- The College received additional CARES Act/HEERF funding in FY21. There were two buckets of funds awarded; funds for students to help them in the transition to remote learning and expenses associated with moving to a remote environment, and institutional support utilized for online course development and technology equipment.

Financial Highlights - Continued

Amounts awarded are below:

	Student	Institutional
HEERF I	$ 1,852,172	$ 1,852,171
HEERF II	1,852,172	5,995,700
HEERF III	6,917,007	6,732,520
Total awarded	$ 10,621,351	$ 14,580,391

- In FY21, the College recouped $6.5 million out of the Institutional funds for the revenue the College lost as a result of COVID-19.
- The College was also awarded funds through the Governor's Emergency Education Relief ("GEER") Fund for both student and institutional support. For FY2021 and FY2020, the amounts awarded were $210,800, and $459,900, respectively.
- Due to COVID-19, in July 2021 the College used $4.2 million for the student account forgiveness using HEERF Institutional funds.

Overview of the Financial Statements

The College's financial statements are comprised of two primary components: (1) the financial statements and (2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements.

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

The *statements of revenues, expenses and changes in net position* 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., the payment for accrued for compensated absences, or the receipt of amounts due from students and other for services rendered).

Overview of the Financial Statements - Continued

The Financial Statements - continued

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

The College reports its activity as a business type activity using the economic resources measurement focus and full accrual basis of accounting. The College is part of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows are included in the Commonwealth's Comprehensive Annual Financial Report.

In FY2022, GASB Statement Number 87, *Accounting and Financial Reporting for Leases* was implemented. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset representation. The lease liability and intangible right of use asset are now showing on the financial statements of the College.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements.

Financial Analysis

Net position may serve over time as a useful indicator of the College's financial position. For FY2022, FY2021 and FY2020, MCC's assets exceeded liabilities by $78.2 million, $66.6 million and $43.8 million, respectively. This decrease in liabilities was mainly due to the reduction of the pension and OPEB liabilities and deferred inflows, plus the increase in capital assets.

By far, the largest portion of the College's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt financing used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending.

Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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Management's Discussion and Analysis (Unaudited)

Financial Analysis - Continued

Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

Following is a condensed summary of net position:

	2022	(Restated) 2021	2020
Current assets	$ 50,868,644	$ 45,729,632	$ 33,340,719
Capital assets	58,112,367	57,293,061	52,705,707
Noncurrent assets	10,864,500	12,991,619	8,088,479
Total assets	119,845,511	116,014,312	94,134,905
Deferred outflows	4,132,784	2,489,782	1,824,124
Total assets and deferred outflows	123,978,295	118,504,094	95,959,029
Current liabilities	12,455,183	14,611,585	11,002,583
Noncurrent liabilities	15,548,605	17,816,386	16,726,524
Total liabilities	28,003,788	32,427,971	27,729,107
Deferred inflows	16,520,666	19,418,564	24,441,563
Total liabilities and deferred inflows	44,524,454	51,846,535	52,170,670
Net position:			
Net investment in capital assets	55,222,930	53,651,163	51,563,408
Restricted, expendable	1,266,203	1,298,522	1,655,075
Unrestricted, expendable	12,067,447	14,368,010	11,887,173
GASB Pension, OPEB and Comp Absences	(29,423,603)	(35,878,361)	(41,888,724)
Designations-capital projects	20,298,649	17,993,056	9,650,124
Undesignated	20,022,215	15,225,169	10,921,303
Total Unrestricted	22,964,708	11,707,874	(9,430,124)
Total net position	$ 79,453,841	$ 66,657,559	$ 43,788,359

- Assets and deferred outflows of $124 million exceeded liabilities and deferred inflows of $44.5 million by $79.5 million in FY2022.

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Management's Discussion and Analysis (Unaudited)

Financial Analysis - Continued

Capital Assets

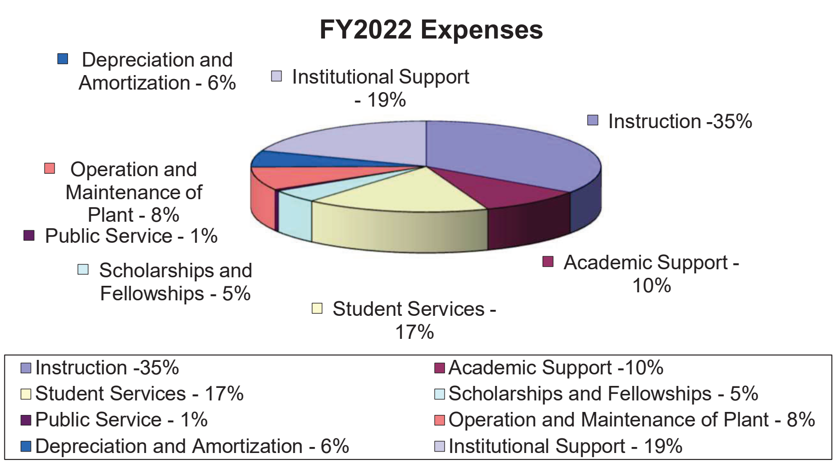
The College's investment in capital assets as of June 30, 2022, 2021 and 2020 amounts to $58.1 million, $57.3 million and $56.7 million, respectively, net of accumulated depreciation and amortization. This investment in capital assets includes land, building (including improvements), leases and furnishings and equipment. Capital assets increased during the year by 1% or approximately $800,000 due to an investment in capital assets of $5.1 million, which was offset by depreciation and amortization expense of $4.3 million. The Cowan Center Accessibility project was completed for an approximate cost of $3.2 million and the Bedford Paving Project was completed for an approximate cost of $500,000 in FY22.

Liabilities and Debt

In addition to accruals for compensated absences and workers compensation, the College carries long-term debt for revenue bonds issued. The accrual for compensated absences consists of sick and vacation pay relating to employees on the College's payroll. As of June 30, 2022, 2021 and 2020, the College had bonds payable amounting to $168,049, $663,036 and $1,142,299, respectively. The final payment on this bond is slated to be paid in October of 2022.

Revenues, Expenses, and Changes in Net Position

The following is a summary of the College's expenses using the Functional Classification Format.



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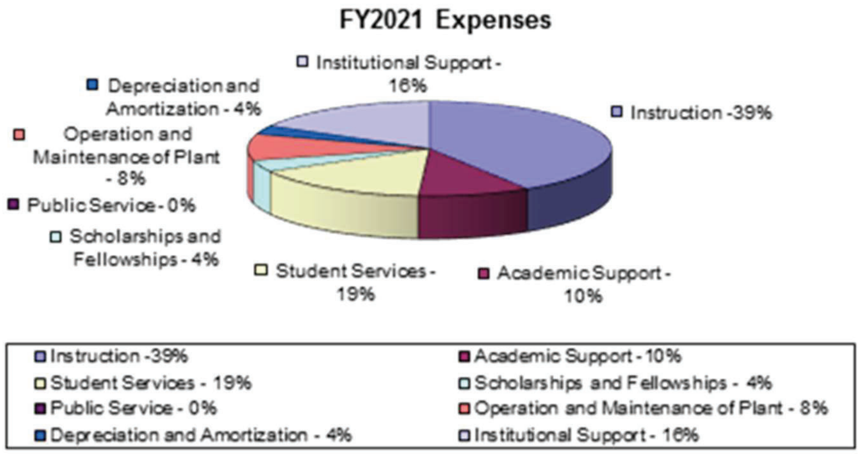
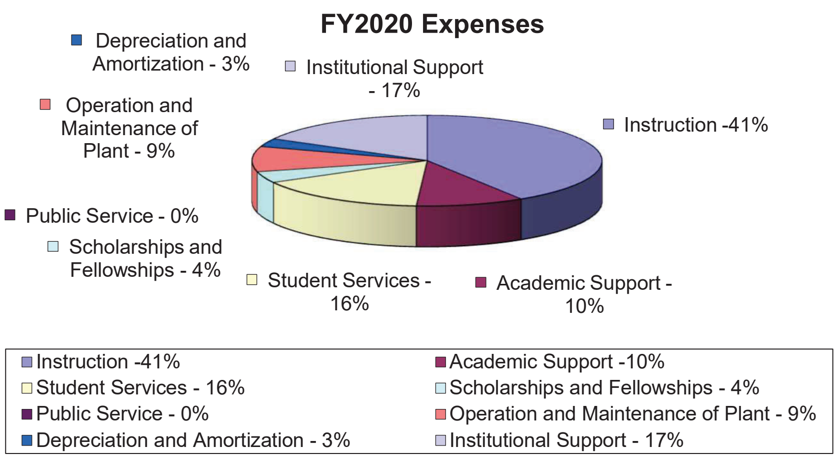
Management's Discussion and Analysis (Unaudited)

Financial Analysis - Continued

Revenues, Expenses, and Changes in Net Position – Continued





Financial Analysis - Continued

Revenues, Expenses, and Changes in Net Position - Continued

The following is a summary of the College's expenses using the Natural Classification Format.

	2022	(Restated) 2021	2020
Compensation and benefits	$ 42,764,670	$ 43,245,414	$ 47,622,364
Supplies and services	22,974,661	13,817,213	18,218,978
Depreciation and amortization	4,314,614	3,402,039	2,031,111
Scholarships and fellowships	3,404,520	2,303,514	2,740,517
	$ 73,458,465	$ 62,768,180	$ 70,612,970

The increase in supplies and service is mainly attributable to HEERF expenses of about $11 million in FY22 versus $9.1 million expenses in FY21, which were netted with HEERF revenue received. The effect of the GASB Pension and OPEB credits on the operating statement for FY22 and FY21 was a reduction in expenses of $6.4 million and $6.5 million, respectively.

The effect of the GASB Pension and OPEB credits on the operating statement for FY22 and FY21 was a reduction in expenses of $6.4 million and $6.5 million, respectively. For presentation purposes, these credits are included in operating expenses, but are not part of the College's operating expense budget.

Highlights of revenue activity for FY2022 include:

- Total operating revenue decreased from $37.3 million to $36.4 million, primarily due to the decrease in enrollment.
- Grants and contracts, exclusive of state and federal financial aid awards (e.g., Pell, SEOG, Mass Grants) received by the College for FY2022, FY2021 and FY2020 totaled approximately $6.8 million, $6.4 million and $5.5 million, respectively.

Financial Analysis – Continued

Revenues, Expenses, and Changes in Net Position - Continued

Major grants and contracts for the year include the following:

- The College was awarded a Title III grant in FY2017. This grant was written in order to improve overall student persistence, retention, and completion outcomes. This will occur through two primary components to improve the student experience and academic performance by harnessing the College's technology infrastructure and how information is used in service to student success overall. In FY2019, a Financial Literacy component was added to the grant for the purpose of providing students with instruction in personal financial literacy, knowledge of higher education financing and repayments, and other skills aimed at building personal financial understanding and responsibility. In FY2022, FY2021 and FY2020 $416,992, $476,992 and $502,710 respectively, was spent in total on Title III.

- In 2016, Middlesex Community College was awarded a five-year Asian American and Native American Pacific Islander-Serving Institution ("AANAPISI") grant by the U.S. Department of Education. The mission of the Asian American Student Advancement Program is to offer a holistic support system with a dedicated staff that advises, mentors and provides leadership development opportunities for Asian American students. Total funds spent in FY2022, FY2021 and FY2020 were $416,992, $361,104 and $396,826, respectively.

- The Talent Search Program exposes students to higher education opportunities and provides information and assistance with the college application process, emphasizing academic advising, college visits, life skills, test taking skills and college prep workshops. The total funds spent on this grant in FY2022, FY2021 and FY2020 were $360,162, $388,875 and $342,904, respectively.

- The TRIO Student Success Program serves approximately 200 low income and first-generation college students and individuals with disabilities. This program assists students with course selection, academic planning, and career decision-making. The total funds spent on this program in FY2022, FY2021 and FY2020 were $340,954, $287,763 and $370,049, respectively.

- The Gear Up Program is a program designed to give low-income students the skills, encouragement and preparation needed to pursue post-secondary education. It also strengthens academic programs and student services at participating schools. Gear Up has strong objectives that align to the public schools' adequate yearly progress ("AYP"), as required by the federal No Child Left Behind Act. Total expenses for FY2022, FY2021 and FY2020 were $327,584, $324,932 and $340,216, respectively.

Financial Analysis – Continued

Revenues, Expenses, and Changes in Net Position - Continued

Highlights of expense activity include:

- The fringe benefit rate for College employees changed from 38.32% to 39.43%. The net increase of $600,000 in the fringe expense across all spending categories is a result of an increase in the state fringe rate.
- Overall operating expenses increased by $10.56 million in FY2022 from FY2021. The main driver behind the increase is due to the $6.3 million one-time application of lost revenue to the FY21 expenses reflected in non-operating income.

Following is a condensed summary of changes in net position:

	2022	(Restated) 2021	2020
Operating Revenues:			
Net Student Fees	$ 19,194,630	$ 19,843,246	$ 22,392,166
Federal, state, local and private grants and contracts	16,011,766	16,111,120	19,253,935
Other sources	1,189,273	1,369,012	1,406,778
Total Operating Revenues	36,395,669	37,323,378	43,052,879
Operating Expenses:			
Instruction	25,468,253	24,526,298	27,824,878
Academic support	7,057,065	6,425,767	6,821,273
Student services	12,506,023	11,856,003	10,793,221
Scholarships and fellowships	3,404,520	2,303,514	2,740,517
Public service	415,375	164,487	138,098
Operation and maintenance of plant	6,067,000	3,910,173	6,083,192
Institutional support	14,225,615	10,179,899	14,180,680
Depreciation	3,272,276	2,372,290	2,031,111
Amortization	1,042,338	1,029,749	-
Total Operating Expenses	73,458,465	62,768,180	70,612,970
Operating Loss	(37,062,796)	(25,444,802)	(27,560,091)
Net Non-Operating Revenues	46,560,772	46,731,092	38,232,813
Change in Net Position before Capital Appropriations and Grants	9,497,976	21,286,290	10,672,722
Capital grants	-	221,417	2,939,948
Capital appropriations	3,298,306	1,361,493	2,049,377
Change in Net Position	12,796,282	22,869,200	15,662,047
Net Position, Beginning of Year	66,657,559	43,788,359	28,126,312
Net Position, End of Year	$ 79,453,841	66,657,559	43,788,359

Non-Operating Revenues and Expenses

- Operating expenses from all sources incurred during FY2022, FY2021 and FY2020 totaled $73.5 million, $62.8 million and $70.6 million, respectively. Revenues from tuition and fees, grants and contracts, state capital support and state appropriations, and other sources totaled $86.2 million, $85.7 million and $86.3 million in FY2022, FY2021 and FY2020, respectively.

Non-operating revenues from the Commonwealth, exclusive of fringe benefits, totaled $28.5 million in unrestricted appropriations in FY2022, $27.3 million in unrestricted appropriations in FY2021 and $27.1 million in unrestricted appropriations in FY2020. The $28.5 million in FY2022 includes $185,929 in retained, out-of-state tuition in addition to the state maintenance appropriation.

The fringe benefit rate increased from 38.32% in FY2021 to 39.43% in FY2022. The Commonwealth's fringe benefit amount for full time employees on the state payroll was $9.4 million in FY2022, $8.8 million in FY2021 and $9.3 million in FY2020. These funds are appropriated to the State Treasurer's office for the benefit of the College for employees funded by the state maintenance appropriation. The College must budget and expense the cost of fringe benefits for all College employees funded from local trust funds. The expense of these funds is allocated among the functional expense classifications.

Net investment income (expense) was ($2,071,247), $1,887,797 and $543,844 in FY2022, FY2021 and FY2020, respectively. This decrease was due to a downturn in the market. The market value of the College's equity mutual funds was $6,542,112 in FY2022, $7,893,930 in FY2021 and $4,503,132 in FY2020.

Additional Information

The College contributes some of its personnel's time and its resources through the fiscal year to support the Foundation and the Lowell Middlesex Academy Charter School. These contributed services are shown below for FY2022, FY2021 and FY2020:

	2022	2021	2020
• Foundation	$ 309,346	$ 254,783	$ 300,712
• Charter School	$ 151,254	$ 166,255	$ 169,758

Additional Information - Continued

The cost of education for FY2022 was flat at $252 per credit and enrollments were down by 6%.

The Massachusetts Community College Council/Massachusetts Teachers Association representing the Adjunct Faculty have a Division of Continuing Education ("DCE") agreement in place for the period of June 1, 2018 through August 31, 2020. This contract was settled and paid out in FY22.

The Massachusetts Community College Council ("MCCC") representing the Full-Time and Part-Time Day Faculty and Professional Staff at the community colleges have an agreement in place for the period June 1, 2018 through June 30, 2021. In FY22, these negotiations were still in progress.

The American Federation of State and County and Municipal Employees ("AFSCME") representing the Support Staff of the state and community colleges have an agreement in place for the period of July 1, 2017 through June 30, 2020. This contract was settled and paid out in FY22.

In March of 2020, the COVID-19 pandemic was declared. As a result, the College moved to all online learning for the balance of the spring 2020 semester and for the vast majority of classes in the summer 2020. This required a lot of additional time and effort on the part of the College community to make a drastic change in teaching and processes.

For the Fall 2020 and Spring 2021 semesters, the College had once again continued with online learning with a few exceptions. The Fall 2021 semester is approximately 50% on campus. As of FY22, the college still remains 50% on campus.

Designations

In FY2018, the College designated $3 million of the unrestricted net position for the College match and additional cost of renovating a portion of the Talbot Building located on the College’s Lowell Campus into a biotechnology training facility of the new biotechnology center. Through June 30, 2021, $1.5 million had been expended. This designation has since been restored to $3.5 million to support the expansion of the biotech program in Bedford.

As of June 30, 2019, the College had designated $2 million of the unrestricted net position of the College for an Emergency Campus Facility Fund ($1 million for each campus), $500,000 for the Lowell Campus STEM Lab refresh, with an additional $1.5 million designated in FY2020. These designations remain intact as of June 30, 2022.

As of June 30, 2022, $2,000,000 is designated for Accessibility.

Designations - continued

In FY21, the College designated $6.5 million for Strategic Student Support, $1.8 million for MCC Student Success Funds Unmet Need, $286,362 for Student Success Fund FY21 to be disbursed in FY22, $500,000 for FY21 Capital Projects to be completed in FY22.

In FY22, the designations have been rolled with the exception of the Student Success Fund, which was spent in FY22. The college designated $1.0 million for the Strategic Plan initiatives out of the remaining $6.5 million Strategic Student Support. Additionally, the College designated $2 million for Technology.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Finance/CFO, Middlesex Community College, 591 Springs Road, Bedford, Massachusetts, 01730.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2022

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022 Middlesex Community College	(Restated) 2021 Middlesex Community College
Current Assets:		
Cash and equivalents	**$ 45,166,453**	$ 38,821,463
Cash held by State Treasurer	**1,882,606**	1,249,708
Short-term investments	**1,129,614**	1,123,291
Accounts and other receivables, net	**2,658,082**	4,534,245
Prepaid expenses	**4,108**	925
Due from related party	**27,781**	-
Total Current Assets	**50,868,644**	45,729,632
Non-Current Assets:		
Long-term investments	**10,864,500**	12,991,619
Capital assets, net	**58,112,367**	57,293,061
Total Non-Current Assets	**68,976,867**	70,284,680
Total Assets	**119,845,511**	116,014,312
Deferred Outflows of Resources:		
Deferred outflows related to pension plan	**1,507,308**	1,377,275
Deferred outflows related to OPEB	**2,625,476**	1,112,507
Total Deferred Outflows of Resources	**4,132,784**	2,489,782
Total Assets and Deferred Outflows of Resources	**$ 123,978,295**	$ 118,504,094

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

Liabilities, Deferred Inflows of Resources and Net Position

	2022 Middlesex Community College	(Restated) 2021 Middlesex Community College
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 4,266,370**	$ 3,513,858
Accrued payroll	**1,996,301**	2,275,559
Accrued compensated absences and workers' compensation	**3,218,360**	3,345,999
Students' deposits and unearned revenues	**1,815,958**	4,040,384
Due to related party	**-**	6,694
Current portion of leases payable	**990,145**	934,872
Current portion of bonds payable	**168,049**	494,219
Total Current Liabilities	**12,455,183**	14,611,585
Non-Current Liabilities:		
Accrued compensated absences and workers' compensation	**2,268,239**	2,213,017
Leases payable	**1,731,243**	2,043,990
Bonds payable	**-**	168,817
Net pension liability	**4,190,892**	5,855,678
Net OPEB liability	**7,358,231**	7,534,884
Total Non-Current Liabilities	**15,548,605**	17,816,386
Total Liabilities	**28,003,788**	32,427,971
Deferred Inflows of Resources:		
Deferred inflows related to pension plan	**4,508,377**	5,012,712
Deferred inflows related to OPEB	**12,012,289**	14,405,852
Total Deferred Inflows of Resources	**16,520,666**	19,418,564
Total Liabilities and Deferred Inflows of Resources	**44,524,454**	51,846,535
Net Position:		
Net investment in capital assets	**55,222,930**	53,651,163
Restricted:		
Expendable	**1,266,203**	1,298,522
Unrestricted	**22,964,708**	11,707,874
Total Net Position	**79,453,841**	66,657,559
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 123,978,295**	$ 118,504,094

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses

For the Years Ended June 30, 2022 and 2021

	2022 Middlesex Community College	(Restated) 2021 Middlesex Community College
Operating Revenues:		
Tuition and fees	**$ 27,186,022**	$ 29,568,589
Less: scholarship allowances	**(7,991,392)**	(9,725,343)
Net student fees	**19,194,630**	19,843,246
Federal, state, local and private grants and contracts	**16,011,766**	16,111,120
Other auxiliary enterprises	**128,778**	116,821
Other sources	**1,060,495**	1,252,191
Total Operating Revenues	**36,395,669**	37,323,378
Operating Expenses:		
Instruction	**25,468,253**	24,526,298
Academic support	**7,057,065**	6,425,767
Student services	**12,506,023**	11,856,003
Scholarships and fellowships	**3,404,520**	2,303,514
Public service	**415,375**	164,487
Operation and maintenance of plant	**6,067,000**	3,910,173
Institutional support	**14,225,615**	10,179,899
Depreciation and amortization	**4,314,614**	3,402,039
Total Operating Expenses	**73,458,465**	62,768,180
Operating Loss	**(37,062,796)**	(25,444,802)
Non-Operating Revenues (Expenses):		
State appropriations - unrestricted	**37,650,188**	35,777,812
Federal grants (HEERF funding)	**10,953,015**	2,599,970
HEERF lost revenue	**-**	6,510,000
Net investment income (expense)	**(2,071,247)**	1,887,797
Interest expense	**(85,340)**	(122,219)
Payments between the College and the Foundation	**114,156**	77,732
Net Non-Operating Revenues	**46,560,772**	46,731,092
Change in Net Position before Capital Appropriations and Capital Grants	**9,497,976**	21,286,290
Capital appropriations	**3,298,306**	1,361,493
Capital grants	**-**	221,417
Change in Net Position	**$ 12,796,282**	$ 22,869,200

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

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2022 and 2021

	Net Investment in Capital Assets	Restricted Expendable	Unrestricted Net Position	Total
Balance at June 30, 2020	**$ 51,563,408**	**$ 1,655,075**	**$ (9,430,124)**	**$ 43,788,359**
Changes in net position, as previously reported	2,052,591	(356,553)	21,137,998	22,834,036
Balance at June 30, 2021, as previously reported	**53,615,999**	**1,298,522**	**11,707,874**	**66,622,395**
Cumulative effect of change in accounting principle	35,164	-	-	35,164
Balance at June 30, 2021, as restated	**53,651,163**	**1,298,522**	**11,707,874**	**66,657,559**
Changes in net position	1,571,767	(32,319)	11,256,834	12,796,282
Balance at June 30, 2022	**$ 55,222,930**	**$ 1,266,203**	**$ 22,964,708**	**$ 79,453,841**

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

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	2022	(Restated) 2021
Cash Flows from Operating Activities:		
Tuition and fees	**$ 20,688,617**	$ 19,162,936
Grants and contracts	**13,995,663**	15,801,765
Payments to suppliers	**(12,372,375)**	(5,784,994)
Payments to employees	**(49,498,684)**	(48,648,911)
Payments to students	**(3,404,520)**	(2,303,514)
Income from contract services	**128,778**	116,821
Other cash receipts	**719,967**	1,394,006
Net Cash Applied to Operating Activities	**(29,742,554)**	(20,261,891)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**28,463,066**	27,253,969
Payments from (to) Foundation	**114,156**	77,732
Tuition remitted to state	**(185,929)**	(244,419)
Federal grants (HEERF funding)	**10,953,015**	11,162,929
Net Cash Provided by Non-Capital Financing Activities	**39,344,308**	38,250,211
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	**(1,104,711)**	(2,584,125)
Capital grants	**-**	221,417
Principal paid on leases payable	**(988,377)**	(1,064,913)
Principal paid on bond payable	**(494,987)**	(479,263)
Interest paid on bond and leases payable	**(85,340)**	(122,219)
Net Cash Applied to Capital Financing Activities	**(2,673,415)**	(4,029,103)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**1,125,955**	1,568,418
Purchases of investments	**(1,141,525)**	(3,811,983)
Interest on investments	**65,119**	50,347
Net Cash Provided by (Applied to) Investing Activities	**49,549**	(2,193,218)
Net Increase in Cash and Equivalents	**6,977,888**	11,765,999
Cash and Equivalents, Beginning of Year	**40,071,171**	28,305,172
Cash and Equivalents, End of Year	**$ 47,049,059**	$ 40,071,171

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2022	(Restated) 2021
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	**$ (37,062,796)**	$ (25,444,802)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	**4,314,614**	3,402,039
Net pension activity	**(2,299,154)**	(2,367,576)
Net OPEB activity	**(4,083,185)**	(4,182,159)
Bad debt expense (recovery)	**205,961**	(1,801,778)
Fringe benefits provided by the state	**9,373,051**	8,768,262
Changes in assets and liabilities:		
Accounts receivable, net	**1,670,202**	355,224
Prepaid expenses	**(3,183)**	1,515
Due from related party	**(27,781)**	-
Accounts payable and accrued liabilities	**752,512**	(591,452)
Accrued payroll and compensated absences	**(351,675)**	1,146,238
Students' deposits and unearned revenues	**(2,224,426)**	456,889
Due to related party	**(6,694)**	(4,291)
Net Cash Applied to Operating Activities	**$ (29,742,554)**	$ (20,261,891)
Non-Cash Transactions:		
Fringe benefits provided by the state	**$ 9,373,051**	$ 8,768,262
Capital assets acquired through capital appropriations	**$ 3,298,306**	$ 1,361,493
Capital assets acquired through leases	**$ 730,903**	$ -
Unrealized gains (losses) on investments	**$ (2,136,366)**	$ 1,837,450

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

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Financial Position (Component Unit)

June 30, 2022 and 2021

Assets

	2022 Middlesex Community College Foundation	(Restated) 2021 Middlesex Community College Foundation
Current Assets:		
Cash and equivalents	$ 1,955,912	$ 1,561,698
Short-term investments	5,440,248	6,109,945
Accounts and other receivables, net	38,240	32,680
Other current assets	29,804	30,700
Due from related party	-	6,694
Total Current Assets	7,464,204	7,741,717
Other Assets:		
Accounts receivable, non-current	6,425	43,582
Long-term investments	200,000	200,000
Operating lease assets	1,368,628	1,576,521
Capital assets, net of accumulated depreciation	35,015	377,821
Total Other Assets	1,610,068	2,197,924
Total Assets	$ 9,074,272	$ 9,939,641

Liabilities and Net Assets

	2022	2021
Current Liabilities:		
Accounts payable	$ 11,218	$ 52,469
Due to related party	27,781	-
Operating lease liabilities, current portion	186,776	180,222
Unearned revenues	4,883	5,000
Total Current Liabilities	230,658	237,691
Other Liability:		
Operating lease liabilities, non-current	1,243,514	1,430,289
Total Liabilities	1,474,172	1,667,980
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,402,969	2,368,784
Board designated	603,570	524,564
Total Without Donor Restrictions	2,006,539	2,893,348
With Donor Restrictions:		
Purpose and time restrictions	5,393,561	5,178,313
Perpetual in nature	200,000	200,000
Total Without Donor Restrictions	5,593,561	5,378,313
Total Net Assets	7,600,100	8,271,661
Total Liabilities and Net Assets	$ 9,074,272	$ 9,939,641

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

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Activities and Changes in Net Assets (Component Unit)

For the Years Ended June 30, 2022 and 2021

	2022 Middlesex Community College Foundation	(Restated) 2021 Middlesex Community College Foundation
Revenues:		
Contributions of cash and other financial assets	**$ 599,078**	$ 381,578
Contributions of nonfinancial assets	**331,271**	366,212
Fundraising income - special events	**114,850**	79,123
Investment income (loss)	**(901,927)**	773,056
License and usage income	**232,086**	219,903
Other revenue	**296,585**	15,441
Total Revenues	**671,943**	1,835,313
Expenses:		
Program Services:		
Scholarships	**205,204**	142,670
Services and support:		
Grants	**142,993**	121,539
Middlesex/student emergency fund	**39,329**	53,831
Contributed services	**309,346**	294,783
Operating	**18,749**	39,643
Total Program Services	**715,621**	652,466
General and Administrative:		
Depreciation	**15,845**	30,351
Lease expense	**248,657**	219,088
Other administrative costs	**98,078**	250,481
Total General and Administrative	**362,580**	499,920
Fundraising:		
Cost of special events	**173,210**	85,013
Other fundraising expenses	**92,093**	38,100
Total Fundraising	**265,303**	123,113
Change in Net Assets	**(671,561)**	559,814
Net Assets, Beginning of Year, as originally reported	**8,271,661**	7,745,837
Cumulative effect on change in accounting principle (Note 2)	**-**	(33,990)
Net Assets, Beginning of Year, as restated	**8,271,661**	7,711,847
Net Assets, End of Year	**$ 7,600,100**	$ 8,271,661

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

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

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

Organization
Middlesex Community College (the "College") is one of the largest community colleges in the Commonwealth of Massachusetts (the "Commonwealth") and serves the largest county in the Commonwealth with campuses in urban Lowell and suburban Bedford. The College's mission is to provide educational, occupational, and cultural opportunities for an academically, economically and culturally diverse population. The College offers 88 associate degree and certificate programs to 10,692 credit and 2,086 noncredit students. The College is involved in numerous community partnership programs and more than 40 different partnerships with schools and colleges throughout the Merrimack Valley. The College also provides comprehensive, customized training, consulting, and technical assistance programs to area businesses. The College is accredited by the New England Commission of Higher Education.

COVID-19
On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic. In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The Department of Education has extended the deadline to spend the student aid award and the institutional award by June 30, 2023.

The College has been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	$ 1,852,172	$ 1,852,171	$ 15,058	$ 3,719,401
CRRSAA	1,852,172	5,995,700	28,972	7,876,844
ARPA	6,917,007	6,732,520	49,994	13,699,521
Total	$10,621,351	$14,580,391	$ 94,024	$25,295,766

The College has recognized the following as non-operating Federal grants for the years ended June 30, 2022 and 2021.

For the Year Ended June 30, 2022

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	$ -	$ -	$ -	$ -
CRRSAA	162,922	692,896	28,972	884,790
ARPA	4,048,062	5,970,169	49,994	10,068,225
Total	$ 4,210,984	$ 6,663,065	$ 78,966	$ 10,953,015

For the Year Ended June 30, 2021

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	$ 958,652	$ 1,144,206	$ 15,058	$ 2,117,916
CRRSAA	1,689,250	5,302,804	-	6,992,054
ARPA	-	-	-	-
Total	$ 2,647,902	$ 6,447,010	$ 15,058	$ 9,109,970

As of June 30, 2022, the College has approximately $3.6 million left to expend related to these grants.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. Middlesex Community College Foundation's (the "Foundation") financial statements are prepared in accordance with accounting and reporting requirements prescribed by the Financial Accounting Standards Board ("FASB"). As such, certain revenue recognition and lease criteria and presentation features are different from GASB revenue and lease 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.

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, the Foundation; 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 policies for defining operating activities in the statements of revenues and expenses are 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 in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities.* These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income and interest expense.

The Middlesex Community College Foundation, Inc. (the "Foundation"), a component unit of the College, was formed in 1987 to render financial assistance and to support the educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included within these financial statements because of the nature and significance of its relationship with the College. The Foundation is located at the College's Bedford Campus. Complete financial statements for the Foundation can be obtained from Middlesex Community College Foundation, Inc., P.O. Box 8681, Lowell, MA 01853.

During the year ended June 30, 2022, the Foundation distributed $114,156 to the College for both restricted and unrestricted purposes, and during the year ended June 30, 2021, the College distributed $77,732 to the Foundation.

Net Position
Resources are classified for accounting purposes into the following three net position categories:

> Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
>
> Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.
>
> Unrestricted: All other categories of net position. Unrestricted net assets may be designated by actions of the College's Board of Trustees (the "Board of Trustees").

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

Cash and Equivalents
The College considers all highly liquid debt instruments purchased with an original maturity date of three months or less, and cash and deposits held by state agencies on behalf of the College to be cash equivalents.

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Investments
Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments at June 30, 2022 and 2021.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items 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 Commonwealth's capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period. 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 2 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed. The College does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions ("OPEB")

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

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, 2022 and 2021. The accrued sick leave balance represents 20% of amounts earned by those employees with, or expected to have, ten or more years of Commonwealth service at June 30, 2022 and 2021. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Students' Deposits and Unearned Revenue
Student deposits and unearned revenue consist primarily of deposits and advance payments received for tuition and fees related to certain summer programs, and the following academic year, and are recorded as revenues when earned.

Student Fees
Student tuition and fees are presented net of scholarships and fellowships. Certain other scholarships are paid directly to the student and are generally reflected as expenses.

Tax Status
The College is a governmental component unit of the Commonwealth and is therefore 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, net position classification, determining the net pension and OPEB liabilities, and the lease liability.

New Governmental Accounting Pronouncements

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

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

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

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

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

Reclassification
Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

Note 2 - **Implementation of Newly Effective Accounting Standard**

College
As of July 1, 2020, the College implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

There was no change to net position as of July 1, 2020, upon the implementation of GASB 87, since the adjustment for the right to use assets of $4,043,775 was completely offset by the adjustment for the lease liability. The balance of the right to use asset and lease liability was $0 at July 1, 2020.

The prior period adjustment and the restatement of the June 30, 2021 financial statements are due to the implementation of GASB 87 as of and for the year ended June 30, 2021. The adjustment is as follows:

		Previously Reported	Adjustment	Restated
As of June 30, 2021:				
Right of use asset	$	-	3,014,026	3,014,026
Lease liability	$	-	2,978,862	2,978,862
Net position	$	66,622,395	35,164	66,657,559
Year Ended June 30, 2021:				
Depreciation and amortization expense	$	2,372,290	1,029,749	3,402,039
Interest expense	$	28,038	94,181	122,219
Rent expense	$	1,159,094	(1,159,094)	-

Foundation
As of July 1, 2020, the Foundation early adopted FASB ASU 2016-02, *Leases*. The standard requires that a lessee recognize on the statement of financial position assets and liabilities for leases with lease terms of more than twelve months. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the entity to carry forward the historical lease classification.

There was no change to net assets as of July 1, 2020, upon the implementation of ASU 2016-02, since the adjustment for the operating lease assets of $1,784,414 was completely offset by the adjustment for the operating lease liabilities. The balance of the operating lease assets and operating lease liabilities was $0 at July 1, 2020.

The following details the statement of financial position items effected as of June 30, 2021:

Balance Sheet Description	As Reported Under Topic 840	As Reported Under Topic 842	Effect of Change
Operating lease assets	$ -	$ 1,576,521	$ 1,576,521
Operating lease liabilities	-	(1,610,511)	(1,610,511)
Change in net assets	$ -	$ 33,990	$ (33,990)

Adoption of the new standard did not materially impact the Foundation's change in net assets and had no impact on cash flows.

Note 3 - **Cash and 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 Commonwealth legislature or derived from Federal allocations.

The principal objectives of the investment policy are: (1) safety of principal, (2) liquidity for operating needs, (3) return on investment, and (4) diversification of risk. The Board of Trustees supports the investments of trust funds in a variety of investment vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding any or all of the above. The Board of Trustees will, from time to time, establish investment fund ceilings and broad asset allocation guidelines, and authorizes the chief financial officer to invest, or instruct the comptroller to invest, the College's funds within the guidelines established by the investment policy.

Summary of Deposits and Investments

Deposits and investments consist of the following at June 30,:

	2022	2021
Cash and equivalents:		
Cash deposits	**$ 43,708,887**	$ 37,348,327
Money market funds	**1,457,566**	1,473,136
Cash and equivalents	**45,166,453**	38,821,463
Short-term investments:		
Certificates of deposit	**1,129,614**	1,123,291
Long-term investments:		
Bond mutual funds	**4,322,388**	5,097,689
Equity mutual funds	**6,542,112**	7,893,930
Long-term investments	**10,864,500**	12,991,619
Total Deposits and Investments	**$ 57,160,567**	$ 52,936,373

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be recovered. Deposits, including certificates of deposit, are made in domestic banks that are federally insured and in some banks that are Massachusetts banks with supplemental insurance for those accounts exceeding the federally insured limits.

The College's bank balances, including certificates of deposit, as of June 30, 2022 and 2021, totaled $45,288,633 and $31,385,019, respectively. Of these balances, $43,906,503 and $30,014,590, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. To mitigate custodial credit risk for deposits, the College obtains ratings for all banks and credit unions which hold the College's investments. A star rating of 3+ stars from Bauer Financial is required before investing any College funds in an institution.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Maturities of investments exposed to interest rate risk at June 30, 2022 and 2021 consist of:

	2022				
		Investment Maturities (in Years)			
Investment type	**Fair value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Certificates of deposit	$ 1,129,614	$ 1,129,614	$ -	$ -	$ -
Money market funds	1,457,566	1,457,566	-	-	-
Bond mutual funds	4,322,388	4,322,388	-	-	-
	$ 6,909,568	$ 6,909,568	$ -	$ -	$ -

	2021				
		Investment Maturities (in Years)			
Investment type	**Fair value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Certificates of deposit	$ 1,123,291	$ 1,123,291	$ -	$ -	$ -
Money market funds	1,473,136	1,473,136	-	-	-
Bond mutual funds	5,097,689	5,097,689	-	-	-
	$ 7,694,116	$ 7,694,116	$ -	$ -	$ -

To mitigate interest rate risk, it is the policy of the College to generally not exceed one (1) year in its maturities of Operating Fund investments.

Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The following is a listing of credit quality ratings, using Moody's and Standard & Poor's, of the College's investments at June 30,:

2022

		Quality Ratings						
Rated debt investments	**Fair value**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Unrated**
Certificates of deposit	$ 1,129,614	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,129,614
Money market funds	1,457,566	1,457,566	-	-	-	-	-	-
Bond mutual funds	4,322,388	-	3,027,489	289,247	614,938	-	281,219	109,495
Total	$ 6,909,568	$1,457,566	$ 3,027,489	$ 289,247	$ 614,938	$ -	$ 281,219	$ 1,239,109

2021

		Quality Ratings						
Rated debt investments	**Fair value**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Unrated**
Certificates of deposit	$ 1,123,291	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,123,291
Money market funds	1,473,136	1,473,136	-	-	-	-	-	-
Bond mutual funds	5,097,689	-	26,375	2,470,722	1,475,292	-	838,586	286,714
Total	$ 7,694,116	$ 1,473,136	$ 26,375	$ 2,470,722	$ 1,475,292	$ -	$ 838,586	$ 1,410,005

The College manages credit risk by purchasing investment-grade securities with a high concentration in securities rated AAA and above.

Concentration of Credit Risk

The College had no single investment that exceeded 5% of its total investments at June 30, 2022 and 2021.

Investments of the Foundation

The Foundation's investments consist of the following at June 30, 2022 and 2021, and are summarized as follows:

	2022	2021
Fixed income securities	**$ 2,993,851**	$ 3,576,379
Equity securities	**2,646,397**	2,733,566
	$ 5,640,248	$ 6,309,945

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $1,882,606 and $1,249,708 at June 30, 2022 and 2021, 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 - **Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and

- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. With the adoption of GASB Statement 72, *Fair Value Measurement and Application*, there have been no changes in the methodologies used to measure fair value.

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

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the College are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price.

At June 30, 2022 and 2021, all assets of the College are considered Level 1 investments.

Note 6 - **Accounts and Other Receivables**

Accounts receivable include the following at June 30,:

	2022	2021
Student accounts receivable	**$ 5,301,685**	$ 7,232,587
Other receivables	**325,795**	65,095
	5,627,480	7,297,682
Less: allowance for doubtful accounts	**(2,969,398)**	(2,763,437)
	$ 2,658,082	$ 4,534,245

Note 7 - **Due to/from Related Party**

Due to/from related party represents amounts due to/from the Middlesex Community College Foundation in relation to normal operations of the College.

MIDDLESEX COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 8 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2022:

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Capital assets not depreciated:						
Construction in progress	-	$ 3,108,298	$ 2,949,581	$ -	$ (2,841,493)	$ 3,216,386
Land	-	1,986,303	-	-	-	1,986,303
Total Not Depreciated		5,094,601	2,949,581	-	(2,841,493)	5,202,689
Capital assets depreciated:						
Building, including improvements	20-40	124,916,516	1,273,868	-	2,571,093	128,761,477
Furnishings and equipment	5-10	4,882,046	179,568	-	270,400	5,332,014
Leased buildings	1-3	3,890,609	661,448	(291,236)	-	4,260,821
Leased equipment	2-5	153,166	69,455	(29,353)	-	193,268
Total depreciated		133,842,337	2,184,339	(320,589)	2,841,493	138,547,580
Less accumulated depreciation:						
Building, including improvements		(77,286,828)	(2,886,402)	-	-	(80,173,230)
Furnishings and equipment		(3,327,300)	(385,874)	-	-	(3,713,174)
Leased buildings		(979,994)	(984,479)	291,236	-	(1,673,237)
Leased equipment		(49,755)	(57,859)	29,353	-	(78,261)
Total accumulated depreciation		(81,643,877)	(4,314,614)	320,589	-	(85,637,902)
Capital assets, net		$57,293,061	$ 819,306	$ -	$ -	$58,112,367

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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

	Estimated lives (in years)	(Restated) Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Capital assets not depreciated:						
Construction in progress	-	$ 31,494,479	$ 2,231,976	$ -	$ (30,618,157)	$ 3,108,298
Land	-	1,986,303	-	-	-	1,986,303
Total Not Depreciated		33,480,782	2,231,976	-	(30,618,157)	5,094,601
Capital assets depreciated:						
Building, including improvements	20-40	93,257,008	1,101,922	-	30,557,586	124,916,516
Furnishings and equipment	5-10	4,209,755	611,720	-	60,571	4,882,046
Leased buildings and parking	1-3	3,890,609	-	-	-	3,890,609
Leased equipment	2-5	153,166	-	-	-	153,166
Total depreciated		101,510,538	1,713,642	-	30,618,157	133,842,337
Less accumulated depreciation:						
Building, including improvements		(75,132,164)	(2,154,664)	-	-	(77,286,828)
Furnishings and equipment		(3,109,674)	(217,626)	-	-	(3,327,300)
Leased buildings and parking		-	(979,994)	-	-	(979,994)
Leased equipment		-	(49,755)	-	-	(49,755)
Total accumulated depreciation		(78,241,838)	(3,402,039)	-	-	(81,643,877)
Capital assets, net		$ 56,749,482	$ 543,579	$ -	$ -	$ 57,293,061

Note 9 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30,:

	2022					
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
Leases payable	$ 2,978,862	$ 730,903	$ (988,377)	$ 2,721,388	$ 990,145	$ 1,731,243
Bonds payable	663,036	-	(494,987)	168,049	168,049	-
	3,641,898	730,903	(1,483,364)	2,889,437	1,158,194	1,731,243
Other long-term liabilities:						
Accrued compensated absences	5,036,155	-	(122,990)	4,913,165	3,125,594	1,787,571
Net pension liability	5,855,678	-	(1,664,786)	4,190,892	-	4,190,892
Net OPEB liability	7,534,884	-	(176,653)	7,358,231	-	7,358,231
Workers' compensation	522,861	50,573	-	573,434	92,766	480,668
	18,949,578	50,573	(1,964,429)	17,035,722	3,218,360	13,817,362
Total	$ 22,591,476	$ 781,476	$ (3,447,793)	$ 19,925,159	$ 4,376,554	$ 15,548,605

	2021					
	(Restated) Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
Leases payable	$ 4,043,775	$ -	$ (1,064,913)	$ 2,978,862	$ 934,872	$ 2,043,990
Bonds payable	1,142,299	-	(479,263)	663,036	494,219	168,817
	5,186,074	-	(1,544,176)	3,641,898	1,429,091	2,212,807
Other long-term liabilities:						
Accrued compensated absences	4,841,634	194,521	-	5,036,155	3,260,821	1,775,334
Net pension liability	4,939,614	916,064	-	5,855,678	-	5,855,678
Net OPEB liability	9,312,026	-	(1,777,142)	7,534,884	-	7,534,884
Workers' compensation	178,010	344,851	-	522,861	85,178	437,683
	19,271,284	1,455,436	(1,777,142)	18,949,578	3,345,999	15,603,579
Total	$ 24,457,358	$ 1,455,436	$ (3,321,318)	$ 22,591,476	$ 4,775,090	$ 17,816,386

Bonds Payable
In December 2013, the College issued $3,900,598 of Series D Bonds with a fixed rate of 2.95%. The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the Series B Bonds. Principal and interest are payable monthly through October 1, 2022. The College completed the refunding to reduce its total debt service payments by $574,591 and to obtain an economic gain of $287,973. The bonds are collateralized by certain property.

The remaining principal payments of $168,049 and interest payments of $1,051 will be made during the year ended June 30, 2023.

Total interest expense related to bonds payable for 2022 and 2021 was $12,314 and $28,038, respectively.

Leases Payable

College
A summary of the College's leases at June 30, 2022 and 2021, is as follows:

Description	Date	Terms in Months	Payment Amount	Interest Rate	2022 Lease Liability	2021 Lease Liability
office equipment	varies	60 months	$ 12,576	2.65%	$ 111,404	$ 88,408
Apple devices	7/1/2020	24 months	14,903	2.65%	-	14,870
Lowell parking	7/1/2020	48 months	52,050	2.65%	1,215,367	1,799,344
Pollard Building	7/1/2020	72 months	17,069	2.65%	776,570	958,202
Howe Street building	7/1/2020	69 months	10,018	2.65%	426,778	118,038
Nesmith House	3/8/2022	52 months	49,842	2.65%	191,269	-
					$ 2,721,388	$ 2,978,862

Leases for office equipment terminate on various dates through November 2026. The College has options at the end of the leases to purchase the equipment at fair market value or renew the leases. Management does not believe the College will exercise the purchase option. The College did not make payments for these leases other than the monthly payments for the years ended June 30, 2022 and 2021. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

The lease for the Apple devices terminates in June 2022. The College has an option at the end of the lease to purchase the devices at fair market value. Management does not believe the College will exercise the purchase option. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2022 and 2021. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

The lease for Lowell parking terminates in June 2024. No renewal options are included in the lease agreement. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2022 and 2021. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

Related Party Leases
The lease for the Pollard Building space is with a related party, Lowell Middlesex Academy Charter School, that terminates in June 2022. No renewal options are included in the lease agreement. Based on the substance of this related party transaction and on history with the Charter School, the monthly payments have been extended out through June 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2022 and 2021 which amounted to $181,631 and $176,886, respectively.

The lease for the Howe Street building space is with a related party, the Middlesex Community College Foundation, that terminated in February 2022. During the year ended June 30, 2022, a new agreement was signed that terminates in February 2024. An extension option with no specified term is included in the lease agreement. Based on the substance of this related party transaction, and on history with the Foundation, the monthly payments have been extended out through February 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2022 and 2021 which amounted to $163,119 and $173,197, respectively.

The lease for the Nesmith House is with a related party, the Middlesex Community College Foundation, that terminates in June 2023. An extension option with no specified term is included in the lease agreement. Based on the substance of this related party transaction, and on history with the Foundation, the monthly payments have been extended out through June 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. For the years ended June 30, 2022 and 2021, the Foundation waived payments. The College expects to make lease payments for the Nesmith House subsequent to June 30, 2022.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest
2023	$ 990,145	$ 59,629
2024	999,042	33,173
2025	380,030	14,235
2026	352,171	4,204
Total	$ 2,721,388	$ 111,241

Foundation
On February 5, 2019 the Foundation entered into a ten-year triple-net lease agreement for the Howe Street property in Lowell, Massachusetts. The Foundation has the option to extend the lease for an additional five years. A rental deposit under the lease agreement was made for $29,804. Monthly payments are approximately $18,500. As of June 30, 2022 and June 30, 2021 the Foundation had remaining lease obligations in the amount of $1,430,290 and $1,610,511, respectively, based on the present value of the remaining lease payments for the lease terms at the entity’s incremental borrowing rate of 2.65%.

The lease for the Nesmith House is with a related party, the Middlesex Community College Foundation, that terminates in June 2023. An extension option with no specified term is included in the lease agreement. Based on the substance of this related party transaction, and on history with the Foundation, the monthly payments have been extended out through June 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. For the years ended June 30, 2022 and 2021, the Foundation waived payments. The College expects to make lease payments for the Nesmith House subsequent to June 30, 2022.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest
2023	$ 990,145	$ 59,629
2024	999,042	33,173
2025	380,030	14,235
2026	352,171	4,204
Total	$ 2,721,388	$ 111,241

Foundation
On February 5, 2019 the Foundation entered into a ten-year triple-net lease agreement for the Howe Street property in Lowell, Massachusetts. The Foundation has the option to extend the lease for an additional five years. A rental deposit under the lease agreement was made for $29,804. Monthly payments are approximately $18,500. As of June 30, 2022 and June 30, 2021 the Foundation had remaining lease obligations in the amount of $1,430,290 and $1,610,511, respectively, based on the present value of the remaining lease payments for the lease terms at the entity’s incremental borrowing rate of 2.65%.

Note 10 - **Pensions**

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

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

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

Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the "Legislature"). Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

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

Member contributions for SERS vary depending on the most recent date of membership:

Hire Date	Percent of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $4,030,965, $3,533,335, and $3,700,239 for the years ended June 30, 2022, 2021 and 2020, 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 16.11%, 14.66% and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. The College contributed $317,642, $477,696 and $368,811 for the fiscal years ended June 30, 2022, 2021 and 2020, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022 and 2021, the College reported a liability of $4,190,892 and $5,855,678, respectively, for its proportionate share of the net pension liability related to its participation in SERS.

The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, 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, 2021 rolled forward to June 30, 2021. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020.

The 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 2022 and 2021, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal years. At June 30, 2022 and 2021, the College's proportion was 0.040% and 0.034%, respectively.

For the years ended June 30, 2022 and 2021, the College recognized pension income of $1,981,512 and $1,889,882, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	2022	2021
Deferred Outflows of Resources		
Contributions subsequent to the measurement date	**$ 317,642**	$ 477,696
Change in plan actuarial assumptions	**285,710**	332,009
Difference between projected and actual earnings on pension plan investments	**-**	321,889
Differences between expected and actual experience	**144,611**	186,319
Changes in proportion from Commonwealth	**1,675**	4,422
Changes in proportion due to internal allocation	**757,670**	54,940
Total	**$ 1,507,308**	$ 1,377,275

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June 30, 2022 and 2021

	2022	2021
Deferred Inflows of Resources		
Difference between projected and actual earnings on pension plan investments	**$ 1,643,072**	$ -
Differences between expected and actual experience	**303,417**	37,891
Changes in proportion from Commonwealth	**13,241**	14,273
Changes in proportion due to internal allocation	**2,548,647**	4,960,548
Total	**$ 4,508,377**	$ 5,012,712

The College's contributions of $317,642 and $477,696 made during the fiscal years ending 2022 and 2021, 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 pension will be recognized as decreases in pension expense as follows:

Years Ending June 30,	Amount
2023	$ (714,408)
2024	(702,755)
2025	(800,120)
2026	(975,670)
2027	(125,758)
	$ (3,318,711)

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

	2022	2021
Measurement date	**June 30, 2021**	June 30, 2020
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	**7.00%**	7.15%
Interest rate credited to annuity savings fund	**3.50%**	3.50%

For measurement date June 30, 2021, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year for females.
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

For measurement date June 30, 2020, 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 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021. The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 and rolled forward to June 30, 2020.

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

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

	2022		2021	
Asset Class	**Target Allocation**	**Long-term expected real rate of return**	Target Allocation	Long-term expected real rate of return
Global Equity	**39%**	**4.80%**	39%	4.80%
Core Fixed Income	**15%**	**0.30%**	15%	0.70%
Private Equity	**13%**	**7.80%**	13%	8.20%
Portfolio Completion Strategies	**11%**	**2.90%**	11%	3.20%
Real Estate	**10%**	**3.70%**	10%	3.50%
Value Added Fixed Income	**8%**	**3.90%**	8%	4.20%
Timber/Natural Resources	**4%**	**4.30%**	4%	4.10%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.15% at June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables illustrate 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 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30,:

2022

1.00% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1.00% Increase (8.00%)**
$ 6,414,778	**$ 4,190,892**	**$ 2,363,030**

2021

1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
$ 7,715,217	$ 5,855,678	$ 4,327,281

Note 11 - **Other Postemployment Benefits ("OPEB")**

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

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. Management of the SRBT is vested with the 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 of the plan. 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, 2022 and 2021, and as of the valuation date (January 1, 2021 and 2020), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.65% and 7.70% of annual covered payroll for the fiscal years ended June 30, 2022 and 2021, respectively. The College contributed $150,852 and $250,844 for the fiscal years ended June 30, 2022 and 2021, respectively, equal to 100% of the required contribution for each year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2022 and 2021, the College reported a liability of $7,358,231 and $7,534,884, 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, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, 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 2021 and 2020. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2022 and 2021, the College’s proportion was 0.046% and 0.036%, respectively.

For the years ended June 30, 2022 and 2021, the College recognized OPEB income of $3,920,437 and $3,922,518, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	2022	2021
Deferred Outflows of Resources		
Contributions subsequent to the measurement date	**$ 150,852**	$ 250,844
Change in plan actuarial assumptions	**617,972**	620,510
Difference between projected and actual earnings on OPEB plan investments	**-**	21,786
Differences between expected and actual experience	**187,833**	207,948
Changes in proportion from Commonwealth	**8,250**	11,419
Changes in proportion due to internal allocation	**1,660,569**	-
Total	**$ 2,625,476**	$ 1,112,507
Deferred Inflows of Resources		
Difference between projected and actual earnings on OPEB plan investments	**$ 89,419**	$ -
Differences between expected and actual experience	**1,295,283**	185,987
Changes in OPEB plan actuarial assumptions	**1,447,475**	728,221
Changes in proportion from Commonwealth	**31,959**	25,590
Changes in proportion due to internal allocation	**9,148,153**	13,466,054
Total	**$ 12,012,289**	$ 14,405,852

The College's contributions of $150,852 and $250,844 made during the fiscal years 2022 and 2021, 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 June 30,	Amount
2023	$ (2,300,758)
2024	(2,149,988)
2025	(2,140,648)
2026	(2,105,214)
2027	(841,057)
	$ (9,537,665)

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, 2021	June 30, 2020
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.15%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 7.30%.	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%.

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year for measurement date June 30, 2021. The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year for measurement date June 30, 2020.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage are assumed to elect coverage at retirement.
- Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- 100% of spouses are assumed to elect to continue coverage after the retiree's death.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age		Retirement Age	
	2022		2021	
	Under 65	**Age 65+**	Under 65	Age 65+
Indemnity	**28.0%**	**96.0%**	28.0%	96.0%
POS/PPO	**60.0%**	**0.0%**	60.0%	0.0%
HMO	**12.0%**	**4.0%**	12.0%	4.0%

The actuarial assumptions used in the January 1, 2021 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 through December 31, 2020, depending upon the criteria being evaluated. The actuarial assumptions used in the January 1, 2020 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 through December 31, 2019, depending upon the criteria being evaluated.

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, 2022 and 2021 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 and 2021 was 2.77% and 2.28%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.16% and 2.21%) 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 2041 and 2028 for the fiscal years 2022 and 2021, respectively.
Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% and 7.15%, 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:

	2022	
1.00% Decrease (1.77%)	**Current Discount Rate (2.77%)**	**1.00% Increase (3.77%)**
$ 8,741,521	**$ 7,358,231**	**$ 6,244,019**

	2021	
1.00% Decrease (1.28%)	Current Discount Rate (2.28%)	1.00% Increase (3.28%)
$ 9,054,825	$ 7,534,884	$ 6,333,946

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

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

	2022	
1.00% Decrease (B)	**Current Health Care Cost Trend Rate (A)**	**1.00% Increase (C)**
$ 6,024,878	**$ 7,358,231**	**$ 9,096,037**

	2021	
1.00% Decrease (B)	Current Health Care Cost Trend Rate (A)	1.00% Increase (C)
$ 6,120,071	$ 7,534,884	$ 9,414,588

(A) - Current health care cost trend rate, as disclosed earlier
(B) - 1-percentage decrease in current health care cost trend rate, as disclosed earlier
(C) - 1-percentage increase in current health care cost trend rate, as disclosed earlier

Note 12 - **Fringe Benefit Programs**

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

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors.

The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2022 and 2021, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its 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 pre-tax health care spending account and dependent care assistance program (for active employees only).

Other Employee Benefits

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 13 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. As of June 30, 2022 and 2021, these funds are composed of restricted-expendable funds held for the use of academic purposes in the amounts of $1,266,203 and $1,298,522, respectively.

Note 14 - **Net Position Classification**

The following presents the breakout of each classification of net position as of June 30,:

	2022	(Restated) 2021
Net investment in capital assets	**$ 55,222,930**	$ 53,651,163
Restricted:		
Federal and state grants	**930,237**	935,992
Parking fines scholarship	**335,966**	362,530
	1,266,203	1,298,522
Unrestricted:		
Investments	**4,154,056**	6,290,249
Facilities development fee	**7,913,391**	7,491,399
Reserve for compensated absences and workers' compensation	**(5,486,599)**	(5,559,016)
Effect of pension adjustments	**(7,191,960)**	(9,491,114)
Effect of OPEB adjustments	**(16,745,044)**	(20,828,231)
Board designation for dental lab	**-**	1,494,407
Board designation for biotech lab	**3,486,871**	1,486,871
Board designation for emergency campus facility fund	**2,000,000**	2,000,000
Board designation for accessibility	**2,000,000**	2,200,000
Board designation for Lowell campus STEM lab	**2,000,000**	2,000,000
Board designation for Strategic Student Support	**5,510,000**	6,510,000
Board designation for MCC Student Success Grants-Unmet Need	**1,801,778**	1,801,778
MCC Student Success Grant FY21 to be disbursed in FY22	**-**	586,362
Board designation for capital projects to be completed in following year	**500,000**	500,000
Board designation for technology	**2,000,000**	-
Board designation for strategic plan initiatives	**1,000,000**	-
Undesignated	**20,022,215**	15,225,169
	22,964,708	11,707,874
Total Net Position	**$ 79,453,841**	$ 66,657,559

Note 15 - **Contingencies**

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"). Individuals pay into the Program 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 from the Program 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.

Claims
The College is involved in various claims and lawsuits, mostly against the College, arising in the normal course of business. Management vigorously defends its cases and believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the College's financial position.

Note 16 - **Operating Expenses**

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

	2022	(Restated) 2021
Compensation and benefits	**$ 42,764,670**	$ 43,245,414
Supplies and services	**22,974,661**	13,817,213
Depreciation and amortization	**4,314,614**	3,402,039
Scholarships and fellowships	**3,404,520**	2,303,514
	$ 73,458,465	$ 62,768,180

The increase in supplies and services is mainly attributable to HEERF expenses of approximately $9.6 million for the year ended June 30, 2022 versus $9.1 million for the year ended June 30, 2021, which were netted with HEERF revenue received. The effect of the GASB Pension and OPEB credits on the operating statement for the years ended June 30, 2022 and 2021 was a reduction in expenses of $6.4 million and $6.5 million, respectively.

MIDDLESEX COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 17 - **Related Party Transactions**

The College provides management, oversight, supervision, and administration of the Lowell Middlesex Academy Charter School's regular business activities under a formal agreement. Income related to this arrangement recognized by the College totaled approximately $168,000 and $463,000 for the years ending June 30, 2022 and 2021, respectively.

Note 18 - **Massachusetts Management Accounting and Reporting System**

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

The College's state appropriations are composed of the following at June 30,:

	2022	2021
Direct unrestricted appropriations	**$ 28,463,066**	$ 27,253,969
Add: fringe benefits for benefited employees on the state payroll	**9,373,051**	8,768,262
Less: day school tuition remitted to the state and included in tuition and fee revenue	**(185,929)**	(244,419)
Total Unrestricted Appropriations	**$ 37,650,188**	$ 35,777,812
State capital contribution (restricted appropriations)	**$ 3,298,306**	$ 1,361,493

No timing differences occurred where the College had additional revenue that was reported to MMARS after June 30, 2022 and 2021 (unaudited).

Note 19 - **Pass-through Grants**

The College distributed $2,760,012 and $3,160,856, respectively, during 2022 and 2021 for student loans through the U.S. Department of Education Federal Direct Student Loans 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.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLESEX COMMUNITY COLLEGE
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Schedules of the Proportionate Share of the Net Pension Liability

Massachusetts State Employees' Retirement System

Year ended	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30,2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	**January 1, 2021**	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	**June 30, 2021**	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	**0.040%**	0.034%	0.034%	0.053%	0.101%	0.126%	0.186%	0.160%
Proportionate share of the collective net pension liability	**$ 4,190,892**	$ 5,855,678	$ 4,939,614	$ 7,075,158	$ 12,940,922	$ 17,369,418	$ 21,147,785	$ 10,845,528
Covered payroll	**$ 3,258,499**	$ 2,619,396	$ 2,787,131	$ 4,151,426	$ 7,928,573	$ 9,571,746	$ 11,194,880	$ 10,836,179
Proportionate share of the net pension liability as a percentage of its covered payroll	**128.61%**	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	**77.54%**	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

MIDDLESEX COMMUNITY COLLEGE
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Schedules of Contributions - Pension

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	**$ 317,642**	$ 477,696	$ 368,811	$ 336,128	$ 489,038	$ 788,893	$ 904,530	$ 1,163,148
Contributions in relation to the contractually required contribution	**317,642**	477,696	368,811	336,128	489,038	788,893	904,530	1,163,148
Contribution excess	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	**$ 1,971,707**	$ 3,258,499	$ 2,619,396	$ 2,787,131	$ 4,151,426	$ 7,928,573	$ 9,571,746	$ 11,194,880
Contribution as a percentage of covered payroll	**16.11%**	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

MIDDLESEX COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - Pension

June 30, 2022

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

Measurement date – June 30, 2021
The investment rate of return changed from 7.15% to 7.00%. 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 rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 2020
The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2019
The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018
The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 and set forward 1 year for females

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 and set forward 1 year for females

- Disability – did not change

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)

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedules of the Proportionate Share of the Net OPEB Liability

Massachusetts State Retirees' Benefit Trust

Year ended	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	**June 30, 2021**	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	**January 1, 2021**	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	**0.046%**	0.036%	0.053%	0.083%	0.144%
Proportionate share of the collective net OPEB liability	**$ 7,358,231**	$ 7,534,884	$ 9,312,026	$ 15,481,795	$ 25,170,143
College's covered payroll	**$ 3,258,499**	$ 2,619,396	$ 2,787,131	$ 4,151,426	$ 7,928,573
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	**225.82%**	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	**10.70%**	6.40%	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.

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - OPEB

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2022	2021	2020	2019	2018
Statutorily required contribution	**$ 150,852**	$ 250,844	$ 191,053	$ 245,103	$ 370,260
Contributions in relation to the statutorily required contribution	**(150,852)**	(250,844)	(191,053)	(245,103)	(370,260)
Contribution (excess)/deficit	**$ -**	$ -	$ -	$ -	$ -
College's covered payroll	**$ 1,971,707**	$ 3,258,499	$ 2,619,396	$ 2,787,131	$ 4,151,426
Contribution as a percentage of covered payroll	**7.65%**	7.70%	7.29%	8.79%	8.92%

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.

MIDDLESEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - OPEB

June 30, 2022

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2022
Assumptions:
Change in per Capita Claims Costs
Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in Medical Trend Rates
The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate
The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates
The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate
The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2021
Assumptions:
Change in per Capita Claims Costs
Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

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

Change in Investment Rate
The investment rate of return decreased from 7.25% to 7.15%.

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

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

Fiscal year June 30, 2020
<u>Assumptions:</u>
Change in Inflation
The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions
Salary decreased from 4.5% to 4.0%.

Change in Investment Rate
The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs
The original health care trend rate decreased from 8.0% to 7.5%, which impacts the high cost excise tax.

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

Fiscal year June 30, 2019
<u>Assumptions:</u>
Change in Trend on Future Costs
The health care trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

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

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

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

Fiscal year June 30, 2018
Assumptions:
Change in Discount Rate
The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Middlesex Community College
Lowell, 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 the business-type activities of Middlesex Community College (the "College") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 27, 2022.

Our report includes a reference to other auditors who audited the financial statements of the Middlesex Community College Foundation, the discretely presented component unit of the College, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Middlesex Community College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Middlesex Community 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.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 27, 2022