

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

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

June 30, 2023

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

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

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Massachusetts College of Liberal Arts:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit, of Massachusetts College of Liberal Arts (the "College"), as of and for the year ended June 30, 2023, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditor's 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 audit. 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 adopted new accounting guidance, GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. 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.

Auditor's 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 auditor's 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 GAAS 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 GAAS 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 audit.

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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

October 11, 2023

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis

June 30, 2023

The following discussion and analysis provides management's view of the financial position of Massachusetts College of Liberal Arts as of June 30, 2023, 2022, and 2021, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto which are also presented in this document.

Massachusetts College of Liberal Arts is a public institution of higher education serving approximately 831 graduate and undergraduate students, with 91 Full Time Equivalent faculty and 211 staff members. The College offers 25 programs leading to Bachelor of Arts, Bachelor of Science, Master of Business Administration, and Master of Education degrees as well as non-credit programs.

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

Financial Highlights

- At June 30, 2023, the College's assets of \$114,905,806 exceeded its liabilities of \$41,989,163 by \$72,916,643. The resulting net position is summarized into the following categories:

• Invested in capital assets, net of related debt	\$	69,364,199
• Restricted, non-expendable		36,314
• Restricted - expendable		-
• Unrestricted		3,516,130
• Total net position	\$	72,916,643

- The College received a general state Appropriation for Fiscal Year 2023 of \$20,762,995. This appropriation was reduced by tuition remitted to the state of \$134,032, plus fringe benefits of \$7,796,281.
- The College's total net position increased by \$13,266,066. This increase is largely due to DCAMM funding related to the Steam Line project, CARES Act and ARPA funding and a reduction in Operating Expenses.
- The College's Trustees may use the unrestricted net assets to meet the College's ongoing obligations to its stakeholders. Additionally, the restricted, expendable net assets may also be used, but only for the purposes for which the donor or grantor intended.
- The COVID-19 crisis impacted the college with lost revenue mainly due to lower enrollments and continues to have an effect on current enrollments/operations.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

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Management's Discussion and Analysis

June 30, 2023

Overview of the Financial Statements

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

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

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

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

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

The financial statements can be found on pages 13 through 18 of this report.

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 19 through 55 of this report.

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June 30, 2023

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of Massachusetts College of Liberal Arts, assets exceeded liabilities by \$72,916,643 at the close of the most recent fiscal year.

Massachusetts College of Liberal Arts Net Position

	June 30, 2023	June 30, 2022
Current assets	\$ 23,182,444	\$ 19,952,927
Non-current assets	91,542,173	83,567,738
Deferred outflows of resources	<u>181,189</u>	<u>895,249</u>
 Total assets	 <u>\$114,905,806</u>	 <u>\$ 104,415,914</u>
 Current liabilities	 8,963,556	 7,804,967
Non-current liabilities	<u>23,185,363</u>	<u>25,913,962</u>
 Total liabilities	 <u>\$ 32,148,919</u>	 <u>\$ 33,718,929</u>
Deferred inflows of resources	<u>\$ 9,840,244</u>	<u>\$ 11,046,408</u>
Net Position:		
Invested in capital assets, net of related debt	\$ 69,364,199	\$ 60,803,833
Restricted, non-expendable	36,314	33,142
Restricted, expendable	-	-
Unrestricted	<u>3,516,130</u>	<u>(1,186,398)</u>
 Total net assets	 <u>\$ 72,916,643</u>	 <u>\$ 59,650,577</u>

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

Net Assets position increased by \$13,266,066 during the current fiscal year. This increase is largely due to DCAMM funding related to the Steam Line project, Cares Act and ARPA funding and a reduction in Operating Expenses. Net Capital assets increased by \$7,974,435. The depreciation expense on the entire amount of capital assets was \$5,692,854

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Management’s Discussion and Analysis

June 30, 2023

Massachusetts College of Liberal Arts Changes in Net Position

	For the Fiscal Year Ended June 30, 2023	For the Fiscal Year Ended June 30, 2022
Operating Revenues:		
Net tuition and fees	\$10,635,767	\$11,313,096
Grants and contracts	8,392,400	5,894,449
Other sources	1,710,450	1,424,668
Total operating revenues	\$20,738,617	\$18,632,213
Total operating expenses	\$46,919,577	\$50,390,754
Net operating loss	(26,180,960)	(31,758,541)
Non-operating revenues (expenses):		
State appropriation	28,425,244	28,194,832
Cares Act Revenue	1,958,049	4,017,011
Capital appropriations	10,811,874	1,456,028
Investment Income	98,597	31,776
Interest Expense	(1,491,077)	(1,565,307)
Loss on disposal of assets	(355,661)	(6,639)
Increase (decrease) in net assets	13,266,066	369,160
Net assets – beginning of year	\$59,650,577	\$59,281,417
Net assets – end of year	\$72,916,643	\$59,650,577

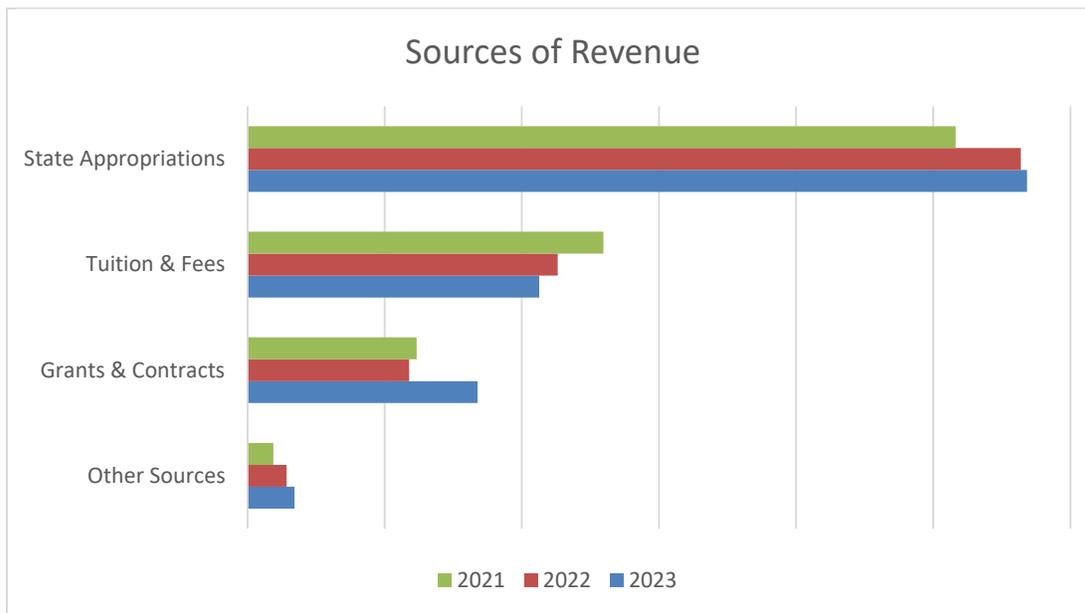
During 2022, The College determined funding received from the Massachusetts Division of Capital Asset Management and Maintenance (“DCAMM”) previously reported as capital appropriations should be reflected as a note payable. The College corrected the error in FY22 resulting in a reduction of net position of \$1,642,284.

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Management's Discussion and Analysis

June 30, 2023



Highlights of operating revenue activity for the year include:

- Net Student Fee revenue and Tuition revenue decreased due to lower enrollment.
- Grants and contracts revenue remained relatively flat.
- Other sources of revenue increased primarily because of COVID-19 diminishing allowing for more outside events.

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

	June 30, 2023	June 30, 2022	Change
Tuition	1,400,842	1,545,286	(144,444)
Room & Board Fee	5,507,351	4,977,937	529,414
Campus Support Fee	6,504,832	6,873,525	(368,693)

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

Management’s Discussion and Analysis

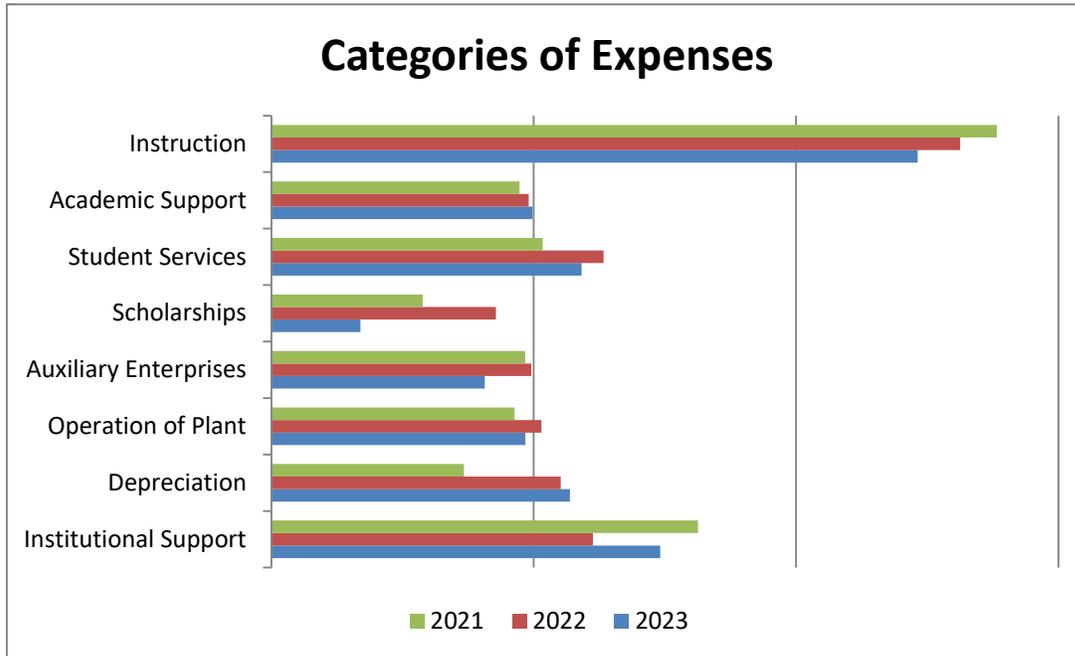
June 30, 2023

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

- Title III “The Persistence to Graduation: A Best Practices Program” in the amount of \$333,676 to increase persistence and four-year graduation rates of MCLA students.
- Skills Capital Grant in the amount of \$263,596 to support equipment for degrees in Environmental Studies
- TRIO Student Support Services Grant in the amount of \$254,399 to provide opportunities for academic development, assist students with basic college requirements, and to motivate students toward successful degree completion.

Expenses

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



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June 30, 2023

Non-operating revenues and expenses

The College received a general state appropriation of \$20,762,995. In addition, state payroll fringe benefits in the amount of \$7,796,281 were received, less tuition remitted to the state of \$134,032, for a total appropriation of \$28,425,244. Interest income increased due to the implementation of our investment plan. Capital appropriations were received for the work related to the water and steam line replacements and various other Capital Projects.

Loss from Operations

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

Capital Assets and Debts of the College

Capital Assets: The College's investment in capital assets as of June 30, 2023 was \$91,542,173 net of accumulated depreciation. This investment in capital assets includes, land, buildings, (including improvements,) leasehold improvements, furnishings, and equipment, (including the cost of capital leases).

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

- Freel Windows \$1,512,761
- Campus Center main roof \$708,302
- Campus Center Patio deck roof \$591,674
- Church St Center roof \$353,190
- Water/Steam repairs (CIP) \$8,312,874

All capital asset purchases are included in the College's capital spending plan submitted to the Board of Higher Education and the Commonwealth's fiscal affairs division. Additional information about the Massachusetts College of Liberal Arts capital assets can be found in Note 7 on page 30 of this report.

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Management's Discussion and Analysis

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Long-term liabilities: The College carries long-term liabilities in the form of accruals for compensated absences and workers compensation (\$3,264,000), bonds with the Mass State College Building Authority (\$4,363,965) for the purchase and construction of the Ashland St. Facilities Building, Campus Center Gym floor, Campus Center & Shipping/Receiving drainage project, the Athletic Complex tennis courts, Centennial room and Athletic Center, and various other projects, and notes payable (\$1,518,214) for the construction of the Energy Performance project. The accrual for compensated absences and worker's compensation consists of the current and long-term portion of sick and vacation pay relating to employees on the College's payroll.

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

In FY23, base appropriations were level funded from FY22. The College received additional funding for formula funding. The student fees were increased in FY23 by 3% to help cover the losses derived from lower enrollments and higher operating costs. Campus based financial aid was also increased to remain competitive amongst peer institutions. Public universities/colleges continue to serve unemployed or underemployed workers seeking to update or upgrade their skills for reentry to the workforce. Lower enrollments compared to pre-COVID levels continue to be a major factor for the College.

Requests for Information

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

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

Statement of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

Current Assets:

Cash and equivalents	\$ 5,690,205
Deposits held by State Treasurer	550,446
Cash held by State Treasurer	1,626,378
Investments	14,074,474
Accounts receivable, net	529,147
Due from Foundation	421,025
Other assets	<u>290,769</u>

Total Current Assets 23,182,444

Non-Current Asset:

Capital assets, net	<u>91,542,173</u>
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Deferred Outflows of Resources:

Pension related	82,353
OPEB related	<u>98,836</u>

Total Deferred Outflows of Resources 181,189

**Total Assets and
Deferred Outflows of Resources** \$ 114,905,806

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,274,644
Accrued payroll	2,087,332
Compensated absences	1,571,026
Workers' compensation	82,021
Students' deposits and unearned revenue	1,856,012
Current portion of notes payable	64,841
Current portion of bond payable	315,426
Current portion of lease liability	<u>1,712,254</u>

Total Current Liabilities 8,963,556

Non-Current Liabilities:

Compensated absences	994,772
Workers' compensation	616,181
Notes payable, net of current portion	1,453,373
Bond payable, net of current portion	4,048,539
Lease liability, net of current portion	14,503,351
SBITA liability	80,190
Net pension liability	659,271
Net OPEB liability	<u>829,686</u>

Total Non-Current Liabilities 23,185,363

Total Liabilities 32,148,919

Deferred Inflows of Resources:

Public-Private Partnership	2,776,216
Pension related	2,065,112
OPEB related	<u>4,998,916</u>

Total Deferred Inflows of Resources 9,840,244

Net Position:

Net investment in capital assets	69,364,199
Restricted:	
Nonexpendable	36,314
Unrestricted	<u>3,516,130</u>

Total Net Position 72,916,643

**Total Liabilities, Deferred Inflows of
Resources and Net Position** \$ 114,905,806

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023

Operating Revenues:	
Tuition and fees	\$ 9,883,863
Residence and dining fees	5,507,351
Less: Scholarship allowances	<u>(4,755,447)</u>
Net student fees	10,635,767
Grants and contracts	8,392,400
Other sources	<u>1,710,450</u>
Total Operating Revenues	<u>20,738,617</u>
Operating Expenses:	
Instruction	12,318,425
Academic support	4,977,845
Student services	5,914,258
Scholarships and fellowships	1,696,483
Auxiliary enterprises	4,067,489
Operation and maintenance of plant	4,840,357
Depreciation	5,692,854
Institutional support	<u>7,411,866</u>
Total Operating Expenses	<u>46,919,577</u>
Net Operating Loss	<u>(26,180,960)</u>
Non-Operating Revenues (Expenses):	
Federal grants	1,958,049
State appropriations, net - unrestricted	28,375,244
State appropriations - restricted	50,000
Net investment income	98,597
Loss on disposal of capital assets	(355,661)
Interest expense	<u>(1,491,077)</u>
Net Non-Operating Revenues	<u>28,635,152</u>
Net Increase in Net Position Before Capital Appropriations	2,454,192
Capital appropriations	2,499,000
Capital appropriations - DCAMM	<u>8,312,874</u>
Net Increase in Net Position	13,266,066
Net Position, Beginning of Year	<u>59,650,577</u>
Net Position, Ending of Year	<u>\$ 72,916,643</u>

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Statement of Cash Flows

For the Year Ended June 30, 2023

Cash Flows from Operating Activities:

Tuition, residence, dining, and other student fees	\$ 10,649,453
Grants and contracts	9,489,981
Payments to suppliers	(11,035,690)
Payments to employees	(23,004,899)
Payments to students	(1,696,483)
Other sources	<u>1,097,032</u>

Net Cash Applied to Operating Activities (14,500,606)

Cash Flows from Non-Capital Financing Activities:

Federal grants	1,958,049
Tuition remitted to the State	(134,032)
State appropriations	<u>20,762,995</u>

Net Cash Provided by Non-Capital Financing Activities 22,587,012

Cash Flows from Capital Financing Activities:

Purchases of capital assets	(1,718,143)
Principal paid on bonds, notes and SBITA leases	(1,965,252)
Interest paid on bonds, notes and SBITA leases	<u>(1,545,591)</u>

Net Cash Applied to Capital Financing Activities (5,228,986)

Cash Flows from Investing Activities:

Purchase of investments	(15,631,651)
Proceeds from sale of investments	1,618,000
Investment income	<u>37,775</u>

Net Cash Applied to Investing Activities (13,975,876)

Net Decrease in Cash and Equivalents

(11,118,456)

Cash and Equivalents, Beginning of the Year

18,985,485

Cash and Equivalents, End of the Year

\$ 7,867,029

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Statement of Cash Flows - Continued

For the Year Ended June 30, 2023

Reconciliation of Net Operating Loss to Net Cash

Applied to Operating Activities:

Net operating loss	\$ (26,180,960)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	5,692,854
Amortization of service concession agreement	(396,603)
Net pension activity	(770,360)
Net OPEB activity	(1,286,604)
Decrease in allowance for doubtful accounts	1,367
Fringe benefits provided by State appropriations	7,796,281
Changes in assets and liabilities:	
Accounts receivable, net	115,303
Other current assets	(203,314)
Due from Foundation	(186,855)
Accounts payable and accrued liabilities	(12,148)
Accrued employee compensation and benefits	(34,204)
Student deposits and unearned revenues	<u>964,637</u>
Net Cash Applied to Operating Activities	<u>\$ (14,500,606)</u>

Reconciliation of Cash and Equivalents to the

Statement of Net Assets:

Cash and equivalents	\$ 5,690,205
Deposits held by State Treasurer	550,446
Cash held by State Treasurer	<u>1,626,378</u>
Cash and Equivalents	<u>\$ 7,867,029</u>

Non-Cash Transactions:

Amortization on bond premiums	<u>\$ 54,514</u>
Capital improvements provided by capital appropriations	<u>\$ 10,811,874</u>
Fringe benefits provided by the State appropriations	<u>\$ 7,796,281</u>
Leased equipment additions	<u>\$ 1,292,199</u>

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS
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Statement of Net Position (Component Unit)

June 30, 2023

Assets

Current Assets:

Cash and equivalents	\$ 183,056
Restricted cash	3,201,830
Investments	16,062,038
Unconditional promises to give	1,170,414
Prepaid expenses	<u>49,365</u>

Total Current Assets 20,666,703

Property and Equipment, net 3,535,393

Other Asset:

Unconditional promises to give, net of current portion	<u>1,944,876</u>
--	------------------

Total Assets \$ 26,146,972

See accompanying notes to the financial statements.

Liabilities and Net Assets

Current Liabilities:

Current portion of long-term debt	\$ 77,686
Current portion of charitable gift annuity liability	3,375
Accounts payable and accrued expenses	7,427
Due to Massachusetts College of Liberal Arts	<u>421,025</u>

Total Current Liabilities 509,513

Long-Term Liabilities:

Long-term debt, net of current portion	1,527,793
Charitable gift annuity liability, net of current portion	<u>17,823</u>

Total Long-Term Liabilities 1,545,616

Total Liabilities 2,055,129

Net Assets:

Without donor restrictions:	
Board designated	779,860
Undesignated	1,555,443
With donor restrictions	<u>21,756,540</u>

Total Net Assets 24,091,843

Total Liabilities and Net Assets \$ 26,146,972

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Statement of Activities and Changes in Net Position (Component Unit)

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Support and Revenues:			
Contributions of cash and other financial asse	\$ 525,545	\$ 2,877,422	\$ 3,402,967
Contributions of nonfinancial assets	228,409	-	228,409
Special events	27,604	-	27,604
Investment return	66,408	1,470,891	1,537,299
Lease revenue	231,132	-	231,132
	<u>1,310,158</u>	<u>(1,310,158)</u>	<u>-</u>
Total Support and Revenues	<u>2,389,256</u>	<u>3,038,155</u>	<u>5,427,411</u>
Contributions, Scholarships and Expenses:			
Program services			
Administrative expenses	1,463,813	-	1,463,813
Fundraising	468,349	-	468,349
	<u>288,829</u>	<u>-</u>	<u>288,829</u>
Total Contributions, Scholarships and Expenses	<u>2,220,991</u>	<u>-</u>	<u>2,220,991</u>
Changes in Net Assets from Operating Activities	168,265	3,038,155	3,206,420
Non-Operating Activity:			
Impairment loss	<u>(28,376)</u>	<u>-</u>	<u>(28,376)</u>
Changes in Net Assets	139,889	3,038,155	3,178,044
Net Assets, Beginning of Year	<u>2,195,414</u>	<u>18,718,385</u>	<u>20,913,799</u>
Net Assets, End of Year	<u>\$ 2,335,303</u>	<u>\$ 21,756,540</u>	<u>\$ 24,091,843</u>

See accompanying notes to the financial statements.

MASSACHUSETTS COLLEGE OF LIBERAL ARTS

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2023

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

Organization

Massachusetts College of Liberal Arts (the "College") was founded in 1894 and is located in North Adams, Massachusetts. It is one of nine state colleges and universities within the Massachusetts Public Higher Education System. Approximately 927 graduate and undergraduate students are enrolled, including evening students and special program students. The College also offers, through the Division of Continuing Education, credit and non-credit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

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

Operations

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

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Operations - continued

The College has been awarded the following HEERF and SIP funds as of June 30, 2023:

	Student Aid	Institutional	Strengthening Institution	Total
	Award	Award	Program	
CARES	\$ 654,699	\$ 654,698	\$ 64,928	\$ 1,374,325
CRRSAA	654,699	1,548,153	93,153	2,296,005
ARPA	1,984,543	1,958,049	173,795	4,116,387
Total	\$ 3,293,941	\$ 4,160,900	\$ 331,876	\$ 7,786,717

The College has recognized the following funds as non-operating Federal grants for the year ended June 30, 2023:

	Student Aid	Institutional	Strengthening Institution	Total
	Award	Award	Program	
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	-	-	-
ARPA	-	1,958,049	-	1,958,049
Total	\$ -	\$ 1,958,049	\$ -	\$ 1,958,049

As of June 30, 2023, the College has spent all the HEERF and SIP funds that it was awarded.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Basis of Presentation and Accounting

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. Massachusetts College of Liberal Arts 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 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, and the Foundation. The College presents statements of net position, revenues and expenses, and changes in net position, and cash flows on a combined College-wide basis.

The College’s policy is to define operating activities in the statement of revenues and expenses as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities including the College’s operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Basis of Presentation and Accounting - continued

The Foundation is a legally separate tax-exempt organization. The Foundation was formed in 1971 to render financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2023 and is therefore discretely presented in the College's financial statements. Complete financial statements can be obtained from the Foundation's administrative offices in North Adams, Massachusetts.

Separate statements of financial position and activities are presented in this report for the College's discretely presented component unit. The financial statements for the Foundation are presented in accordance with FASB.

Net Position

Resources are classified for accounting purposes into the following four net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted - nonexpendable: Net position subject to externally imposed conditions or by law such that the College must maintain in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions or by law that can be fulfilled by the actions of the College or by the passage of time.

Unrestricted: Net Position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Cash and Equivalents

The College's cash and equivalents are cash on hand and cash and deposits held with the Commonwealth's Treasurer, which are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Deposits Held by State Treasurer

Deposits held represents funds accessible by the College held by the Commonwealth of Massachusetts for payments on payroll.

Trust Funds

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

Investments

Investments in marketable securities are stated at fair value.

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

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

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

Allowance for Doubtful Accounts

Accounts and pledges receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Capital Assets

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

Buildings are depreciated over useful lives of 40 years; building and land improvements for 20 years; and equipment and furnishings range from 3 to 10 years. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/subscription term or useful life of the underlying asset.

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

Capital assets are controlled, but not owned by the College. The College is not able to sell or otherwise pledge its assets, since the assets are owned by the Commonwealth.

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, 2023. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2023. Upon retirement, these employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts

Fringe Benefits

The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, and workers' compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College. Workers' compensation costs are assessed separately based on the College's actual experience. The Commonwealth requires the College to record, as a liability, its portion of the future estimated workers' compensation benefits to be paid.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Students' Deposits and Unearned Revenue

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

Pensions

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

Postemployment Benefits Other Than Pensions ("OPEB")

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

Student Fees

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

Tax Status

The College is a component unit of the Commonwealth of Massachusetts and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Foundation is also exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, lease discount rate, and determining the net pension and OPEB liabilities. Actual amounts may differ from the estimates.

Future Governmental Accounting Pronouncements

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.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

As of July 1, 2022, the College implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right to use asset and liability for SBITAs.

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the adjustment for the right to use asset - SBITAs of \$200,735 was completely offset by the adjustment for the SBITA liability. The right to use asset and liability for SBITAs was previously \$0 as of July 1, 2022.

Note 3 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its deposits that are in the possession of the outside parties. The College's policy is to mitigate as much custodial credit risk associated with its cash assets as possible. The carrying amount of the College's bank deposits and deposits in trust depositories are \$5,690,205 as compared to bank balances of \$6,542,080 at June 30, 2023. The differences between the carrying amount and the bank balances were attributed to deposits in transit and outstanding checks.

The College deposits funds with a banking institution that obtained specific depository insurance to mitigate the College's credit risk associated with funds deposited in excess of federally insured levels. In addition to Federal Deposit Insurance Corporation insurance, the College has deposits insured through the Massachusetts Depositors Insurance Fund as well as collateralization in a pool of eligible securities held by Berkshire Bank's Asset Management/Trust Group as custodian. Amounts remaining that are exposed to custodial risk at June 30, 2023 were \$4,380,542. Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2023, the College's bank balances were \$2,080,747, of which none are uninsured and uncollateralized.

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$1,626,378 at June 30, 2023. 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.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 5 - **Investments**

College

Short-term investments are categorized according to the level of risk assumed by the College. At June 30, 2023, the entire balance of investments is held in trust depository accounts in the name of the College and is uninsured. At June 30, 2023, the investments are stated at fair value.

At June 30, 2023, the fair value of the College's investments in debt securities by contractual maturities is as follows:

Investment Type:	Investment Maturity in Years				
	Fair Value	Less than 1	1-5	6-10	>10
U.S. Treasuries	\$ 14,074,474	\$ 9,994,781	\$ 4,079,693	\$ -	\$ -

At June 30, 2023, the College's U.S. Treasury Notes and Bills quality ratings are as follows:

Investment Type:	Quality Ratings		
	Fair Value	AAA	Not Rated
U.S. Treasuries	\$ 14,074,474	\$ 13,866,765	\$ 207,709

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs. The College's investments are made up of U.S. Treasuries which are Level 1.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 5 - **Investments - Continued**

Fair Value Hierarchy - continued

Following is a description of the valuation methodology used for assets measured at fair value.

U.S. Government obligations are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Foundation

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

Foundation investments, which are carried at fair value, as of June 30, 2023 are as follows:

Money market funds	\$ 88,901
Equities	6,391,342
Corporate bonds	690,163
Certificates of deposit	489,619
Mutual funds	<u>8,402,013</u>
Total	\$ <u>16,062,038</u>

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

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

June 30, 2023

Note 6 - Accounts Receivable

The accounts receivable balance was comprised of the following at June 30, 2023:

Student accounts receivable	\$ 178,063
Grants receivable	462,344
Other receivables	<u>31,365</u>
	671,772
Less: allowance for doubtful accounts	<u>142,625</u>
	<u>\$ 529,147</u>

Note 7 - Capital Assets

Capital assets consist of the following at June 30, 2023:

	(Restated)				
	Beginning				Ending
	Balance	Additions	Retirements	Reclassifications	Balance
Capital assets, not depreciable:					
Land	\$ 619,442	\$ -	\$ -	\$ -	\$ 619,442
Construction in progress	<u>1,127,275</u>	<u>11,627,189</u>	<u>-</u>	<u>(3,369,372)</u>	<u>9,385,092</u>
Total capital assets non-depreciable	<u>1,746,717</u>	<u>11,627,189</u>	<u>-</u>	<u>(3,369,372)</u>	<u>10,004,534</u>
Capital assets, depreciable:					
Building, including improvements	111,343,174	460,341	1,347,145	3,071,201	113,527,571
Furnishing and equipment	9,091,061	442,487	-	298,171	9,831,719
Software arrangements	200,735	-	-	-	200,735
Leased equipment	-	1,292,199	-	-	1,292,199
Leased buildings	<u>17,260,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,260,788</u>
Total capital assets	<u>139,642,475</u>	<u>13,822,216</u>	<u>1,347,145</u>	<u>-</u>	<u>152,117,546</u>
Less: accumulated depreciation					
Building, including improvements	46,227,769	3,714,064	991,483	-	48,950,350
Furnishings and equipment	8,226,918	486,898	-	-	8,713,816
Software arrangements	-	40,147	-	-	40,147
Leased equipment	-	32,430	-	-	32,430
Leased building	<u>1,419,315</u>	<u>1,419,315</u>	<u>-</u>	<u>-</u>	<u>2,838,630</u>
Total accumulated depreciation	<u>55,874,002</u>	<u>5,692,854</u>	<u>991,483</u>	<u>-</u>	<u>60,575,373</u>
Capital assets, net	<u>\$ 83,768,473</u>	<u>\$ 8,129,362</u>	<u>\$ 355,662</u>	<u>\$ -</u>	<u>\$ 91,542,173</u>

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 8 - **Deferred Inflows of Resources**

The College has entered into an agreement with a nongovernmental operator for management of the food services operations and related dining facilities of the College (the "agreement"). Pursuant to the terms of the agreement, a financial commitment made during fiscal year 2021 of \$4,500,000 was re-amortized and the commitment term was extended to June 2030 (previously June 2028). This financial commitment is categorized as a public-private partnership under GASB 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, to be paid in two installments. The financial commitment is for facilities renovations to the College, including areas of the dining facilities, and will be amortized for the term of the agreement. The College has accounted for these monies as deferred inflows of resources. The balance of deferred inflows of resources at June 30, 2023 was approximately \$2,776,000. The College reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$3,500,000 at June 30, 2023.

Note 9 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2023 consist of:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases, SBITA bonds and notes payable:					
Lease liability	\$16,456,063	\$ 1,292,199	\$ 1,532,657	\$16,215,605	\$ 1,712,254
SBITA liability	200,735	-	120,545	80,190	-
Notes payable	1,581,166	-	62,952	1,518,214	64,841
Bonds payable	4,281,422	-	249,098	4,032,324	268,161
Bond premium	386,155	-	54,514	331,641	47,265
Total leases, SBITA bonds and notes payable	<u>\$22,905,541</u>	<u>\$ 1,292,199</u>	<u>\$ 2,019,766</u>	<u>\$22,177,974</u>	<u>\$ 2,092,521</u>
Other long-term liabilities:					
Compensated absences	\$ 2,635,448	\$ -	\$ 69,650	\$ 2,565,798	\$ 1,571,026
Workers' compensation	680,790	17,412	-	698,202	82,021
Net pension liability	1,252,072	-	592,801	659,271	-
OPEB liability	2,198,347	-	1,368,661	829,686	-
Total other long-term liabilities	<u>\$ 6,766,657</u>	<u>\$ 17,412</u>	<u>\$ 2,031,112</u>	<u>\$ 4,752,957</u>	<u>\$ 1,653,047</u>

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Lease Payable

Lease agreements are summarized as follows:

Description	Expiration Date	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/2023
Equipment Leases	Various	\$2,275 - \$11,563	Implicit/IBR	2.22% - 5.57%	\$ 1,252,550
MSCBA - 03A - Renewal	5/1/2037	Varies	Implicit	3.43%	154,219
MSCBA - 04A - Renewal	5/1/2037	Varies	Implicit	3.26%	55,764
MSCBA - 08A - Renewal	5/1/2036	Varies	Implicit	2.63%	3,235,494
MSCBA - 09A - Renewal	5/1/2036	Varies	Implicit	3.60%	1,283,902
MSCBA - 09C - Renewal	5/1/2033	Varies	Implicit	4.95%	1,006,429
MSCBA - 10B - Renewal	5/1/2038	Varies	Implicit	5.40%	2,951,082
MSCBA - 12A - Renewal	5/1/2038	Varies	Implicit	2.58%	543,836
MSCBA - 15A - Renewal	5/1/2038	Varies	Implicit	4.73%	1,467,425
MSCBA - 17A - Berkshire	5/1/2038	Varies	Implicit	3.39%	1,715,762
MSCBA - 99A Pooled Debt Service	5/1/2028	Varies	Implicit	35.61%	1,771,256
MCLA Foundation - Various Properties 66 Allen Street, Pittsfield MA	9/1/2027 8/1/2023	\$ 15,808 Varies	IBR IBR	2.25% 2.25%	767,916 9,971
Total					\$ 16,215,605

Building Leases

In October 2018, the College entered into a ten-year lease agreement with the Foundation for various administrative buildings. Payments of \$15,808 are due monthly. There are no options to renew the lease. The College did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

In September 2018, the College entered into a five-year lease agreement for classroom space in Pittsfield, MA. Payments ranging from \$3,889 to \$5,718 are due monthly. There are no options to renew the lease. The College did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

Equipment Leases

In 2023, the College entered into four lease agreements for various equipment. Payments range from \$2,275 to \$11,563 and are due monthly. There are no options to renew the lease or purchase the leased equipment. The College did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

The College's incremental borrowing rate ("IBR") for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

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

June 30, 2023

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

MSCBA Leases

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority (“MSCBA”) from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the College’s residence halls. The residence halls and the associated liability are reflected on the financial statements of MSCBA. MSCBA leases the residence halls to the College. According to an agreement between the Commonwealth of Massachusetts and the College, the College is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the residence halls and operating costs for the residence halls incurred by MSCBA. If MSCBA refunds the bonds, any cost savings are passed through to the College. The lease term is completed when the final bond payment is made, which is scheduled for May 2038. The lease liability was calculated based upon the discounting of the future bond service payments using the average interest rate of individual bond issuance ranging from 2.6% to 35.6%. Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2023, debt service payments related to leases paid by the College was \$2,556,738 and other payments of \$440,310.

At June 30, 2023, the total amount of the right of use lease assets and accumulated amortization for leases were \$18,552,987 and \$2,871,060, respectively.

Maturities of the leases payable subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,712,254	\$ 1,265,028
2025	1,796,777	1,155,002
2026	1,936,715	1,021,085
2027	2,087,166	855,511
2028	2,222,790	633,922
2029-2033	3,800,685	838,933
2034-2038	<u>2,659,218</u>	<u>291,535</u>
	<u>\$ 16,215,605</u>	<u>\$ 6,061,016</u>

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Notes to the Financial Statements - Continued

June 30, 2023

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

Subscription-Based Information Technology Arrangements

The College has entered into a subscription-based information technology arrangement (“SBITA”) involving its student tracking and recruitment software. The agreement is for five years and was initiated June 30, 2022. The College has used a 2.22% discount rate for this arrangement based on another equipment lease during the same fiscal year to determine the present value of the intangible right to use asset and SBITA liability. There is no option for extension of the agreement or to purchase the software. For the year ended June 30, 2023, the College paid an additional \$20,000 for services not included in the monthly lease payments.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$200,735 and \$40,147, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 37,257	\$ 5,359
2026	<u>42,933</u>	<u>963</u>
	<u>\$ 80,190</u>	<u>\$ 6,322</u>

Bonds Payable

The College has project revenue bonds outstanding (series 2009C, 2012B, 2012C, 2014D, 2015A, 2019A, 2019C, 2020A, 2021B, 2022A) issued through Massachusetts State College Building Authority. The bonds were issued to finance certain renovations and repairs to the College’s buildings and athletic fields. Principal is payable annually, ranging from approximately \$5,000 to \$80,000, with interest payable semiannually at a predetermined rate, which varies between 1.0% and 5.6%, maturing 2026 through 2041.

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

June 30, 2023

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

Bonds Payable - continued

Maturities of the bond payable subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 268,161	\$ 172,762
2025	286,138	159,577
2026	290,353	145,443
2027	310,439	130,552
2028	299,800	115,094
2029-2033	1,527,433	342,518
2034-2038	810,000	98,506
2039-2041	<u>240,000</u>	<u>9,094</u>
	<u>\$ 4,032,324</u>	<u>\$ 1,173,546</u>

Notes Payable

The College was involved with an Energy Equipment Design-Build Project on-site through the Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"). The goal of the project was to make the facilities at the College more energy efficient, thus reducing utility expenses. The project was partially financed by Commonwealth General Obligation bond funds and utility incentives, with the balance being loaned to the College from the Clean Energy Investment Program ("CEIP") Fund. The total value of the project was \$5,546,235, with the CEIP loan to the College totaling \$1,642,285, at a fixed interest rate of 3%, to be repaid over 20 years after DCAMM closes the project. The College makes annual payments of \$110,387.

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

June 30, 2023

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

Notes Payable - continued

Maturities of the notes payable subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 64,841	\$ 45,546
2025	66,786	43,601
2026	68,790	41,598
2027	70,853	39,534
2028	72,979	37,408
2029-2033	399,079	152,857
2034-2038	462,642	89,294
2039-2041	<u>312,244</u>	<u>18,919</u>
	<u>\$ 1,518,214</u>	<u>\$ 468,757</u>

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

At June 30, 2023, long-term debt consists of the following:

Mortgage note payable to MountainOne Bank, payable in monthly payments of \$3,024. Interest is fixed at 3.25% for the first five years, adjusting to FHLBB 5 Year Classic Advance Rate plus 200 BPS with a floor of 3.25%. Maturing October 2041. Secured by real property. \$ 498,998

Mortgage note payable to Adams Community Bank, payable in monthly payments of \$4,269. Interest is fixed at 4.5% for the first five years, adjusting to FHLB Rate plus 2.75% with a floor of 4.5% and ceiling of 16%. Maturing May 2042. Secured by real property. 534,548

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

June 30, 2023

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

Mortgage note payable to Greylock Federal Credit Union, payable in monthly installments of \$4,948, including interest at 3.37% through June 2035. Secured by real property.	\$ <u>583,732</u>
	1,617,278
Less: Loan origination fees	<u>11,799</u>
Long Term Debt, net	1,605,479
Less: Current portion of long-term debt	<u>77,686</u>
Total long-term debt, net of current portion	<u>\$ 1,527,793</u>

Future principal payments subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 78,456	\$ 59,592
2025	81,490	56,558
2026	84,520	53,528
2027	87,243	51,541
2028	88,409	54,058
2029-2033	499,269	213,067
2034-2038	423,831	110,377
2039-2042	<u>274,060</u>	<u>26,319</u>
	<u>\$ 1,617,278</u>	<u>\$ 625,040</u>

Note 11 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. Restricted-nonexpendable funds consist of endowment funds, the income from which are available for academic programs. Restricted-expendable funds are available for academic programs.

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

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Notes to the Financial Statements - Continued

June 30, 2023

Note 12 - **Related Party Transactions**

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

Note 13 - **Contingencies**

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

The College receives significant financial assistance from federal and State agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

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

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

June 30, 2023

Note 14 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are comprised of the following at June 30, 2023:

Compensation and benefits	\$ 28,710,012
Supplies and services	10,820,228
Depreciation	5,692,854
Scholarships and fellowships	<u>1,696,483</u>
	\$ <u>46,919,577</u>

Note 15 - **Pensions**

Defined Benefit Plan Description

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

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

Benefit Provisions

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

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

June 30, 2023

Note 15 - **Pensions - Continued**

Benefit Provisions - continued

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

Contributions

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by State appropriations. Pension funding for employees paid from State appropriations is made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$3,296,151, \$3,276,301, and \$2,957,507, for the years ended June 30, 2023, 2022 and 2021, respectively.

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

June 30, 2023

Note 15 - **Pensions - Continued**

Contributions - continued

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.70%, 16.11% and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed \$47,757, \$66,709, and \$142,717 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 91%, 89%, and 90% of total related payroll for fiscal years ended 2023, 2022 and 2021, respectively.

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

At June 30, 2023, the College reported a liability of \$659,271 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, 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, 2022 rolled forward to June 30, 2022.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for fiscal year 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023, relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.005%.

For the year ended June 30, 2023, the College recognized pension benefit of (\$722,601).

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

June 30, 2023

Note 15 - **Pensions - Continued**

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

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 47,757
Difference between expected experience	16,400
Changes in proportion due to internal allocation	
Changes in proportion from the Commonwealth of Massachusetts	45
Change in plan assumptions	<u>18,151</u>
Total	\$ <u>82,353</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 3,515
Difference between expected experience	25,732
Change in proportion from the Commonwealth of Massachusetts	1,783
Change in proportion due to internal allocation	<u>2,034,082</u>
Total	\$ <u>2,065,112</u>

The College's contributions of \$45,757 made during the fiscal year ending 2023, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

June 30, 2023

Note 15 - **Pensions - Continued**

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

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

Years Ending <u>June 30,</u>	
2023	\$ (469,523)
2024	(481,015)
2025	(501,735)
2026	(436,210)
2027	<u>(142,033)</u>
Total	\$ <u>(2,030,516)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Interest rate credited to annuity savings fund	3.50%

For measurement date June 30, 2022, 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.

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

June 30, 2023

Note 15 - **Pensions - Continued**

Actuarial Assumptions - continued

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.

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 and rolled forward to June 30, 2022.

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.0%	4.2%
Portfolio Completion Strategies	10.0%	2.7%
Core Fixed Income	15.0%	0.5%
Private Equity	15.0%	7.3%
Real Estate	10.0%	3.3%
Value Added Fixed Income	8.0%	3.7%
Timber/Natural Resources	4.0%	3.9%
Total	100.0%	

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

June 30, 2023

Note 15 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30, 2023:

1.00% Decrease	Current Discount Rate	1.00% Increase
(6.00%)	(7.00%)	(8.00%)
\$ 909,285	\$ 659,271	\$ 447,723

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

Plan Description

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

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

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

June 30, 2023

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

Plan Description - continued

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

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

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022, and as of the valuation date (January 1, 2022), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the fiscal year ended June 30, 2023. The College contributed \$20,812 for the fiscal year ended June 30, 2023, equal to 100% of the required contribution for the year.

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

June 30, 2023

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

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

At June 30, 2023, the College reported a liability of \$829,686 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. 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 year 2023. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022, relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.006%.

For the year ended June 30, 2023, the College recognized an OPEB benefit of \$(1,265,791). The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 20,812
Difference between expected and actual experience	15,273
Change of assumptions	61,109
Net difference between projected and actual earnings on pension plan investments	1,261
Changes in proportion from the Commonwealth of Massachusetts	<u>381</u>
Total	\$ <u>98,836</u>

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Notes to the Financial Statements - Continued

June 30, 2023

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

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

Deferred Inflows of Resources

Difference between expected experience	\$ 137,364
Changes in proportion due to internal allocation	4,557,175
Changes in proportion from the Commonwealth of Massachusetts	4,097
Change in plan assumptions	<u>300,281</u>
Total	\$ <u>4,998,917</u>

The College's contributions of \$20,812 made during the fiscal year 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2024	\$ (1,148,713)
2025	(1,147,451)
2026	(1,142,664)
2027	(1,137,071)
2028	<u>(344,994)</u>
Total	\$ <u>(4,920,893)</u>

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Notes to the Financial Statements - Continued

June 30, 2023

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

Actuarial Assumptions

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

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	4.0% per year
Investment rate of return	7.00%, 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 2022_f4. Medicare and non-medicare benefits range from 3.94% to 9.11%

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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Actuarial Assumptions – continued

- 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:

	Under 65	Age 65+
Indemnity	28.0%	96.0%
POS/PPO	60.0%	0.0%
HMO	12.0%	6.0%

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the periods ranging from July 1, 2020 through December 31, 2021, 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, 2023 are the same as discussed in the Pension footnote number 15.

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate (3.54%) 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 2042 for the fiscal year 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

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

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 one-percentage-point lower or one-percentage-point higher than the current discount rate:

1.00% Decrease	Current Discount Rate	1.00% Increase
(3.30%)	(4.30%)	(5.30%)
\$ 967,918	\$ 829,686	\$ 716,138

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 one-percentage-point lower or one-percentage-point higher than the current health care cost trend rates:

1.00% Decrease	Current Health Care Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 695,514	\$ 829,686	\$ 818,639

(A) - Current health care cost trend rate, as disclosed on page 49.

(B) - one-percentage decrease in current healthcare cost trend rate, as disclosed on page 49.

(C) - one-percentage increase in current healthcare cost trend rate, as disclosed on page 49.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 17 - **Fringe Benefits Provided by State**

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

Group Insurance Commission

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

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2023, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

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

Notes to the Financial Statements - Continued

June 30, 2023

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

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

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

During the year ended June 30, 2023, the College received restricted State appropriations of \$50,000 to support the work of the Berkshire Cultural Resource Center.

The College's State appropriation comprises the following at June 30, 2023:

Direct unrestricted appropriations	\$ 20,712,995
Add: Fringe benefits for benefited employees on the state payroll	7,796,281
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(134,032)</u>
Total Unrestricted Appropriations	<u>28,375,244</u>
Restricted appropriations	<u>50,000</u>
Capital appropriations:	
Direct	2,499,000
Department of Capital Asset Management Allocation	<u>8,312,874</u>
Total Capital Appropriations	<u>10,811,874</u>
Total Appropriations	\$ <u>39,237,118</u>

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

Notes to the Financial Statements - Continued

June 30, 2023

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

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

Revenue per MMARS	\$ <u>20,315,125</u>
Revenue per College	\$ <u>20,315,125</u>

Note 19 - **Pass - Through Grants**

The College distributed \$4,439,697 in 2023 for student loans through the U.S. Department of Education Direct Student Loan Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 20 - **Massachusetts State College Building Authority**

MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses.

The College is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls, as well as debt service on instruments issued by MSCBA for dormitory and other major construction projects for the College. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations and certain MSCBA operating costs.

These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus, which has included athletic field construction and repair.

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the College for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the College for the year ended June 30, 2023 was \$2,997,048. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset by a lease liability.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 21 - **Subsequent Event**

On July 13, 2023, the MSCBA closed on \$1,520,000 of Project Revenue Bonds Series 2023A for the purpose of providing funding for a soccer field turf replacement at the College. The first principal payment is due on May 1, 2024, and the final principal payment is on May 1, 2043. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 3.25% to 5%.

Required Supplementary Information

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

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

Massachusetts State Employee Retirement System

Year end	June 30 2023	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, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2022	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	0.005%	0.012%	0.023%	0.024%	0.029%	0.036%	0.029%	0.034%	0.030%
Proportionate share of the collective net pension liability	\$ 659,271	\$ 1,252,072	\$ 3,956,157	\$ 3,504,591	\$ 3,808,223	\$ 4,603,049	\$ 3,930,927	\$ 3,871,254	\$ 2,259,312
Covered payroll	\$ 414,084	\$ 973,513	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171	\$ 2,166,212	\$ 2,049,258	\$ 2,257,364
Proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	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	71.05%	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 supplemental information.

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

Schedules of the Contributions - Pension (Unaudited)

Massachusetts State Employee Retirement System

For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 47,757	\$ 66,709	\$ 142,717	\$ 249,172	\$ 238,478	\$ 263,226	\$ 280,607	\$ 204,707	\$ 212,918
Contributions in relation to the contractually required contribution	<u>47,757</u>	<u>66,709</u>	<u>142,717</u>	<u>249,172</u>	<u>238,478</u>	<u>263,226</u>	<u>280,607</u>	<u>204,707</u>	<u>212,918</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 285,970	\$ 414,084	\$ 973,513	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171	\$ 2,166,212	\$ 2,049,258
Contribution as a percentage of covered payroll	16.70%	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 supplemental information.

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

Notes to the Required Supplementary Information - SERS (Unaudited)

June 30, 2023

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

Measurement date – June 30, 2022

The inflation rate of return changed from 3.00% to 2.50%.

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.

The mortality rate assumptions were changed as follows:

- Disabled members – was changed from reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) to reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward One year

See Independent Auditor's Report.

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

Notes to the Required Supplementary Information - SERS (Unaudited)

June 30, 2023

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

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 one 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 one year for females
- Disability – did not change

Measurement date – June 30, 2016

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

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

See Independent Auditor’s Report.

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

Notes to the Required Supplementary Information - SERS (Unaudited)

June 30, 2023

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

See Independent Auditor’s Report.

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

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

Massachusetts State Retirees' Benefit Trust

Year end	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.006%	0.014%	0.025%	0.038%	0.045%	0.051%
Proportionate share of the collective net OPEB liability	\$ 829,686	\$ 2,198,347	\$ 5,090,647	\$ 6,606,747	\$ 8,333,099	\$ 8,952,955
Covered payroll	\$ 414,084	\$ 973,513	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516	\$ 2,820,171
Proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.96%	6.96%	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplemental information.

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

Schedules of the Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 20,812	\$ 31,681	\$ 74,942	\$ 129,077	\$ 173,897	\$ 199,293
Contributions in relation to the contractually required contribution	<u>20,812</u>	<u>31,681</u>	<u>74,942</u>	<u>129,077</u>	<u>173,897</u>	<u>199,293</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 285,970	\$ 414,084	\$ 973,513	\$ 1,769,688	\$ 1,977,430	\$ 2,234,516
Contribution as a percentage of covered payroll	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplemental information.

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

June 30, 2023

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2023

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 2022_f4. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.30% (based upon a blend of the Bond Buyer Index rate (3.54%) as of the measurement date as required by GASB Statement 74.

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.

See Independent Auditor's Report.

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

Notes to the Required Supplementary Information – OPEB

June 30, 2023

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

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

See Independent Auditor's Report.

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

Notes to the Required Supplementary Information – OPEB

June 30, 2023

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

See Independent Auditor's Report.

Supplemental Information

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

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

June 30, 2023

Assets

Assets:

Cash and equivalents	\$ 445,216
Accounts receivable, net	<u>4,476</u>

Total Dormitory Trust Fund Assets	\$ <u>449,692</u>
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Liabilities and Net Position

Liabilities:

Accounts payable	\$ 39,302
Unearned revenue	<u>33,520</u>

Total Dormitory Trust Fund Liabilities	72,822
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Net Position	<u>376,870</u>
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Total Dormitory Trust Fund Liabilities and Net Position	\$ <u>449,692</u>
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MASSACHUSETTS COLLEGE OF LIBERAL ARTS
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Revenues:	
Student fees	\$ 3,216,329
Repair income	3,428
Commissions	314
Other	<u>190,029</u>
Total Revenues	<u>3,410,100</u>
Expenses:	
Employee compensation	7,614
Student employee compensation	138,456
Pension and insurance related	193
Administrative	8,143
Facility operational	314,474
Energy costs	454,905
Operational services	22,955
Equipment purchases	16,426
Educational assistance	68,000
Loans and special payments	<u>2,600,751</u>
Total Expenses	<u>3,631,917</u>
Net Decrease in Net Position	(221,817)
Net Position, Beginning of Year	<u>598,687</u>
Net Position, End of Year	<u>\$ 376,870</u>

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Massachusetts College of Liberal Arts:

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 Massachusetts College of Liberal Arts (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2023, 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 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Withum Smith + Brown, PC

October 11, 2023