

**MASSACHUSETTS COLLEGE  
OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**JUNE 30, 2021**

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

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

**June 30, 2021 and 2020**

**C O N T E N T S**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Massachusetts College of Art and Design  
Boston, Massachusetts

### **Report on Financial Statements**

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

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Massachusetts College of Art and Design and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

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

## **Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's financial statements as a whole. The Schedule of Net Position – Residence Hall Trust Fund Report and the Schedule of Revenues, Expenses, and Changes in Net Position – Residence Hall Trust Fund Report are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

October 12, 2021

# **MASSACHUSETTS COLLEGE OF ART AND DESIGN**

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

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

**June 30, 2021**

This document is intended to provide an overview of the financial position and activities of Massachusetts College of Art and Design (the "College") for the year ended June 30, 2021. This discussion and analysis has been prepared by management and should be read in conjunction with the enclosed financial statements and footnotes. Responsibility for the fairness and completeness of this narrative rests with the College.

Massachusetts College of Art and Design is a member of the Commonwealth's Public Higher Education System. The College serves over 2100 students, offering baccalaureate, graduate degrees and certificate programs as well as continuing education programs and campus housing. The institution is the only publicly funded, freestanding college of art and design in the United States. The college offers 18 programs leading to a Bachelor of Fine Arts, Master programs in 9 disciplines as well as non-credit programs. The College employs approximately 370 - 129 full-time faculty and 241 staff. Our urban campus is located on the Avenue of the Arts (Huntington Avenue) in Boston, Massachusetts.

In FY2004, the College embarked on a *New Partnership with the Commonwealth* (Partnership Plan), which allows the College to retain tuition and strategically grow enrollment. In FY2008, the College received confirmation from the Legislative Branch and Executive Branch that the partnership is no longer considered a pilot, and that the status articulated in FY2004 is permanent. In accordance with this legislation, the College operates under a five-year financial and academic plan approved by the Massachusetts Board of Higher Education and the Massachusetts College of Art and Design Board of Trustees. The current plan was renewed in FY2015 and operates through 2020. In 2020, prior to President Nelson's departure, it was verbally agreed upon with Department of Higher education (DHE) to allow the college to continue to operate under the existing plan. MassArt will work with DHE to agree on a scheduled date.

The Massachusetts College of Art and Design Foundation, Inc., which is a legally separate 501(c) (3) corporation, provides financial support to the College's programs and activities. The Foundation's relationship with the College is highlighted in Massachusetts General Laws Chapter 15a Section 37. In accordance with Governmental Accounting Standards Board, Statement 39, the College reports Foundation financial activity in a separate column in our report.

The Massachusetts College of Art and Design financial statements are designed to provide readers with a broad overview of the College's finances as a whole including all sources of funds and related activity.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

June 30, 2021

### USING THE FINANCIAL STATEMENTS

The Massachusetts College of Art and Design's financial statements are comprised of two parts: (1) the financial statements and (2) the notes to the financial statements. These financial statements are presented on a consolidated basis to focus on the College as a whole. These financial statements are prepared in accordance with Government Accounting Standards Board principles. The financial statements include the Statement of Net Position; the Statement of Revenues and Expenses; the Statement of Changes in Net Position and the Statement of Cash Flows.

Assets and liabilities are presented in current (short-term) and non-current (long-term) activity. Revenue and expenses are categorized as operating and non-operating; most significant is that the annual state appropriation is presented as non-operating revenue. A brief description of the components of the financial statements is as follows:

The *Statement of Net Position* presents the financial position of the College, showing information on all of the College's assets and liabilities, with the difference reported as *net position*. Assets and liabilities are measured using current values, except capital assets, which are stated at historical cost less a depreciation allowance.

The *Statement of Revenues and Expenses* and the *Statement of Changes in Net Position* present the change in net position for the fiscal year, showing both the gross and net costs of the College's activities supported by state and other revenues.

The *Statement of Cash Flows* presents cash inflows and outflows as operating, capital and non-capital financing and investing activity.

### FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

- In FY2021, the College was funded by both operating revenue (local tuition and fees), and non-operating revenue (state appropriations).
- The College received a general state Appropriation (non-operating revenue for FY2021, the College received an allocation of state support of \$20,783,822 and \$371,201 in formula funds.
- Overall non-operating revenue in FY2021 increased by approximately \$1.7 million from FY2020 total of \$30,710,417 to FY2021 total of \$32,450,042.

In FY'21 CARES Act funds in the amount of \$2.3 million were distributed through non-operating revenue as direct support to students as the college went to remote instruction due to

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

## (an agency of the Commonwealth of Massachusetts)

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

June 30, 2021

#### FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE continued

the COVID 19 pandemic. The funds were used to provide grants to students and provide a safe environment for teaching and learning.

- The College's operating expenses for FY2021 totaled \$72,961,871, a decrease from the prior year of approximately \$6.6 million or 8.3%. The reduction is across every category of expense including payroll, utilities, travel, and supplies and financial aid.

#### FINANCIAL HIGHLIGHTS

	FY21	FY20
Operating revenues (tuition and fees)	\$ 43,040,223	\$ 49,650,898
Operating Expenses	\$ 72,961,871	\$ 79,618,866
<b>Net operating Loss</b>	<b>\$ (29,921,648)</b>	<b>\$ (29,967,768)</b>
Non-Operating Revenues (state support)	\$ 32,450,042	\$ 30,710,417
Change in net Position before Capital	\$ 2,528,394	\$ 742,649
Total Capital Improvements	\$ 2,364,906	\$ 819,392
<b>Change in net Position before Capital</b>	<b>\$ 4,893,300</b>	<b>\$ 1,562,041</b>

- Change in Net Position is \$4.8M, due in part to a reduction in overall expenses and increased in non-operating revenue combined with an increase in capital improvements from FY20.

#### STATEMENT OF NET POSITION

In FY2021, the College recorded an increase of \$15,516,056 in total assets, an increase of \$13,317,885 in total liabilities, along with accounting changes to deferred inflows and outflows of resources, resulting in an overall change to the net position of \$4,893,300.

The College's assets total \$139,019,740 of which non-current represents 78%, and 22% represents current assets. It is important to note the primary assets of the College are non-current and represent the value of fixed plant and equipment.

The College's liabilities total \$54,122,317 of which 78% represents long-term (non-current) obligations related to accrued employee compensation, debt service costs and the accounting for the net pension liability and the



**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

**STATEMENT OF NET POSITION continued**

new OPEB liability. Current liabilities represent 22% of the total and consist of accounts payable, deferred revenue and the current portion of long-term obligations.

The College also has deferred outflows of resources of \$3,620,173 and deferred inflows of resources of \$1,404,330 at year-end. These account for other changes in the net pension and OPEB valuations.

The College closed FY2021 in a positive financial position and has sufficient current assets to cover current liabilities, a current ratio of (2.79:1). The current assets are \$32,632,734 and the current liabilities are \$11,695,460.

**STATEMENT OF REVENUES AND EXPENSES**  
**NET POSITION**

	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Current Assets	<b>\$32,632,734</b>	\$22,461,117	\$22,271,663
Non-Current Assets	<b><u>106,387,708</u></b>	<u>101,042,567</u>	<u>102,818,895</u>
<b>Total Assets</b>	<b>139,019,740</b>	123,503,684	125,090,558
Deferred Outflows of Resources	<b><u>3,620,173</u></b>	<u>907,282</u>	<u>970,416</u>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b><u>142,639,913</u></b>	<u>124,410,966</u>	<u>126,060,974</u>
Current Liabilities	<b>11,695,460</b>	8,887,031	10,116,361
Non-Current Liabilities	<b><u>42,426,857</u></b>	<u>31,917,401</u>	<u>33,741,850</u>
<b>Total Liabilities</b>	<b>54,122,317</b>	40,804,432	43,858,211
Deferred Inflows of Resources	<b><u>1,404,330</u></b>	<u>1,386,568</u>	<u>1,544,838</u>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b><u>55,526,647</u></b>	<u>42,191,100</u>	<u>45,403,049</u>
<b>Total Net Position</b>	<b><u>\$ 87,113,266</u></b>	<u>\$ 82,219,966</u>	<u>\$80,657,925</u>

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

**STATEMENT OF NET POSITION continued**

The difference between total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources (net position) is \$86,975,401. The net position is detailed as follows:

	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Restricted	<b>\$1,604,898</b>	\$986,211	\$1,092,888
Unrestricted	<b>11,023,168</b>	6,242,948	4,543,360
Investments in Capital Assets, Net	<b><u>74,485,200</u></b>	<u>74,990,807</u>	<u>75,021,677</u>
Total Net Position	<b><u>\$87,113,266</u></b>	\$ <u>82,219,966</u>	\$ <u>80,657,925</u>

The College has positive balances in all three net position categories at the end of FY2019, FY2020 and FY2021. Capital assets, representing land, buildings, construction in progress, equipment and educational resource materials, account for 92% of the College's total net position. Restricted funds are for specialized program activities and financial aid loan programs, which are subject to external restrictions on use.

The College, at year-end, has a local unrestricted fund balance of \$23,539,168. We also have unfunded liabilities with the Commonwealth of Massachusetts Unrestricted Fund Balance totaling (\$12,516,000). The Commonwealth Unrestricted Fund Balance includes liabilities for employee's accumulated sick and vacation leave, net pension activity and OPEB.

College's Unrestricted Fund Balance	\$ 23,539,168
Commonwealth of Massachusetts Unrestricted Fund Balance	<u>(12,516,000)</u>
Total Unrestricted Funds	\$ <u>11,023,168</u>

Note 21 of the Financial Statements, *Title to Various Assets and Liabilities*, explains the unrestricted fund balance in more detail.

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

**STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION**

The statement of revenues and expenses and statement of changes in net position presents the College's results of operations. A summary of the FY2021 operating and non-operating revenue, expenses and net position is as follows:

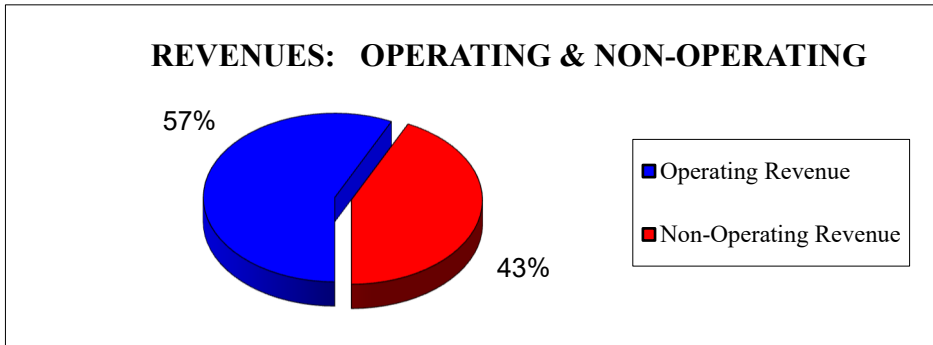
<b>I.</b>	NET POSITION, BEGINNING OF YEAR	\$ 82,219,966
<b>II.</b>	OPERATING REVENUE	
	TUITION, FEES, & OTHER REVENUE	43,040,223
<b>III.</b>	OPERATIONAL EXPENSES	<u>72,961,871</u>
<b>IV.</b>	<b>OPERATING LOSS (II-III)</b>	<b>(29,921,648)</b>
<b>V.</b>	NON-OPERATING:	
	COMMONWEALTH APPROPRIATIONS	30,857,673
	MSCBA Other Revenue	0
	INVESTMENT INCOME	24,896
	CARES ACT	1,926,885
	& INTEREST EXPENSE	<u>(359,412)</u>
	TOTAL NON-OPERATING ACTIVITY	<u>32,450,042</u>
<b>VI.</b>	NET INCOME /LOSS BEFORE CAPITAL IMPROVEMENTS (IV+V)	2,528,394
<b>VII</b>	CAPITAL IMPROVEMENTS TO BUILDINGS	<u>2,364,906</u>
<b>VIII.</b>	<i>CHANGE IN NET POSITION (VI+VII)</i>	<u>\$4,893,300</u>
<b>IX.</b>	NET POSITION, END OF YEAR (I+VIII)	\$ <u>87,113,266</u>

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

**STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION – Continued**



FY2021	Operating	Non-Operating	Total
Revenues	\$43,040,223	\$32,091,000	\$75,131,223
<u>Expenses</u>	<u>\$72,961,871</u>	<u>\$359,412</u>	<u>\$72,602,459</u>
Net	<b>(\$29,921,648)</b>	\$32,450,042	\$2,528,394

As of June 30, 2021, the College realized an operating loss of \$29,921,648 (IV) due primarily to the nature of the Massachusetts public higher education funding system. The Commonwealth's FY2021 appropriation and fringe support to the College, considered non-operating income, assists in making up the operating loss not covered by tuition, fees and other operating revenue.

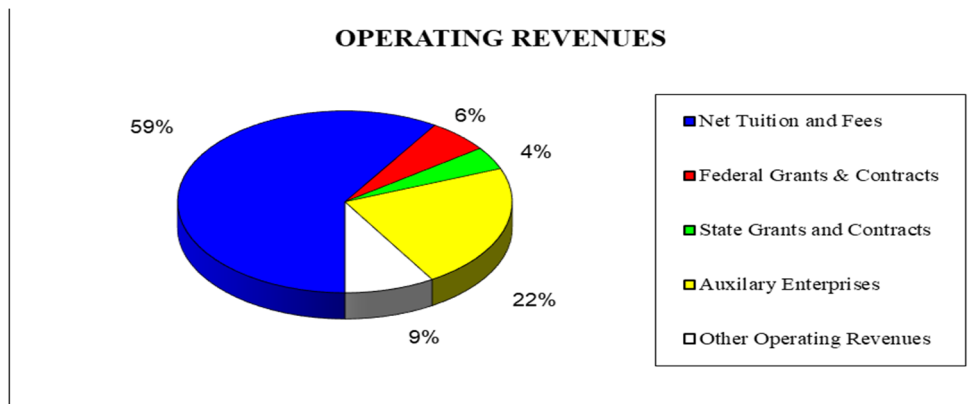
The College develops its budgets based on local revenue and the Commonwealth's appropriation. The Commonwealth's appropriation is a critical component of the College's funding structure. In FY2021, non-operating revenue sources were at 43% of the total annual income compared to a FY2020 level of 39%. The FY2019 was 41% and FY2018 and FY2017 level was at 35%.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN (an agency of the Commonwealth of Massachusetts)

## Management's Discussion and Analysis (Unaudited)

June 30, 2021

### STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION – Continued



- Tuition and fees are the largest source of operating revenue, accounting for 59% of total operating resources.
- The College's auxiliary enterprises, consisting of the residence halls and dormitory dining, accounts for 22% of operating revenue.
- Income from federal and state grants total 10% of operating income
- 9 % classified as other operating revenues, derived from a variety of miscellaneous sources.
  - Included in this category is \$2,661,659 in support from the Massachusetts College of Art and Design Foundation, Inc. utilized for direct program support through grants, scholarships and facilities projects. In FY2021, funds from the foundation helped to provide targeted support to students not eligible from the early CARES ACT funds.

In addition to Commonwealth annual operating support, the college is the recipient of various state, federal and private grants. Below is a highlight of some of the grants:

- Federal Covid Relief Funds
- State Skills Capital Grants
- Lumina Grant
- Afterschool support Program (DESE)
- Commonwealth Internship Incentive
- DCAMM Small Repair Program

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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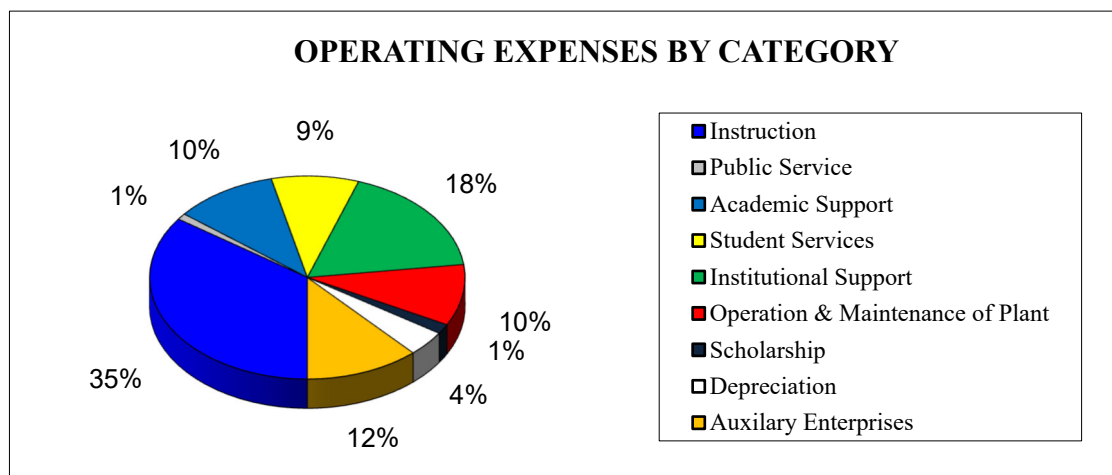
**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

**STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION – Continued**

The College combines tuition and fees into a consolidated student charge. These revenues are considered operating income.

	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Undergraduate Day Program Student Charges	<b>\$30,337,280</b>	\$34,035,229	\$32,288,466
Graduate and Program of Continuing Education Tuition and Fees	<u>4,618,261</u>	<u>5,376,344</u>	<u>5,212,491</u>
<b>Total Tuition and Fee Revenue</b>	<b><u>\$34,955,541</u></b>	<b><u>\$39,411,574</u></b>	<b><u>\$37,500,957</u></b>
Less: Scholarships	<u>(\$9,543,061)</u>	<u>(10,574,690)</u>	<u>(10,906,294)</u>
<b>Net Tuition and Fees Revenue</b>	<b><u>\$25,412,480</u></b>	<b><u>\$28,836,884</u></b>	<b><u>\$26,594,663</u></b>



Operating expenditures totaled \$72,961,871.

- Consistent with the College's efforts to maintain competitive advantage, our instructional and academic support expenses account for 45.4% (34.8% & 10.6%) of total operating expenses.
- Auxiliary enterprises are 11.67% of total operating expenses, institutional (i.e. administrative expenditures) account for 17.6% of operational costs, which is below peer institution spending rates.
- Plant (10%) and depreciation (4%) expenses account for 14% of the operating costs.
- Student Services are at 9% of operating expenditures.

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2021**

In FY2021 and FY20, capital funding of \$2,364,906 and \$819,392 supported key investments in campus-wide energy and security systems. In FY2019, in addition to the direct Capital Appropriation of \$7.2 million, the Commonwealth of Massachusetts, through Division of Capital Asset Management and Maintenance (DCAMM), had Capital Improvements to Buildings of the College in the amount of \$555,848. In FY2018, Capital Improvements were \$279,547. In FY2017, the College had Capital Improvements from the Commonwealth in the amount of \$4,196,537. \$16,964,430 was the FY2016 Improvement amount.

**STATEMENT OF CASH FLOWS**

	<b><u>FY2021</u></b>	<b><u>FY2020</u></b>	<b><u>FY2019</u></b>
Cash, Beginning of Year	<b>\$21,000,670</b>	\$ 21,020,128	\$ 18,661,806
Cash, End of Year	<b>\$30,453,493</b>	\$ 21,000,670	\$ 21,020,128

The College's cash and cash equivalents increased by \$9,452,823 in FY2021.

# **MASSACHUSETTS COLLEGE OF ART AND DESIGN**

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

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

**June 30, 2021**

### **SUMMARY ANALYSIS AND COMMENT**

The Board of Trustees of the College approves the operating budget and reviews financial reports on a quarterly basis. Management advises the Board of Trustees of any significant adjustments or concerns in the budget as necessary.

In FY2021, the college had transitioned reporting from weekly spreadsheet reporting to an intuitive self-service portal that allows budget custodians to review their budgets and spending in real time.

As previously referenced earlier in the document, the College's five year Partnership Plan had expired on June 30, 2020. It was agreed at that time between the college and the state that we would submit a new plan when we had appropriate time and new leadership in place. The new Partnership Plan when submitted will be approved by the Board of Trustees, Massachusetts Board of Higher Education and the Secretary of Education. In addition, we have currently completed the third year of our five year Strategic Plan, which concludes in 2023 and coincides with the College's 150th anniversary.

Dr. Kymberly Pinder, Acting President of Mass Art continued to convene working groups (HUBS) to address the many areas of the college and community affected by COVID 19. These areas were; Academic/curricular, Financial, facilities, Student Engagement and Support, Employees, Residential Life, Communication, and Support and Documentation. These groups met periodically and reported out to the Cabinet on a weekly basis to help inform leadership of the issues and challenges related to operating in a remote/hybrid environment that need to be addressed for the academic year.

The Massachusetts State College Building Authority (MSCBA), refinanced a series of Bonds in FY20 to provide relief to the colleges who experienced significant decreases in housing revenue due to the pandemic. This refinancing allowed Mass Art to defer payments in the fall and process interest only payments in the spring. This short term expense reduction allowed the college to make feasible single occupancy in the dorms in accordance with Public health guidance for academic year 20-21. For Academic Year 21-22, the dormitories are back to 98% occupancy with a return to on campus learning. Debt service will increase over the next few years as the updated debt schedule takes effect.

Management continues to strive to maintain and increase the quality of our academic programs for our students. In addition, the College will continue its commitment to efficient and transparent operations through continuous improvement and transparency. In FY2022, the colleges will continue to update student facing systems incorporating self service capability across registration, financial aid and payment processes. Internal business processes will also be updated to enhance efficiencies and include industry best practices. Administration and Finance will continue to coordinate the college wide risk assessments and incorporate the results into the budget and business processes. We will continue to share with the Board of Trustees on an annual basis the results of these assessments.



# **MASSACHUSETTS COLLEGE OF ART AND DESIGN**

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

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

**June 30, 2021**

### **SUMMARY ANALYSIS AND COMMENT – Continued**

Student scholarships are another critical component to student success and attracting the most qualified students in the region. The activity in the General Scholarship Account over the years has risen from \$800 thousand in FY2008 to \$7.0 million in FY2021. Additional student support was provided through the CARES ACT for FY2021 and will be provided through the American Recovery Plan for FY2022. The College adjusted its awarding to make more money available to the need-based aid and Massachusetts resident categories. The Fall semester for the 2020/2021 and the 2021/2022 incoming class was smaller than last year due to decreasing numbers of available students in Massachusetts and the Northeast as a whole, increasing competition with our peer schools. The Admissions team will continue to evaluate and adjust their approach to achieve enrollment goals for the coming year. The College will continue to assess its institutional financial aid levels and growth as part of an overall assessment of our recruitment strategies during FY2021 and beyond.

The College along with DCAMM, will continue to study a strategy to refurbish the Tower Building at Mass Art. The building has well documented significant deferred maintenance needs that unaddressed will impact the long term viability of the academic program and the college. Our goal is to determine the most feasible way to address these concerns and the long term financial implications on any plan to address these issue. In addition, Mass Art has completed a \$12 million Accelerated Energy Program (AEP) that will reduce energy use through replacement of lighting controls and standalone HVAC equipment with comprehensive energy systems.

In FY21 the college was awarded \$975,000 to perform 2 studies and 3 small repair projects: The studies include the reconfiguration of the Loading Dock and Kennedy Roof. Repair funds were available to repair and replace windows in the North, South, Collins and Tower Buildings. This work when completed will provide more functioning windows and therefore more fresh air on campus. The Tower building generator was replaced in June of this year. The Kennedy Building roof project will be a priority for FY2022 at an estimated cost of \$1.3M.

FY2021 was a year of unprecedented challenges that are expected to continue through FY2022. The College leadership team, faculty and staff have taken extraordinary measures to ensure the health and safety of the entire college community. Everyone is working, teaching and engaging in collaborating in new and cost effective ways. The steps we have taken in FY2021 and into FY2022 to stabilize the financial ramifications of the pandemic will serve us well in the years to come. In addition, the Board of Trustees voted no increase in Undergraduate and Graduate fees for FY'22.

In May of 2021, The Massachusetts Board of Higher Education approved Dr. Mary K. Grant as the 13th President of Massachusetts College of Art and Design (MassArt), following a national search and a unanimous vote of the MassArt Board of Trustees. Dr. Grant's career in public higher education spans nearly 30 years, including significant leadership positions as President of Massachusetts College of Liberal Arts (MCLA) and Chancellor of the University of North Carolina Asheville.

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Net Position**

**June 30,**

**Assets and Deferred Outflows of Resources**

	<b><u>Primary Government</u></b>		<b><u>Component Unit</u></b>	
	<b><u>2021 College</u></b>	<b><u>2020 College</u></b>	<b><u>2021 Foundation</u></b>	<b><u>2020 Foundation</u></b>
<b>Current Assets:</b>				
Cash and equivalents	\$ 27,752,049	\$ 20,401,216	\$ 3,089,593	\$ 7,549,276
Deposits held by State Treasurer	2,426,146	430,285	-	-
Cash held by MSCBA - debt service reserve	934,531	-	-	-
Accounts receivable, net	752,156	603,433	-	-
Contributions receivable	-	-	150,394	587,746
Loans receivable	573,976	619,536	-	-
Other receivables	-	256,082	-	-
Prepaid expenses	-	-	-	39
Investments	-	-	14,545,237	7,514,987
Inventories	193,876	150,565	-	-
<b>Total Current Assets</b>	<b><u>32,632,734</u></b>	<b><u>22,461,117</u></b>	<b><u>17,785,224</u></b>	<b><u>15,652,048</u></b>
<b>Non-Current Assets:</b>				
Restricted cash and equivalents	242,022	135,785	-	-
Restricted deposits held by State Treasurer	33,276	33,384	-	-
Long-term contributions receivable, net	-	-	540,431	50,163
Capital asset, net	106,111,708	100,873,398	-	-
<b>Total Non-Current Assets</b>	<b><u>106,387,006</u></b>	<b><u>101,042,567</u></b>	<b><u>540,431</u></b>	<b><u>50,163</u></b>
<b>Total Assets</b>	<b><u>139,019,740</u></b>	<b><u>123,503,684</u></b>	<b><u>18,325,655</u></b>	<b><u>15,702,211</u></b>
<b>Deferred Outflows of Resources:</b>				
Loss on refunding	2,238,509	-	-	-
Other post-employment benefit ("OPEB") related	646,937	477,896	-	-
Pension related	734,727	429,386	-	-
<b>Total Deferred Outflows of Resources</b>	<b><u>3,620,173</u></b>	<b><u>907,282</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <b><u>\$ 142,639,913</u></b>	 <b><u>\$ 124,410,966</u></b>	 <b><u>\$ 18,325,655</u></b>	 <b><u>\$ 15,702,211</u></b>

See accompanying notes to the financial statements.

**Liabilities, Deferred Inflows of Resources and Net Position**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2021 College</u>	2020 <u>College</u>	<u>2021 Foundation</u>	2020 <u>Foundation</u>
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 3,806,979	\$ 1,332,540	\$ 339	\$ 19,449
Accrued salaries and wages	1,832,120	1,825,465	-	-
Current portion accrued compensated absences and benefits	3,349,241	2,966,963	-	-
Annuity payable	-	-	12,173	12,676
Current portion lease payable	-	24,533	-	-
Current portion bonds payable	858,908	1,624,558	-	-
Unearned revenues and deposits	<u>1,848,212</u>	<u>1,112,972</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>11,695,460</u>	<u>8,887,031</u>	<u>12,512</u>	<u>32,125</u>
<b>Non-Current Liabilities:</b>				
Accrued compensated absences and benefits, net of current portion	2,483,580	1,865,460	-	-
Bonds payable, net of current portion	33,940,640	24,233,500	-	-
Net other post-employment benefit ("OPEB") liability	3,377,693	3,801,775	-	-
Net pension liability	<u>2,624,944</u>	<u>2,016,666</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Liabilities</b>	<u>42,426,857</u>	<u>31,917,401</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>54,122,317</u>	<u>40,804,432</u>	<u>12,512</u>	<u>32,125</u>
<b>Deferred Inflows of Resources:</b>				
Service concession revenue applicable to future years	-	354,485	-	-
Other post-employment benefit related	1,282,126	737,240	-	-
Pension related	<u>122,204</u>	<u>294,843</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,404,330</u>	<u>1,386,568</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	74,485,200	74,990,807	-	-
Restricted:				
Nonexpendable	58,622	58,622	7,398,794	5,974,954
Expendable	1,546,276	927,589	10,125,761	9,006,283
Unrestricted	<u>11,023,168</u>	<u>6,242,948</u>	<u>788,588</u>	<u>688,849</u>
<b>Total Net Position</b>	<u>87,113,266</u>	<u>82,219,966</u>	<u>18,313,143</u>	<u>15,670,086</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 142,639,913</u>	<u>\$ 124,410,966</u>	<u>\$ 18,325,655</u>	<u>\$ 15,702,211</u>

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues and Expenses**

**For the Years Ended June 30,**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2021 College</u>	<u>2020 College</u>	<u>2021 Foundation</u>	<u>2020 Foundation</u>
<b>Operating Revenues:</b>				
Tuition and fees	\$ 34,955,541	\$ 39,411,574	\$ -	\$ -
Less: scholarships and fellowships	<u>(9,543,061)</u>	<u>(10,574,690)</u>	-	-
Net tuition and fees	25,412,480	28,836,884	-	-
Gifts and contributions	-	-	3,615,605	3,253,958
Federal grants and contracts	2,561,492	2,726,099	-	-
State grants and contracts	1,743,518	1,224,732	-	-
Auxiliary enterprises	9,567,811	12,600,274	-	-
In-kind revenue	-	-	544,343	672,428
Other operating revenues	<u>3,754,922</u>	<u>4,262,909</u>	<u>1,060,471</u>	<u>1,101,300</u>
<b>Total Operating Revenues</b>	<u>43,040,223</u>	<u>49,650,898</u>	<u>5,220,419</u>	<u>5,027,686</u>
<b>Operating Expenses:</b>				
Educational and general:				
Instruction	25,357,620	26,807,141	-	-
Gifts and contributions	-	-	3,405,523	3,339,663
Public service	712,647	972,374	-	-
Academic support	7,721,020	7,164,322	-	-
Student services	6,540,400	6,381,082	-	-
Fundraising	-	-	511,411	684,288
Institutional support	12,900,144	12,038,715	213,124	242,648
Operation and maintenance of plant	7,112,952	7,597,775	-	-
Scholarships and fellowships	1,137,396	994,960	-	-
Depreciation	2,950,917	2,645,203	-	-
Auxiliary enterprises	<u>8,528,775</u>	<u>15,017,094</u>	-	-
<b>Total Operating Expenses</b>	<u>72,961,871</u>	<u>79,618,666</u>	<u>4,130,058</u>	<u>4,266,599</u>
<b>Net Operating (Loss) Revenue</b>	<u>(29,921,648)</u>	<u>(29,967,768)</u>	<u>1,090,361</u>	<u>761,087</u>
<b>Non-Operating Revenues (Expenses):</b>				
Commonwealth operating appropriations, net	30,857,673	30,614,576	-	-
Other revenue - MSCBA	-	378,611	-	-
Federal grants	1,926,885	564,400	-	-
Investment income	24,896	255,922	1,552,696	473,758
Interest expense	<u>(359,412)</u>	<u>(1,103,092)</u>	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>32,450,042</u>	<u>30,710,417</u>	<u>1,552,696</u>	<u>473,758</u>
<b>Changes in Net Position Before Capital Improvements</b>	<b>2,528,394</b>	<b>742,649</b>	<b>2,643,057</b>	<b>1,234,845</b>
Commonwealth capital appropriations	966,779	8,970	-	-
Capital improvements, DCAM	<u>1,398,127</u>	<u>810,422</u>	-	-
<b>Total Capital Improvements</b>	<u>2,364,906</u>	<u>819,392</u>	-	-
<b>Changes in Net Position</b>	<u>\$ 4,893,300</u>	<u>\$ 1,562,041</u>	<u>\$ 2,643,057</u>	<u>\$ 1,234,845</u>

See accompanying notes to the financial statements.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Statements of Changes in Net Position

For the Years Ended June 30, 2021 and 2020

	<u>College</u>				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
<b>Balance at June 30, 2019</b>	\$ 75,021,677	\$ 58,622	\$ 1,034,266	\$ 4,543,360	\$ 80,657,925
Change in net position for 2020	(30,870)	-	(106,677)	1,699,588	1,562,041
<b>Balance at June 30, 2020</b>	74,990,807	58,622	927,589	6,242,948	82,219,966
Change in net position for 2021	(505,607)	-	618,687	4,780,220	4,893,300
<b>Balance, June 30, 2021</b>	<u>\$ 74,485,200</u>	<u>\$ 58,622</u>	<u>\$ 1,546,276</u>	<u>\$ 11,023,168</u>	<u>\$ 87,113,266</u>

	<u>Foundation</u>				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
<b>Balance, June 30, 2019</b>	\$ -	\$ 5,312,968	\$ 8,616,066	\$ 506,207	\$ 14,435,241
Change in net position for 2020	-	661,986	390,217	182,642	1,234,845
<b>Balance, June 30, 2020</b>	-	5,974,954	9,006,283	688,849	15,670,086
Change in net position for 2021	-	1,423,840	1,119,478	99,739	2,643,057
<b>Balance, June 30, 2021</b>	<u>\$ -</u>	<u>\$ 7,398,794</u>	<u>\$ 10,125,761</u>	<u>\$ 788,588</u>	<u>\$ 18,313,143</u>

See accompanying notes to the financial statements.

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows**  
**For the Years Ended June 30,**

	<u>Primary Government</u>	
	<u>2021 College</u>	<u>2020 College</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 25,345,803	\$ 27,453,159
Grants and contracts	4,305,010	3,950,831
Payments to employees	(29,168,722)	(31,003,612)
Payments to suppliers and vendors	(16,666,716)	(19,622,915)
Collections on loans	45,560	21,655
Scholarships and fellowships	(1,137,396)	(994,960)
Auxiliary enterprises expenses	(8,528,775)	(15,017,094)
Auxiliary enterprises revenues	9,567,811	12,600,274
Other operating revenues	<u>3,400,435</u>	<u>3,887,762</u>
Net Cash Applied to Operating Activities	<u>(12,836,990)</u>	<u>(18,724,900)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Other revenue - MSCBA	-	378,611
Federal grants	1,926,885	564,400
Commonwealth appropriations	<u>20,783,822</u>	<u>20,412,621</u>
Net Cash Provided by Non-Capital Financing Activities	<u>22,710,707</u>	<u>21,355,632</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Purchases of capital assets	-	(158,229)
Principal paid on capital lease payable	(24,533)	(22,913)
Principal paid on bonds payable	-	(1,613,799)
Interest paid on bonds payable	<u>(421,259)</u>	<u>(1,111,171)</u>
Net Cash Provided by (Applied to) Capital Financing Activities	<u>(445,792)</u>	<u>(2,906,112)</u>
<b>Cash Flows from Investing Activity:</b>		
Dividends and interest income	<u>24,898</u>	<u>255,922</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>9,452,823</b>	<b>(19,458)</b>
Cash and Equivalents, Beginning of Year	<u>21,000,670</u>	<u>21,020,128</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ 30,453,493</b>	<b>\$ 21,000,670</b>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (29,921,648)	\$ (29,967,768)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	2,950,917	2,645,203
Fringe benefits provided by State appropriations	10,073,851	10,201,955
Deferred inflows and outflows of resources	(354,487)	(375,147)
Bad debts	-	(3,363)
Changes in assets and liabilities:		
Accounts and loans receivable	(103,163)	72,812
Other receivable	256,082	(144,680)
Inventories	(43,311)	(24,935)
Accounts payable and accrued expenses	3,389,691	38,510
Accrued salaries and wages	6,655	(29,590)
Accrued compensated absences and benefits	1,000,398	(67,313)
Unearned revenues and deposits	(174,036)	(1,286,839)
Net other post-employment benefit liability	(48,237)	113,576
Net pension activity	<u>130,298</u>	<u>102,679</u>
Net Cash Applied to Operating Activities	<u>\$ (12,836,990)</u>	<u>\$ (18,724,900)</u>

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<b>Primary Government</b>	
	<b>2021 <u>College</u></b>	<b>2020 <u>College</u></b>
<b>Summary of Restricted Cash and Equivalents and</b>		
<b>Cash and Equivalents, End of Year:</b>		
Cash and equivalents	\$ 27,752,049	\$ 20,401,216
Deposits held by State Treasurer	2,426,146	430,285
Restricted cash and equivalents	242,022	135,785
Restricted deposits held by State Treasurer	<u>33,276</u>	<u>33,384</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 30,453,493</u></b>	<b><u>\$ 21,000,670</u></b>
<b>Non-Cash Transactions:</b>		
Fringe benefits provided by Commonwealth appropriations	<u>\$ 10,073,851</u>	<u>\$ 10,201,955</u>
Capital improvements provided by Commonwealth capital appropriations	<u>\$ 966,779</u>	<u>\$ 8,970</u>
Capital improvements provided by DCAM	<u>\$ 7,304,442</u>	<u>\$ 810,422</u>
Deferred inflows of resources - service concession revenue	<u>\$ 354,487</u>	<u>\$ 375,147</u>
Deferred outflow loss on bond refunding	<u>\$ 2,238,509</u>	<u>\$ -</u>

*See accompanying notes to the financial statements.*

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements

June 30, 2021 and 2020

### Note 1 - Summary of Significant Accounting Policies

#### Organization

Massachusetts College of Art and Design (the “College”) is a comprehensive college supported by the Commonwealth of Massachusetts (the “Commonwealth”) that offers a quality education leading to a bachelor’s degree in the arts, and master’s degrees in fine arts and design and art education. The College’s campus is located in Boston, Massachusetts and provides instruction and training in a variety of visual arts. The College also offers, through the Division of Continuing Education, credit and noncredit courses, as well as a variety of summer workshop programs. The College is accredited by the New England Commission of Higher Education and the National Association of Schools of Art and Design.

#### COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College’s operations in response to government requirements and observing safety measures. As a result, the College’s maximum housing’s capacity decreased by approximately 35.1% for the 2020-2021 academic year.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds (“HEERF”) and funds 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 can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 15, 2022.



**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements**

**June 30, 2021 and 2020**

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

	Student Aid Award	Institutional Award	Total
CARES	\$ 755,133	\$ 755,132	\$ 1,510,265
CRRSAA	755,133	1,677,331	2,432,464
ARPA	2,152,866	2,152,866	4,305,732
<b>Total</b>	<b>\$ 3,663,132</b>	<b>\$ 4,585,329</b>	<b>\$ 8,248,461</b>

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

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Student Aid Award	Institutional Award	Total		Student Aid Award	Total
CARES	\$ 190,733	\$ 755,132	\$ 945,865	CARES	\$ 564,400	\$ 564,400
CRRSAA	320,067	710,945	1,031,012	CRRSAA	-	-
ARPA	-	-	-	ARPA	-	-
<b>Total</b>	<b>\$ 510,800</b>	<b>\$ 1,466,077</b>	<b>\$ 1,976,877</b>	<b>Total</b>	<b>\$ 564,400</b>	<b>\$ 564,400</b>

As of June 30, 2021 and 2020, the College recognized \$99,400 and \$0 as a non-operating grant of for Governor's Emergency Education Relief Fund ("GEERF") as a pass-through from the State of Massachusetts.

The College also expended \$251,750 of CRRSAA institutional award that is reflected as unearned revenue because the College did not meet certain spending requirements.

The College has calculated lost revenue of \$758,498 for fiscal year 2021(not included in the chart above). The revenue will be recognized when a proportional amount of student funds are spent in fiscal year 2022.

Management believes that the College will meet these spending requirements in fiscal year 2022.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements

June 30, 2021 and 2020

### Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”).

The Massachusetts College of Art and Design Foundation, Inc. (the “Foundation”), a component unit of the College, was organized to render financial assistance and support to the educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included within these financial statements because of the nature and significance of its relationship with the College. The complete financial statements can be obtained from the Foundation’s administrative offices in Boston, Massachusetts.

Revenues are recorded when earned and expenses 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 College’s policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the College’s operating and capital appropriations from the Commonwealth of Massachusetts (the “Commonwealth”), net investment income and interest expense.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general purpose governments consist of management’s discussion and analysis, basic financial statements including the College’s discretely presented component unit, the Foundation. The College presents statements of net position, revenues and expenses, changes in net position, and cash flows on a combined College-wide basis.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements

June 30, 2021 and 2020

### Net Position

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

**Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

**Restricted - non-expendable:** Net position, subject to externally imposed conditions that the College must maintain in perpetuity.

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

**Unrestricted:** All other categories of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees.

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

### Trust Funds

In accordance with the requirements of the State, 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.

### Cash and Equivalents

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

### Allowance for Doubtful Accounts

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

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements

June 30, 2021 and 2020

### Investments

Investments in marketable securities are stated at fair value. Dividends, interest, and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues and expenses as non-operating revenues (expenses).

### Inventories

Inventories consisting of books, publications and supplies are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

### Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair market value at the date of donation. Capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The College's capitalization threshold is \$50,000 with a useful life of greater than one year for capital assets.

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

### 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.

### Workers' Compensation

The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

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## Notes to the Financial Statements

June 30, 2021 and 2020

### Post-employment Benefits Other Than Pensions (“OPEB”)

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

### Fringe Benefits

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

### Compensated Absences

Employees with ten or more years of service are entitled to carry forward 20% of unused sick time. Upon retirement, the employees are entitled to receive payment for their unused balance.

### Unearned Revenues and Deposits

Unearned revenues represent unearned income related to certain summer courses and federal grants and programs that transcend the fiscal year. Deposits are advance payments received from students who will be attending the College in the next academic year and are recognized ratably as revenue upon the students’ matriculation. Federal grant revenue is recognized as conditions of the grant are met.

### Student Tuition and Fees

Student tuition and fees are presented net of scholarships and fellowships applied to students’ accounts. Certain other scholarship amounts paid directly to the students are generally reflected as operating expenses.

### Tax Status

The College is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

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## Notes to the Financial Statements

June 30, 2021 and 2020

### 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 determining the value of donated assets and accounts receivable, and estimating depreciation, amortization, net pension and OPEB liability assumptions and the recoverability of long-lived assets.

### New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

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

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting period beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment.

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

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

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

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

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

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

### Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

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## Notes to the Financial Statements

June 30, 2021 and 2020

### Note 2 - Cash and Equivalents

Custodial credit risk is 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 balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The College does not have a formal deposit policy for custodial credit risk.

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns and other State and local agencies within the Commonwealth. MMDT operates as a Rule 2a-7-like pool and is valued by MMDT's management on amortized cost where the net asset value is \$1 per share. At June 30, 2021 and 2020, the College has \$12,338,700 and \$12,314,212, respectively, invested with MMDT; and these amounts are included in cash and equivalents. MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore is not covered by FDIC insurance and its political subdivisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high-quality money market instruments. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

Of the bank balances of \$16,265,843 and \$8,692,147 at June 30, 2021 and 2020, \$312,926 and \$276,587 was covered by federal depository insurance; collateralization agreements covered \$15,952,917 and \$8,415,560, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2021 and 2020. All bank balances (not including MMDT) were either insured or collateralized at June 30, 2021 and 2020.

#### Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from State-appropriated funds totaled approximately \$2,246,000 and \$430,000 at June 30, 2021 and 2020, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.



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**Notes to the Financial Statements**

**June 30, 2021 and 2020**

Cash Held by MSCBA- Debt Service Reserve

Cash held by MSCBA represents funds held by the Massachusetts State College Building Authority (“MSCBA”) for specific construction projects.

Note 3 - **Investments**

Foundation

Investments of the Foundation are stated at fair market value and classified as level 1 investments and consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Equity mutual funds	\$ 10,590,710	\$ 4,483,672
Fixed income mutual funds	<u>3,954,527</u>	<u>3,031,315</u>
	<u>\$ 14,545,237</u>	<u>\$ 7,514,987</u>

Note 4 - **Accounts Receivable**

Accounts receivable comprise the following at June 30,:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 852,431	\$ 783,598
Less: allowance for doubtful accounts	<u>100,275</u>	<u>180,165</u>
	<u>\$ 752,156</u>	<u>\$ 603,433</u>

Note 5 - **Contributions Receivable**

Foundation

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of approximately 2%. Contributions receivable of the Foundation comprise the following at June 30,:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 150,394	\$ 587,746
Due within one to five years	<u>546,000</u>	<u>73,000</u>
Gross contributions receivable	696,394	660,746
Unamortized discount and allowance	<u>(5,569)</u>	<u>(22,837)</u>
Total Contributions Receivable	<u>\$ 690,825</u>	<u>\$ 637,909</u>

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**Notes to the Financial Statements**

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Note 6 - **Loans Receivable**

The College participates in the Federal Perkins Loan Program. This program is funded through a combination of federal and College resources. The portion of this program that has been funded with federal funds is ultimately due to the United States Government upon the termination of the College's participation in the program. The Joslin Loan receivable represents monies provided to students as a form of financial aid. Students are required to pay 5% interest on these loans. Management has reviewed loans receivable as of June 30, 2021 and 2020 and considers the balance to be fully collectible and, accordingly, no allowance for doubtful accounts is required. Loans receivable are comprised of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Perkins loans receivable	\$ 502,467	\$ 548,027
Joslin loans receivable	<u>71,509</u>	<u>71,509</u>
	<u>\$ 573,976</u>	<u>\$ 619,536</u>

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. The College is currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2020-21 academic year.

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**Notes to the Financial Statements**

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**Note 7 - Capital Assets**

Capital assets activity for the year ended June 30, 2021 is as follows:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
<b>Non-depreciable:</b>						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		<u>1,483,808</u>	<u>8,189,227</u>	-	-	<u>9,673,035</u>
Total non-depreciable		<u>1,489,485</u>	<u>8,189,227</u>	-	-	<u>9,678,712</u>
<b>Depreciable:</b>						
Buildings, including improvements	40	179,536,124	-	-	-	179,536,124
Furnishings and equipment	3 to 10	2,258,076	-	(10,517)	-	2,247,559
Educational resource materials	5	<u>2,057,529</u>	-	-	-	<u>2,057,529</u>
Total depreciable		<u>183,851,729</u>	-	(10,517)	-	<u>183,841,212</u>
<b>Less: accumulated depreciation:</b>						
Buildings, including improvements		80,175,232	2,927,896	-	-	83,103,128
Furnishings and equipment		2,235,055	23,021	(10,517)	-	2,247,559
Educational resource materials		<u>2,057,529</u>	-	-	-	<u>2,057,529</u>
Total accumulated depreciation		<u>84,467,816</u>	<u>2,950,917</u>	(10,517)	-	<u>87,408,216</u>
Capital assets, net		<u>\$ 100,873,398</u>	<u>\$ 5,238,310</u>	\$ -	\$ -	<u>\$ 106,111,708</u>

Capital assets activity for the year ended June 30, 2020 is as follows:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
<b>Non-depreciable:</b>						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		<u>24,963,282</u>	<u>833,814</u>	-	(24,313,288)	<u>1,483,808</u>
Total non-depreciable		<u>24,968,959</u>	<u>833,814</u>	-	(24,313,288)	<u>1,489,485</u>
<b>Depreciable:</b>						
Buildings, including improvements	40	155,079,029	143,807	-	24,313,288	179,536,124
Furnishings and equipment	3 to 10	2,289,729	-	(31,653)	-	2,258,076
Educational resource materials	5	<u>2,057,529</u>	-	-	-	<u>2,057,529</u>
Total depreciable		<u>159,426,287</u>	<u>143,807</u>	(31,653)	24,313,288	<u>183,851,729</u>
<b>Less: accumulated depreciation:</b>						
Buildings, including improvements		77,553,049	2,622,183	-	-	80,175,232
Furnishings and equipment		2,243,688	23,020	(31,653)	-	2,235,055
Educational resource materials		<u>2,057,529</u>	-	-	-	<u>2,057,529</u>
Total accumulated depreciation		<u>81,854,266</u>	<u>2,645,203</u>	(31,653)	-	<u>84,467,816</u>
Capital assets, net		<u>\$ 102,540,980</u>	<u>\$ (1,667,582)</u>	\$ -	\$ -	<u>\$ 100,873,398</u>

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**Note 8 - Long-Term Liabilities**

Activity in long-term liabilities for the year ended June 30, 2021 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 25,858,058	\$ 9,169,554	\$ 228,064	\$ 34,799,548	\$ 858,908
Other non-current liabilities:					
Lease payable	24,533	-	24,533	-	-
Compensated absences	4,464,448	4,938,934	4,464,448	4,938,934	3,240,395
Worker's compensation	367,975	893,887	367,975	893,887	108,846
Other post-employment benefit liability	3,801,775	-	424,082	3,377,693	-
Net pension liability	<u>2,016,666</u>	<u>608,278</u>	<u>-</u>	<u>2,624,944</u>	<u>-</u>
Total	<u>\$ 36,533,455</u>	<u>\$ 15,610,653</u>	<u>\$ 5,509,102</u>	<u>\$ 46,635,006</u>	<u>\$ 4,208,149</u>

Activity in long-term liabilities for the year ended June 30, 2020 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 27,471,857	\$ -	\$ 1,613,799	\$ 25,858,058	\$ 1,624,558
Other non-current liabilities:					
Lease payable	47,446	-	22,913	24,533	24,533
Compensated absences	4,333,434	4,464,448	4,333,434	4,464,448	2,899,992
Worker's compensation	566,302	367,975	566,302	367,975	66,971
Other post-employment benefit liability	4,037,200	-	235,425	3,801,775	-
Net pension liability	<u>1,844,997</u>	<u>171,669</u>	<u>-</u>	<u>2,016,666</u>	<u>-</u>
Total	<u>\$ 38,301,236</u>	<u>\$ 5,004,092</u>	<u>\$ 6,771,873</u>	<u>\$ 36,533,455</u>	<u>\$ 4,616,054</u>

The College has six separate financing agreements with the Massachusetts State College Building Authority ("MSCBA") for improvements to the Student Dining Hall and the Center for Design and Media. The source of financing for the projects is from the revenue bonds issued by MSCBA on behalf of the College. Principal is payable annually, and interest is payable semiannually at a predetermined rate, which varies between 4.00% and 6.00%.

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The College entered into a financing agreement with DCAMM for a water retrofit and energy efficiency project. The payment terms are over fifteen years with an annual interest rate of 3.52% and annual debt service payments of \$410,547 to begin one year after realization of energy efficiency from the project completion. The maximum funds to be repaid are \$5,824,321. The project was not finalized as of June 30, 2021. At June 30, 2021 and 2020, the debt outstanding was \$5,824,321 and \$0, respectively.

Maturities of bond principal and interest subsequent to June 30, 2021 are as follows:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 858,908	\$ 879,177
2023	2,213,119	1,040,994
2024	2,513,936	962,331
2025	2,570,045	877,384
2026	2,621,162	787,784
2027 - 2031	13,261,192	2,649,924
2032 - 2036	7,688,060	1,082,996
2037 - 2040	<u>3,073,126</u>	<u>460,378</u>
	<u>\$ 34,799,548</u>	<u>\$ 8,740,968</u>

On July 1, 2020, the College's MSCBA Series 2003B, 2016A, 2012A, 2019C, 2014A, 2014B, and 2017C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the College. The refunding resulted in an economic loss of approximately \$2,335,000 and a deferred loss of approximately \$2,410,702. The first principal payment is due on May 1, 2022, and the final payment is due on May 1, 2038 with an interest rate that ranges from 1.044% to 5.50%. At June 30, 2021 and 2020, the debt outstanding was \$28,975,227 and \$25,858,058, respectively.

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**Notes to the Financial Statements**

**June 30, 2021 and 2020**

Note 9 - **Pensions**

*Defined Benefit Plan Description*

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

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

*Benefit Provisions*

The Massachusetts State Employees' Retirement System plan ("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, and group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the "Legislature").

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

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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

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. The College contributed \$184,791, \$165,328 and \$137,212 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for the years.

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

At June 30, 2021 and 2020, the College reported a liability of \$2,624,944 and \$2,016,666, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2021 and 2020, the College's proportion was 0.015% and 0.014%, respectively.

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**June 30, 2021 and 2020**

For the years ended June 30, 2021 and 2020, the College recognized pension expense of \$315,089 and \$268,024, respectively.

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

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 184,791	\$ 165,328
Differences between expected and actual experience	83,522	66,974
Differences between projected and actual investment earnings on pension plan investments	144,295	-
Changes in proportion from Commonwealth	1,982	3,560
Changes in plan actuarial assumptions	148,831	149,484
Changes in proportion due to internal allocation	<u>171,306</u>	<u>44,040</u>
Total deferred outflows related to pension	<u>\$ 734,727</u>	<u>\$ 429,386</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 16,985	\$ 26,228
Differences between projected and actual investment earnings on pension plan investments	-	30,081
Changes in proportion from Commonwealth	6,398	102
Changes in proportion due to internal allocation	<u>98,821</u>	<u>238,432</u>
Total deferred inflows related to pension	<u>\$ 122,204</u>	<u>\$ 294,843</u>

The College's contributions of \$184,791 and \$165,328 made during fiscal years ending June 30, 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the succeeding years.



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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>	
2022	\$ 86,778
2023	119,947
2024	124,386
2025	87,291
2026	<u>9,330</u>
	<u>\$ 427,732</u>

Actuarial Assumptions

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

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

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

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

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

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

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

Asset Class	2021		2020	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	<b>39.0%</b>	<b>4.80%</b>	39.0%	4.90%
Portfolio Completion Strategies	<b>11.0%</b>	<b>3.20%</b>	11.0%	3.90%
Core Fixed Income	<b>15.0%</b>	<b>0.70%</b>	15.0%	1.30%
Private Equity	<b>13.0%</b>	<b>8.20%</b>	13.0%	8.20%
Real Estate	<b>10.0%</b>	<b>3.50%</b>	10.0%	3.60%
Value Added Fixed Income	<b>8.0%</b>	<b>4.20%</b>	8.0%	4.70%
Timber/Natural Resources	<b>4.0%</b>	<b>4.10%</b>	4.0%	4.10%
	<b><u>100%</u></b>		<b><u>100%</u></b>	

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Discount Rate

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

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

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

2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.15%)	(7.15%)	(8.15%)
\$ 3,458,531	\$ 2,624,944	\$ 1,939,808
2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 2,684,248	\$ 2,016,666	\$ 1,446,249

Note 10 - **Other Post-Employment 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").

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

Management of the SRBT is vested with the Board of Trustees, which consists of 7 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), 1 person appointed by the Governor, and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

The SRBT does not issue a stand-alone audited financial statement 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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed \$97,036 and \$85,644 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for both years.

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

At June 30, 2021 and 2020, the College reported a liability of \$3,377,693 and \$3,801,775, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively.

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal years. At June 30, 2021 and 2020, the College's proportion was 0.021%.

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

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of \$48,799 and \$223,912, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 97,036	\$ 85,644
Differences between expected and actual experience	93,218	152,469
Changes in OPEB plan actuarial assumptions	278,159	2,925
Changes in proportion from Commonwealth	5,119	9,270
Net differences between projected and actual earnings on OPEB plan investments	9,766	-
Changes in proportion due to internal allocation	<u>163,639</u>	<u>227,588</u>
Total deferred outflows related to OPEB	<u>\$ 646,937</u>	<u>\$ 477,896</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between projected and actual earnings on OPEB plan investments	\$ 11,471	\$ 1,748
Changes in proportion due to internal allocation	860,840	158,935
Differences between expected and actual experience	83,373	4,868
Changes in OPEB plan actuarial assumptions	<u>326,442</u>	<u>571,689</u>
Total deferred inflows related to OPEB	<u>\$ 1,282,126</u>	<u>\$ 737,240</u>

The College's contributions of \$97,036 and \$85,644 made during fiscal years ending June 30, 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

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

Years Ending <u>June 30,</u>	
2022	\$ (217,916)
2023	(202,149)
2024	(148,633)
2025	(145,318)
2026	<u>(18,209)</u>
	<u>\$ (732,225)</u>

Actuarial Assumptions

The total OPEB liability for 2021 and 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2020	June 30, 2019
<b>Inflation</b>	2.50%	3.00%
<b>Salary increases</b>	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
<b>Investment rate of return</b>	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
<b>Health care cost trend rates</b>	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5%, decreasing by 0.5% each year to 5.5% in 2023, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP until 2025 and then 4.5% in 2026; 4.5% for administrative costs

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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



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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.15% and 7.25%, respectively per annum, was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate at June 30,:

2021		
1.00% Decrease (1.28%)	Current Discount Rate (2.28%)	1.00% Increase (3.28%)
\$ 4,059,043	\$ 3,377,693	\$ 2,839,343
2020		
1.00% Decrease (2.63%)	Current Discount Rate (3.63%)	1.00% Increase (4.63%)
\$ 4,538,091	\$ 3,801,775	\$ 3,219,606

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates at June 30,:

<b>Current Healthcare</b>		
<b>1.00% Decrease</b>	<b>Cost Trend Rate</b>	<b>1.00% Increase</b>
<b>\$ 2,743,469</b>	<b>\$ 3,377,693</b>	<b>\$ 4,220,315</b>
2020		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 3,133,143	\$ 3,801,775	\$ 4,683,964

(A) - Current healthcare cost trend rate, as disclosed on page 45

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

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

Note 11 - **Other Fringe Benefits**

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

*Group Insurance Commission*

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

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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 is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2021 and 2020, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

*Other Retirement Plans*

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

Note 12 - **Deferred Inflows of Resources**

*Campus Dining Facilities Agreement*

The College has entered into a service concession arrangement for dining and related services with Chartwell Food Services, Inc. (“Chartwell”). In exchange for this agreement, Chartwell has provided the College with funds to augment the cost of improvements to the College’s dining and kitchen facilities. These monies are amortized into revenue ratably over the life of the agreement through June 2021. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Chartwell to defray costs incurred by the College, as well as revenue sharing, which amounted to approximately \$298,000 and \$434,000 during the years ended June 30, 2021 and 2020, respectively.

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Note 13 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds comprise the following at June 30,:

	<u>2021</u>	<u>2020</u>
Restricted - non-expendable, categorized by allowable income usage:		
Scholarships	\$ 53,714	\$ 53,714
Loans	<u>4,908</u>	<u>4,908</u>
	<u>\$ 58,622</u>	<u>\$ 58,622</u>
Restricted - expendable:		
Program activities	\$ 827,477	\$ 200,074
Loans	<u>718,799</u>	<u>727,515</u>
	<u>\$ 1,546,276</u>	<u>\$ 927,589</u>

The Foundation's restricted - non-expendable net position consists of endowment funds to be held in perpetuity, whose income is mainly used for various scholarships and program support.

Note 14- **Contingencies**

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

The College is periodically involved in legal actions arising in the ordinary course of business. Costs for all known claims not covered by insurance, if any, are recognized in the financial statements. Although the ultimate outcome of actions cannot be determined, Management's opinion is that the College has adequate legal defense with respect to each of these actions, and that the amount of any additional liability would not have a material impact on the financial statements.

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The College participates in the Massachusetts College Savings Prepaid Tuition Program (the “Program”). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2.00%. The College is obligated to accept, as payment of tuition, the amount determined by this Program without regard to standard tuition rate in effect at the time of the individual’s enrollment at the College. The effect of the Program cannot be determined as it is contingent on future tuition increases and the number of Program participants who attend the College.

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

Note 15 - **Operating Expenses**

The College’s operating expenses, on a natural classification basis, comprise the following at June 30,:

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 47,092,474	\$ 49,161,563
Supplies and services	21,781,084	26,816,940
Depreciation	2,950,917	2,645,203
Scholarships and fellowships	<u>1,137,396</u>	<u>994,960</u>
	<u>\$ 72,961,871</u>	<u>\$ 79,618,666</u>

Note 16 - **Related Party Transactions**

Massachusetts College of Art and Design Foundation, Inc. is a separate tax-exempt corporation organized for the purpose of fundraising through private donations for the ultimate benefit of the College. The College received contributions from the Foundation totaling approximately \$2,662,000 and \$2,171,000, included within other operating revenues, for the years ended June 30, 2021 and 2020, respectively.

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Note 17 - **Pass-Through Student Federal Loans**

The College distributed \$9,713,064 and \$12,104,816 for student loans through the United States Department of Education federal direct lending program for the years ended June 30, 2021 and 2020, respectively. These distributions and related funding sources are not included as revenues and expenses or as cash receipts and cash disbursements in the accompanying financial statements.

Note 18 - **Lease Commitments**

During July 2015, the College entered into an operating lease agreement for certain equipment that expired in June 2020. Total costs for the years ended June 30, 2021 and 2020 were \$0 and \$171,000, respectively.

**Capital Lease**

The College entered into a lease agreement with Dell Financial Services for the computer server equipment in August 2016. The lease is payable in annual installments of \$26,266. There was approximately \$1,700 of interest related to this lease for the year ended June 30, 2021. The balance of the lease at June 30, 2021 was \$0.

Note 19 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires State colleges and universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the State'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*.

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

	<u>2021</u>	<u>2020</u>
Direct unrestricted appropriations	\$ 20,783,822	\$ 20,412,621
Fringe benefits for benefited employees on the State payroll	<u>10,073,851</u>	<u>10,201,955</u>
Total unrestricted appropriations	30,857,673	30,614,576
Capital appropriations	<u>966,779</u>	<u>8,970</u>
Total appropriations	<u>\$ 31,824,452</u>	<u>\$ 30,623,546</u>

In 2004, the College entered into an agreement with the State that allows the College to retain all tuition and fees received by the College. As such, the College is not required to remit day school tuition back to the State.

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

	<u>2021</u>	<u>2020</u>
Revenue per MMARS	\$ 52,879,904	\$ 61,937,317
Revenue per College	<u>52,879,904</u>	<u>61,937,317</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2021</u>	<u>2020</u>
Expenditures per MMARS	\$ 46,980,036	\$ 59,389,693
Expenditures per College	<u>46,980,036</u>	<u>59,389,693</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

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**Note 20 - Title to Various Assets and Liabilities**

The College is an agency of the Commonwealth of Massachusetts. Therefore, in accordance with GASB Statement No. 39, the College will ultimately be included in the State's financial statements. For financial reporting purposes, all capital assets used in the operation of the College will be recorded as investment in plant. In addition to the treatment of capital assets, the College's proportionate share of various other asset and liability accounts has been recorded on the College's financial statements in order for them to be in accordance with generally accepted accounting principles. The cumulative effect of these asset and liability accounts is reflected in the unrestricted net position balance. Included in the unrestricted net position balance are the State's portions of inventories, accrued salaries and wages, compensated absences, and workers' compensation. The College's policy is not to record these assets and liabilities on its internal financial statements.

Massachusetts College of Art and Design's Preliminary		<b>\$ 23,600,137</b>
Unrestricted Net Position at June 30, 2021		
	<u>Local</u>	<u>State</u>
		<u>Total</u>
Reconciling items:		
Inventories	\$ 193,876	\$ -
Deferred outflows of resources	-	2,447,590
Deferred inflows of resources	-	(1,404,330)
Accrued interest	-	(146,527)
Accrued salaries and wages	-	(1,832,120)
Accrued compensated absences and benefits	(254,845)	(5,577,976)
Other post-employment benefit liability	-	(3,377,693)
Net pension liability	-	(2,624,944)
Total		<u>(12,576,969)</u>
Massachusetts College of Art and Design's Audited		
Unrestricted Net Position at June 30, 2021		<u><b>\$ 11,023,168</b></u>
Distribution of Unrestricted Net Position:		
Local funds		\$ 23,539,168
State funds		<u>(12,516,000)</u>
		<u><b>\$ 11,023,168</b></u>



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Massachusetts College of Art and Design's Preliminary

Unrestricted Net Position at June 30, 2020 \$ 19,200,501

	<u>Local</u>	<u>State</u>	<u>Total</u>
Reconciling items:			
Inventories	\$ 150,565	\$ -	\$ 150,565
Deferred outflows of resources	-	907,282	907,282
Deferred inflows of resources	(354,485)	(1,032,083)	(1,386,568)
Accrued interest	-	(152,503)	(152,503)
Accrued salaries and wages	-	(1,825,465)	(1,825,465)
Accrued compensated absences and benefits	(202,297)	(4,630,126)	(4,832,423)
Other post-employment benefit liability	-	(3,801,775)	(3,801,775)
Net pension liability	-	(2,016,666)	<u>(2,016,666)</u>
Total			<u>(12,957,553)</u>

Massachusetts College of Art and Design's Audited

Unrestricted Net Position at June 30, 2020 \$ 6,242,948

Distribution of Unrestricted Net Position:

Local funds		\$ 18,794,284
State funds		<u>(12,551,336)</u>
		<u>\$ 6,242,948</u>

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**June 30, 2021 and 2020**

Note 21 - **Massachusetts State College Building Authority (Unaudited)**

The Massachusetts State College Building Authority ("Building Authority") 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 for use by students of the State colleges. The College has three residence halls in which payments are made to the Building Authority. Smith Hall is assessed on a student and building formula by the Building Authority based on a pool of the State colleges. For fiscal years 2021 and 2020, the College expended \$250,948 and \$471,878, respectively, for Smith Hall. The College also makes payments to the Building Authority for the Artist Residence and Treehouse Residence based on the principal, interest and other costs associated with the debt service on instruments issued for the residence halls. For fiscal years 2021 and 2020, the College expended \$787,374 and \$2,189,533, respectively, for the Artist Residence. For the years ended June 30, 2021 and 2020, the College expended \$1,190,812 and \$4,461,728, respectively, for the Treehouse Residence. Residence Hall trust fund reports included as supplemental information include revenues and expenses, which are included in auxiliary enterprises revenues and expenses. The Commonwealth of Massachusetts requires all State colleges and universities to include the residence halls trust fund reports as supplemental information.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

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

**Massachusetts State Employees' Retirement System**

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Proportion of the collective net pension liability	0.015%	0.014%	0.015%	0.014%	0.015%	0.021%
Proportionate share of the collective net pension liability	\$ 2,624,944	\$ 2,016,666	\$ 1,844,997	\$ 1,819,832	\$ 2,103,656	\$ 1,181,800
College's covered payroll	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968	\$ 1,159,256	\$ 1,286,662
College's proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.47%	91.85%
Plan fiduciary net position as a percentage of the plan's total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%

Notes:

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

*See accompanying notes to the required supplementary information.*

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

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

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 184,791	\$ 165,328	\$ 137,212	\$ 127,527	\$ 110,939	\$ 109,550
Contributions in relation to the statutorily required contribution	<u>(184,791)</u>	<u>(165,328)</u>	<u>(137,212)</u>	<u>(127,527)</u>	<u>(110,939)</u>	<u>(109,550)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968	\$ 1,159,256
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**Massachusetts State Retirees' Benefit Trust**

Year ended	June 30, 2021	June 30, 2020	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018
Proportion of the collective net OPEB liability	0.016%	0.021%	0.022%
Proportionate share of the collective net OPEB liability	\$ 3,377,693	\$ 3,801,775	\$ 4,037,200
College's covered payroll	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	7.38%

Notes:

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

*See accompanying notes to the required supplementary information.*

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**Massachusetts State Retirees' Benefit Trust**

**For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 97,036	\$ 85,644	\$ 100,067
Contributions in relation to the statutorily required contribution	<u>(97,036)</u>	<u>(85,644)</u>	<u>(100,067)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2021 and 2020**

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

Measurement Date – June 30, 2020

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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



**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2021 and 2020**

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

Measurement date – June 30, 2017

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

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

The mortality rates were changed as follows:

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

These mortality changes resulted in an increase of approximately \$1.397 billion in the total pension liability of SERS as of June 30, 2015.

# MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

## Notes to the Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

### Measurement Date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer into the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately \$400 million as of June 30, 2016.

### Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

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

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
(an agency of the Commonwealth of Massachusetts)

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

**June 30, 2021 and 2020**

Note 2 - **Change in Plan Assumptions – OPEB**

**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 Investments 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% from 2.5%.

*Change in Salary Assumptions*

Salary decreased from 4.5% to 4.0%.

*Change in Investment Rate*

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

*See Independent Auditors' Report.*

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2021 and 2020**

*Change in Trend on Future Costs*

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

*Change in Mortality Rates*

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

Actuarial Valuation:

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

Change in Discount Rate

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

**Fiscal year June 30, 2018**

Assumptions:

*Change in Discount Rate*

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

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



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

To the Board of Trustees of  
Massachusetts College of Art and Design  
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Massachusetts College of Art and Design (an agency of the Commonwealth of Massachusetts) (the "College") as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated October 12, 2021.

**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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

### **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 of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants  
Braintree, Massachusetts**

October 12, 2021

## **SUPPLEMENTAL INFORMATION**



**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
 (an agency of the Commonwealth of Massachusetts)

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

**June 30,**

**Assets**

	<u>2021</u>	<u>2020</u>
<b>Asset:</b>		
Cash and equivalents	<u>\$ 1,736,851</u>	<u>\$ 1,146,301</u>
<b>Total Residence Hall Trust Fund Assets</b>	<u><b>\$ 1,736,851</b></u>	<u><b>\$ 1,146,301</b></u>

**Liabilities and Net Position**

<b>Liabilities:</b>		
Compensated absences	\$ 35,271	\$ 36,999
Workers' compensation	<u>6,384</u>	<u>3,050</u>
<b>Total Residence Hall Trust Fund Liabilities</b>	<u><b>41,655</b></u>	<u>40,049</u>
<b>Net Position (Deficit):</b>		
Residence Hall Trust Net (Deficit) Position - Smith Hall	(1,436,851)	(44,871)
Residence Hall Trust Net Position - Artist Residence	997,600	1,050,003
Residence Hall Trust Net Position - Treehouse	<u>2,134,447</u>	<u>101,120</u>
<b>Total Net Position</b>	<u><b>1,695,196</b></u>	<u>1,106,252</u>
<b>Total Residence Hall Trust Fund Liabilities and Net Position</b>	<u><b>\$ 1,736,851</b></u>	<u><b>\$ 1,146,301</b></u>

\* - At June 30, 2021 and 2020, the College's net pension liability of \$2,624,944 and \$2,016,666, and OPEB liability of \$3,377,693 and \$3,801,775, respectively, was not allocated to the Residence Hall Trust Fund's net position balance.

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(an agency of the Commonwealth of Massachusetts)**

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

**For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>		
Student rents	\$ 4,197,700	\$ 6,231,609
Contract rents	4,005,142	3,690,039
Other	<u>194,111</u>	<u>702,512</u>
<b>Total Revenues</b>	<u><b>8,396,953</b></u>	<u><b>10,624,160</b></u>
<b>Expenses:</b>		
Loans and special payments	2,229,134	7,123,139
Operational services	5,175,872	5,539,316
Regular employee compensation	203,933	240,715
Information technology	4,640	2,972
Pension and insurance related	84,208	85,624
Administrative	5,340	620
Regular employee related	516	3,070
Special employee compensation	26,565	36,872
Equipment leases	-	11,311
Facility operational	<u>347</u>	<u>1,661</u>
<b>Total Expenses</b>	<u><b>7,730,555</b></u>	<u><b>13,045,300</b></u>
<b>Revenues Over (Expenses)</b>	<b>666,398</b>	<b>(2,421,140)</b>
<b>Non-Operating Revenues (Expenses) and Transfers:</b>		
Other revenue - MSCBA	-	378,611
Transfers	<u>(77,454)</u>	<u>9,938</u>
<b>Total Non-Operating Revenues (Expenses) and Transfers:</b>	<b>(77,454)</b>	<b>388,549</b>
<b>Total Increase (Decrease) in Net Position</b>	<b>588,944</b>	<b>(2,032,591)</b>
Net Position, Beginning of Year	<u><b>1,106,252</b></u>	<u><b>3,138,843</b></u>
<b>Net Position, End of Year</b>	<u><b>\$ 1,695,196</b></u>	<u><b>\$ 1,106,252</b></u>