

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

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

JUNE 30, 2022

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

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

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 87, *Leases*. The adoption of this pronouncement required the College to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2022

MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

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, 2022. 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.

The College reports its financial activity as a business type activity under GASB. The College is a department of the Commonwealth of Massachusetts. The results of the institutions operations, its net position and cash flows are also summarized in the Commonwealth’s Comprehensive Annual Financial Report in its government-wide financials.

Highlights of College Operations include

- Enrollment remains steady after a small decline during COVID
- 96% occupancy in Residence Halls
- Revenue increase of \$2.7 Million reflects stabilized enrollment and a return to on-campus operations and activities along with increased program support through grants
- Expenses increase of \$3.5 Million in support of student learning and collective bargaining increases funded in part by the state
- An increase in the net position of \$1.85 M signifying strong fiscal management and controls.
- Capital Projects– Campus-wide accelerated energy project, new generator, windows, and Kennedy roof and various other projects
- Updated academic spaces – Fabrication Lab space
- First Year of operations for the Mass Art SOWA gallery
- Mass Art Auction, Fashion Show and Commencement – Held as in person events

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
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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. This year's statements reflect the implementation of GASB 87 that requires accounting for leases obligations. The notes to the financials provide additional information that is essential to a full understanding of the data provided in the separately attached financial statements.

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*. The difference between these amounts – net position- is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. 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 FY2022, the College was funded by both operating revenue (local tuition and fees, state, federal and private grants, auxiliary enterprises and other operating revenue), and non-operating revenue (state appropriations).
- The College received an FY2022 state appropriation (non-operating revenue) of \$23,032,561 including \$20,783,822 in initial funds, \$371,201 in formula funds and \$1,877,538 in funds to support collective bargaining agreements that were paid out in May and June of 2022.
- Overall non-operating revenue in FY2022 increased by approximately \$3.4 million from FY2021 total of \$30,329,357 to FY2022 total of \$33,782,753.

MASSACHUSETTS COLLEGE OF ART AND DESIGN

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FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE continued

In FY'22 CARES Act funds in the amount of \$4.9 million were distributed through non-operating revenue as direct support to the college went to remote instruction due to the COVID 19 pandemic. The funds were used to provide \$2.8 M in direct grants to students and provide operating support for a safe environment for teaching and learning.

The College's operating expenses for FY2022 totaled \$78,707,306, an increase from the prior year of approximately \$3.5 million or 4.5%. The increase is across every category of expense including payroll, plant, teaching and operational supplies and auxiliary services.

FINANCIAL HIGHLIGHTS

	FY22	FY21 restated
Operating revenues (tuition and fees)	\$ 45,890,830	\$ 43,040,223
Operating Expenses	\$ 78,707,306	\$ 75,231,808
Net operating Loss	\$ (32,816,476)	\$ (32,191,585)
Non-Operating Revenues (state appropriation)	\$ 33,782,753	\$ 30,329,357
Change in net Position before Capital	\$ 966,277	\$ (1,862,228)
Total Capital Improvements	\$ 1,391,927	\$ 2,364,906
Change in net Position	\$ 2,358,204	\$ 502,678

Change in Net Position is \$966,277 before capital improvements and due in part to an increase in overall expenses with a return to campus in the spring semester and increase in non-operating revenue combined with an increase in federal grant spending (COVID relief funds) as compared to FY21.

STATEMENT OF NET POSITION

In FY2022, the College recorded an increase of \$775,088 in total assets, a decrease of approximately \$5.2 M in total liabilities, along with accounting changes to deferred inflows and outflows of resources, resulting in an overall change to the net position of 2,358,204.

The College's assets total \$222,252,198 of which non-current represents 83%, and 17% 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 implementation of GASB 87, which eliminates the distinction between operating and capital leases, has resulted in some materials changes to the presentation of assets and liabilities on the statement of net position. The majority of the lease obligations will be reflected as liabilities and assets on the statement of financial position. Lease payments will now have a portion that reduces the lease liability and a portion that flows through the statement of activities as an interest expense. A corresponding lease asset will be recorded and amortized over the lease term or the useful life of the underlying asset whichever is shorter.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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STATEMENT OF NET POSITION continued

For the college this is primarily due to the treatment of the debt associated with the residence halls built and financed through the Massachusetts State College Building Authority. See Note # 2 for additional information.

The College's liabilities total \$135,818,612 of which 89% represents long-term (non-current) obligations related to accrued employee compensation, debt service costs and the accounting for the net pension liability and the OPEB liability. Current liabilities totaling \$15,117,215 represent 11% 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 \$3,381,921 and deferred inflows of resources of \$4,734,659 at year-end. These account for other changes in the net pension and OPEB valuations, losses related to debt refinancing and the treatment of concession contract revenues over the life of the contract.

The College closed FY2022 in a positive financial position and has sufficient current assets to cover current liabilities, a current ratio of (2.54:1). The current assets are \$38,403,389 and the current liabilities are \$15,117,215.

STATEMENT OF REVENUES AND EXPENSES AND OF CHANGES IN NET POSITION		
	<u>FY2022</u>	<u>FY2021 restated</u>
Current Assets	\$ 38,403,389	\$ 32,632,734
Non-Current Assets	\$ 183,848,809	\$ 188,844,376
Total Assets	\$ 222,252,198	\$ 221,477,110
Deferred Outflows of Resources	\$ 3,381,921	\$ 3,620,173
Total Assets & Deferred Outflows of Resources	\$ 225,634,119	\$ 225,097,283
Current Liabilities	\$ 15,117,215	\$ 13,177,027
Non-Current Liabilities	\$ 120,701,397	\$ 127,793,283
Total Liabilities	\$ 135,818,612	\$ 140,970,310
Deferred Inflows of Resources	\$ 4,734,659	\$ 1,404,330
Total Liabilities & Deferred Inflows of Resources	\$ 140,553,271	\$ 142,374,640
Total Net Position	\$ 85,080,848	\$ 82,722,643

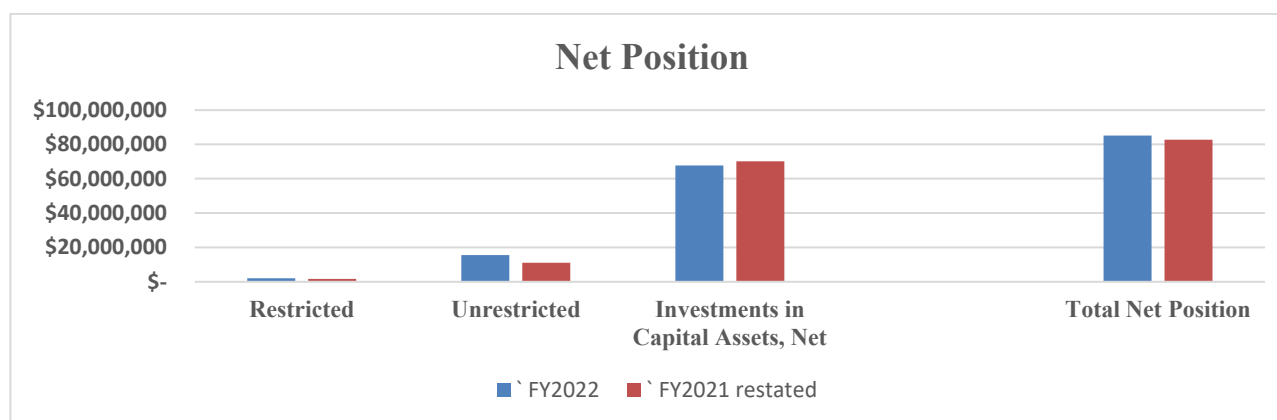
MASSACHUSETTS COLLEGE OF ART AND DESIGN
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STATEMENT OF NET POSITION continued

The difference between total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources (net position) is \$85,080,848. The net position is detailed as follows:

	<u>FY2022</u>	<u>FY2021 restated</u>
Restricted	\$ 1,938,352	\$ 1,604,898
Unrestricted	\$ 15,437,064	\$ 11,023,168
Investments in Capital Assets, Net	<u>\$ 67,705,432</u>	<u>\$ 70,094,577</u>
Total Net Position	<u>\$ 85,080,848</u>	<u>\$ 82,722,643</u>

The College has positive balances in all net position categories at the end of FY2021 and FY2022. Capital assets, representing land, buildings, construction in progress, equipment and educational resource materials, account for 79.6% of the College’s total net position with restricted funds totaling 2.28% and unrestricted funds totaling 18.1%. 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 \$15,325,784. We also have unfunded liabilities with the Commonwealth of Massachusetts Unrestricted Fund Balance totaling (\$15,852,752). 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	\$ 29,010,945
Commonwealth of Massachusetts Unrestricted Fund Balance	(<u>\$13,573,881</u>)
Total Unrestricted Funds	\$ <u>15,437,064</u>

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

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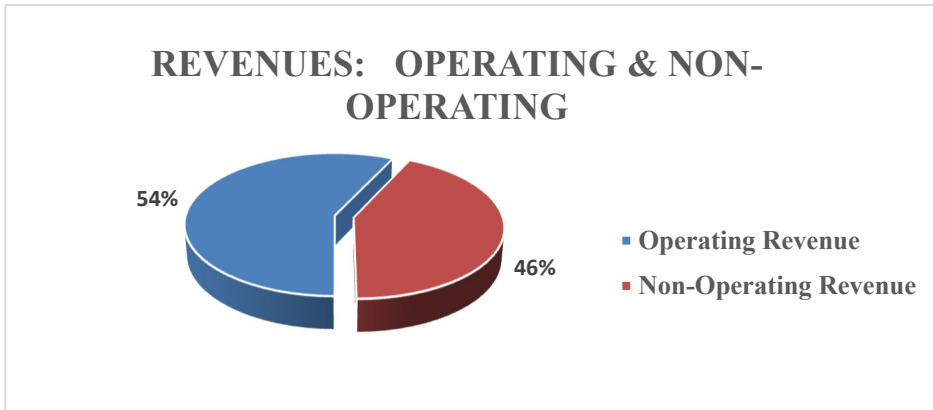
STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION

The statement of revenues and expenses and statement of changes in net position presents the College's results of operations. A summary of the FY2022 operating and non-operating revenue, expenses and net position is as follows:

I.	NET POSITION, BEGINNING OF YEAR	\$ 82,722,644
II.	OPERATING REVENUE	
	TUITION, FEES, & OTHER REVENUE	\$ 45,890,830
III.	OPERATIONAL EXPENSES	<u>\$ 78,707,306</u>
IV.	OPERATING LOSS (II-III)	\$ (32,816,476)
V.	NON-OPERATING:	
	COMMONWEALTH APPROPRIATIONS	\$ 33,868,481
	INVESTMENT INCOME	\$ 25,679
	CARES ACT	\$ 4,965,492
	& INTEREST EXPENSE	<u>\$ (5,076,899)</u>
	TOTAL NON-OPERATING ACTIVITY	<u>\$ 33,782,753</u>
VI.	NET INCOME /LOSS BEFORE CAPITAL IMPROVEMENTS (IV+V)	\$ 966,277
VII.	CAPITAL IMPROVEMENTS TO BUILDINGS	<u>\$ 1,391,927</u>
VIII.	CHANGE IN NET POSITION (VI+VII)	\$ 2,358,204
IX.	NET POSITION, END OF YEAR (I+VIII)	\$ 85,080,848

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



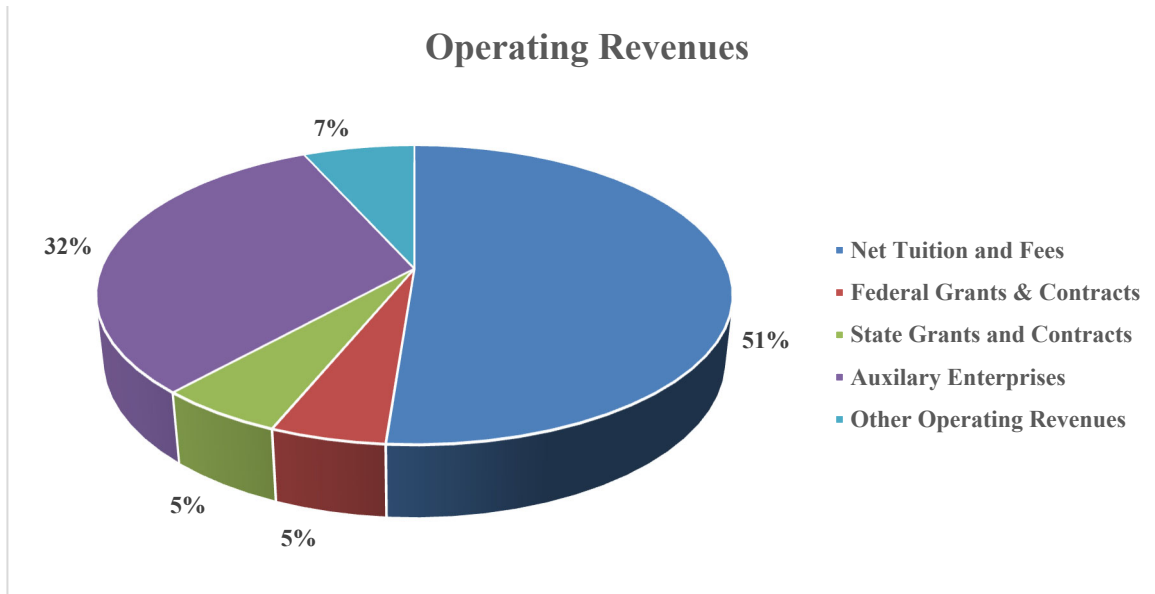
The College develops its budgets based on local revenue and the Commonwealth’s appropriation. The Commonwealth’s appropriation is a critical component of the College’s funding structure. In FY2022, non-operating revenue sources increased to 46% of the total annual income compared to a FY2021 level of 43%. The FY2020 share was 39% and FY2019 was 41% and FY2018 level was at 35%.

FY2022	Operating	Non-Operating	Total
Revenues	\$45,890,830	\$38,859,652	\$84,750,482
Expenses	\$78,707,306	(\$5,076,899)	\$73,630,407
Net	(\$32,816,476)	\$33,782,753	\$966,277

As of June 30, 2022, the College realized an operating loss of \$32,816,476 (IV) due primarily to the nature of the Massachusetts public higher education funding system. This is offset by the Commonwealth’s FY2022 appropriation and fringe support to the College. It acts as a subsidy and is considered non-operating income, which assists in making up the accounting operating loss not covered by tuition, fees and other operating revenue. The college ended the year in a positive position.

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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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 51% of total operating resources
- The College’s auxiliary enterprises, consisting of the residence halls and dormitory dining, accounts for 32% of operating revenue
- Income from federal and state grants total 10% of operating income
- 7% is classified as other operating revenues, derived from a variety of sources. In this category is \$2,122,161 in support from the Massachusetts College of Art and Design Foundation, Inc. utilized for direct program support through grants, scholarships and facilities projects. In FY2022, 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
- Afterschool and dual enrollment support for Artward Bound (DESE)
- Commonwealth Internship Incentive
- DCAMM Small Repair Program
- DHE Mental Health grant
- Cummings Foundation operating support for Artward Bound
- MAICEI grant

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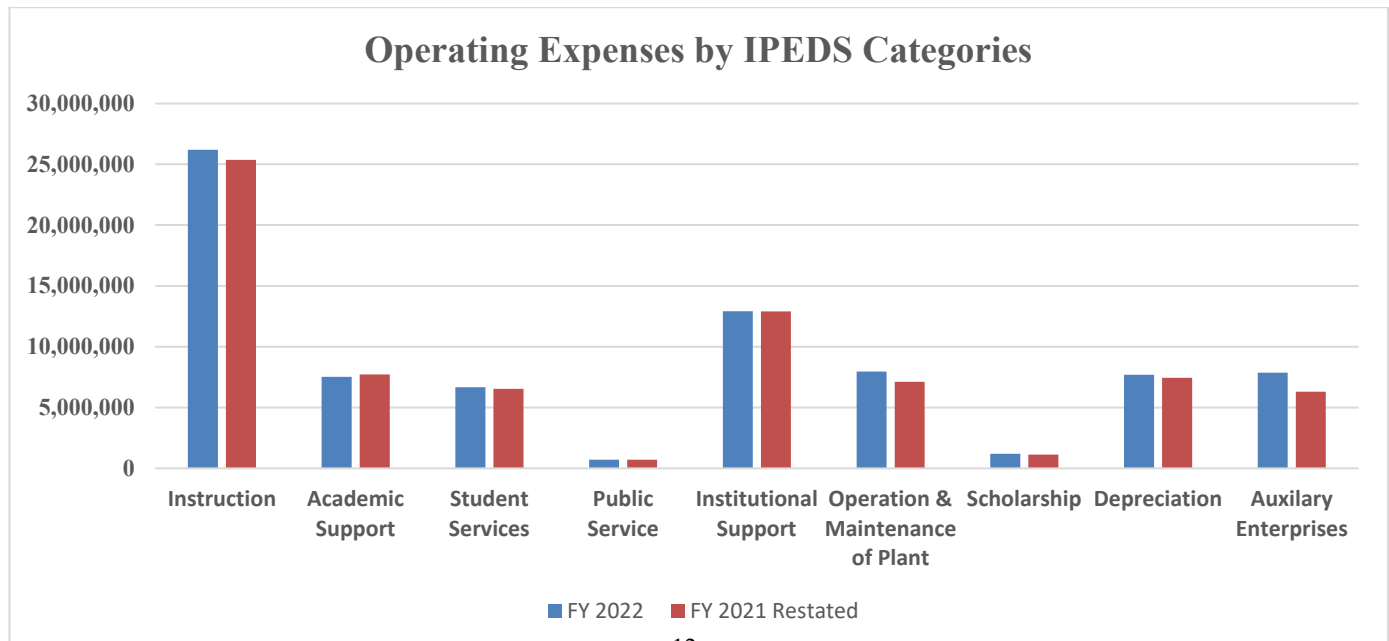
STATEMENT OF REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET POSITION – Continued

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

Net Tuition and Fees Revenue	<u>FY2022</u>	<u>FY2021</u>
Undergraduate Day Program Student Charges	\$ 31,489,322	\$ 30,337,280
Graduate and Program of Continuing Education Tuition and Fees	<u>\$ 4,457,650</u>	<u>\$ 4,456,034</u>
Total Tuition and Fee Revenue	\$ 35,946,972	\$34,955,541
Less: Scholarships	<u>(\$12,449,752)</u>	<u>(\$9,543,061)</u>
Net Tuition and Fees Revenue	<u>\$ 23,497,220</u>	<u>\$ 25,412,480</u>

Operating expenditures totaled \$78,707,306.

- Consistent with the College’s efforts to maintain competitive advantage, our instructional and academic and student support expenses account for 51.2% (33.2%, 9.5% and 8.5%) of total operating expenses.
- Auxiliary enterprises are 10.1% of total, institutional (i.e. administrative expenditures) account for 16.4% of operational costs, which is in line with peer institution spending rates.
- Plant (10.1%) and depreciation (9.8%) expenses account for 19.9% of the operating costs.



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Capital Expenses

In FY2022 and FY2021, capital funding of \$1,391,927 and \$2,364,906 supported key investments in campus-wide energy and security systems. Studies were also performed to review the Kennedy Building roof and loading dock, South building link and the tower generator. In FY 2020 the college received \$819,392 in capital funds. 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.

Revenues for the College are recorded when earned and expenses are incurred when a liability is incurred. The statements included here reflect the degree to which the direct expenses of a given function are offset by program revenues. The cash at the end of FY 2022 was \$36,247,628 which reflects an increase of \$5,794,135 or 16% over FY 2021.

Statement of Cash Flows	<u>FY2022</u>	<u>FY2021</u>
Cash, Beginning of Year	\$30,453,493	\$21,000,670
Cash, End of Year	\$36,247,628	\$30,453,493

MASSACHUSETTS COLLEGE OF ART AND DESIGN
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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 variances or material changes in the budget as necessary. At year-end, an audit is conducted on all components of the financial operations of the college, and these financial statements are produced.

As part of the updates to our Enterprise Resource Planning (ERP) system, which is cloud based the college has been able to fully utilize many self-service functions in areas of financial management, financial aid, and registration. The college will roll out additional functionality including CRM Advise which is designed to help advisors and faculty track students' academic performance, identify at-risk students, and connect them with support services. In FY2022, Budget custodians have the added functionality of proposing budget transfers directly in the finance system and students can pay online. The college also launched an internal payment plan for students and family's convenience.

For Academic Year 21-22, the Residence Halls were at 96% occupancy with a return to on campus learning. Academic Year 22-23, we begin the year at 100% capacity on campus and leasing an additional 31 rooms rented from Simmons University.

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 FY2023, internal business processes will continue to 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.

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 \$6.0M million in FY2022. Additional student support of \$2.8 M was provided through the CARES and 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 incoming classes for 2021/2022 and the 2022/2023 academic year were smaller due to COVID impacts and 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 enrollment management strategies during FY2023 and beyond.

The College along with our state partners at DCAMM, continue to study the most cost effective and efficient strategy to refurbish the Tower Building at Mass Art. The building has well documented significant deferred maintenance needs that must be addressed. These issues include obsolete air handling systems, water leakage from a poorly designed façade, accessibility and building infrastructure.

SUMMARY ANALYSIS AND COMMENT – Continued

The major goals of this project are to address the following:

- Outdated infrastructure
- Underperforming building envelope
- Inflexible Teaching and Learning Spaces
- Inaccessible and ADA non-compliant
- Disconnected Street Level

The Tower Building at Mass Art contains 64% of all instructional spaces on campus. The 318,300 GSF building houses our four largest and in demand majors. These issues when addressed will ensure the college will continue to recruit and retain the region's best designers, educators, and artist.

In FY22 the college was awarded \$450,000 from DCAMM to fund in part the Kennedy roof project that has an estimated completion time in FY24. In addition, with support from the Skills Capital Grant the college completed a fabrication lab in the Fenway room in the Design Media Center, replaced a ramp in the Collins Building to ensure ADA compliance and finished window repairs throughout the campus.

The college continues to strengthen its financial position and fund balance allowing the college to reinvest in our faculty and staff, academic programs, and campus infrastructure in order to enhance the learning and student experience. We have begun strategic exploration of our community engagement initiatives to determine ways to better support, promote and determine impact of these important college programs. Additionally we have taken on a brand-refresh project and laid the ground work for our 150th anniversary year in 2023.

Other Highlights for FY22 include the hiring of a new Provost and Vice President for Academic Affairs, Dr. Brenda Moline. Brenda's leadership experience in both administrative and academic matters, her expertise as an art historian, and above all, her commitment to Mass Art's mission will further elevate the excellent art and design education we provide to our talented, hardworking, and deserving students.

As we return to in-person operations, teaching, making, and learning – the vibrant community of Mass Art came together through signature events including our fashion show, auction, all-school student show and commencement where we welcomed back members of the class of 2021 and 2020 who did not have the opportunity for an in-person commencement.

We were also delighted to receive support from both the City of Boston and private donors for our emerging artist entrepreneur initiative where Mass Art students as well as practicing local artists have access to experts in the industry to support development of business plans and mentoring to support early career artists and entrepreneurs.

And, we reopened the physical doors of MAAM – our Mass Art Museum. Throughout the pandemic MAAM offered an array of engaging programs on-line and began a series of creative and educational programs to bring the community back into the museum.

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

	Primary Government		Component Unit	
	(restated)			
	2022	2021	2022	2021
	College	College	Foundation	Foundation
Current Assets:				
Cash and equivalents	\$ 33,317,663	\$ 27,752,049	\$ 2,567,419	\$ 3,089,593
Deposits held by State Treasurer	2,659,212	2,426,146	-	-
Cash held by MSCBA - debt service reserve	934,531	934,531	-	-
Accounts receivable, net	789,933	752,156	-	-
Contributions receivable	-	-	1,126,507	150,394
Loans receivable	518,643	573,976	-	-
Other receivables	-	-	-	-
Prepaid expenses	25,390	-	-	-
Investments	-	-	12,971,641	14,545,237
Other assets	<u>158,017</u>	<u>193,876</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>38,403,389</u>	<u>32,632,734</u>	<u>16,665,567</u>	<u>17,785,224</u>
Non-Current Assets:				
Restricted cash and equivalents	237,376	242,022	-	-
Restricted deposits held by State Treasurer	33,377	33,276	-	-
Long-term contributions receivable, net	-	-	2,103	540,431
Capital asset, net	<u>183,578,056</u>	<u>188,569,078</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>183,848,809</u>	<u>188,844,376</u>	<u>2,103</u>	<u>540,431</u>
Total Assets	<u>222,252,198</u>	<u>221,477,110</u>	<u>16,667,670</u>	<u>18,325,655</u>
Deferred Outflows of Resources:				
Loss on refunding of bonds	2,066,316	2,238,509	-	-
Other post-employment benefit ("OPEB") related	773,319	646,937	-	-
Pension related	<u>542,286</u>	<u>734,727</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>3,381,921</u>	<u>3,620,173</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 225,634,119</u>	 <u>\$ 225,097,283</u>	 <u>\$ 16,667,670</u>	 <u>\$ 18,325,655</u>

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	(restated)			
	2022	2021	2022	2021
	College	College	Foundation	Foundation
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,296,646	\$ 3,806,979	\$ 44,179	\$ 339
Accrued salaries and wages	1,985,591	1,832,120	-	-
Current portion accrued compensated absences and benefits	3,402,927	3,349,241	-	-
Annuity payable	-	-	11,673	12,173
Current portion of lease liability	3,021,617	1,481,567	-	-
Current portion bonds payable	2,213,121	858,908	-	-
Unearned revenues and deposits	<u>2,197,313</u>	<u>1,848,212</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>15,117,215</u>	<u>13,177,027</u>	<u>55,852</u>	<u>12,512</u>
Non-Current Liabilities:				
Accrued compensated absences and benefits, net of current portion	2,595,032	2,483,580	-	-
Lease liability, net of current portion	82,344,809	85,366,425	-	-
Bonds payable, net of current portion	31,293,924	33,940,640	-	-
Net other post-employment benefit ("OPEB") liability	2,846,439	3,377,693	-	-
Net pension liability	<u>1,621,193</u>	<u>2,624,944</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>120,701,397</u>	<u>127,793,282</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>135,818,612</u>	<u>140,970,309</u>	<u>55,852</u>	<u>12,512</u>
Deferred Inflows of Resources:				
Service concession revenue applicable to future years	2,171,850	-	-	-
Other post-employment benefit related	1,780,351	1,282,126	-	-
Pension related	<u>782,458</u>	<u>122,204</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>4,734,659</u>	<u>1,404,330</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	67,705,432	70,094,578	-	-
Restricted:				
Nonexpendable	58,728	58,622	7,910,682	7,398,794
Expendable	1,879,624	1,546,276	7,852,195	10,125,761
Unrestricted	<u>15,437,064</u>	<u>11,023,168</u>	<u>848,941</u>	<u>788,588</u>
Total Net Position	<u>85,080,848</u>	<u>82,722,644</u>	<u>16,611,818</u>	<u>18,313,143</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 225,634,119</u>	<u>\$ 225,097,283</u>	<u>\$ 16,667,670</u>	<u>\$ 18,325,655</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,

	Primary Government		Component Unit	
	2022 College	(restated) 2021 College	2021 Foundation	2021 Foundation
Operating Revenues:				
Tuition and fees	\$ 35,946,972	\$ 34,955,541	\$ -	\$ -
Less: scholarships and fellowships	<u>(12,449,752)</u>	<u>(9,543,061)</u>	-	-
Net tuition and fees	23,497,220	25,412,480	-	-
Gifts and contributions	-	-	2,756,232	3,615,605
Federal grants and contracts	2,295,030	2,561,492	-	-
State grants and contracts	2,509,670	1,743,518	-	-
Auxiliary enterprises	14,513,306	9,567,811	-	-
In-kind revenue	-	-	241,349	544,343
Other operating revenues	<u>3,075,604</u>	<u>3,754,922</u>	<u>1,156,670</u>	<u>1,060,471</u>
Total Operating Revenues	<u>45,890,830</u>	<u>43,040,223</u>	<u>4,154,251</u>	<u>5,220,419</u>
Operating Expenses:				
Educational and general:				
Instruction	26,183,447	25,357,620	-	-
Gifts and contributions	-	-	2,512,002	3,405,523
Public service	714,571	712,647	-	-
Academic support	7,519,481	7,721,020	-	-
Student services	6,668,012	6,540,400	-	-
Fundraising	-	-	834,564	511,411
Institutional support	12,909,703	12,900,144	205,997	213,124
Operation and maintenance of plant	7,961,079	7,112,953	-	-
Scholarships and fellowships	1,195,071	1,137,396	-	-
Depreciation	7,694,017	7,449,987	-	-
Auxiliary enterprises	<u>7,861,925</u>	<u>6,299,641</u>	-	-
Total Operating Expenses	<u>78,707,306</u>	<u>75,231,808</u>	<u>3,552,563</u>	<u>4,130,058</u>
Net Operating (Loss) Revenue	<u>(32,816,476)</u>	<u>(32,191,585)</u>	<u>601,688</u>	<u>1,090,361</u>
Non-Operating Revenues (Expenses):				
Commonwealth operating appropriations, net	33,868,481	30,857,673	-	-
Federal grants	4,965,492	1,926,885	-	-
Investment income	25,679	24,896	(2,303,013)	1,552,696
Interest expense	<u>(5,076,899)</u>	<u>(2,480,097)</u>	-	-
Total Non-Operating Revenues (Expenses)	<u>33,782,753</u>	<u>30,329,357</u>	<u>(2,303,013)</u>	<u>1,552,696</u>
Changes in Net Position Before Capital Improvements	966,277	(1,862,228)	(1,701,325)	2,643,057
Commonwealth capital appropriations	146,859	966,779	-	-
Capital improvements, DCAM	<u>1,245,068</u>	<u>1,398,127</u>	-	-
Total Capital Improvements	<u>1,391,927</u>	<u>2,364,906</u>	-	-
Change in Net Position	<u>\$ 2,358,204</u>	<u>\$ 502,678</u>	<u>\$ (1,701,325)</u>	<u>\$ 2,643,057</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, 2022 and 2021

College

	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance at June 30, 2020	\$ 74,990,807	\$ 58,622	\$ 927,589	\$ 6,242,948	\$ 82,219,966
Change in net position for 2021	<u>(4,896,229)</u>	<u>-</u>	<u>618,687</u>	<u>4,780,220</u>	<u>502,678</u>
Balance at June 30, 2021, restated	70,094,578	58,622	1,546,276	11,023,168	82,722,644
Change in net position for 2022	<u>(2,389,146)</u>	<u>106</u>	<u>333,348</u>	<u>4,413,896</u>	<u>2,358,204</u>
Balance, June 30, 2022	<u>\$ 67,705,432</u>	<u>\$ 58,728</u>	<u>\$ 1,879,624</u>	<u>\$ 15,437,064</u>	<u>\$ 85,080,848</u>

Foundation

	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2020	\$ -	\$ 5,974,954	\$ 9,006,283	\$ 688,849	\$ 15,670,086
Change in net position for 2021	<u>-</u>	<u>1,423,840</u>	<u>1,119,478</u>	<u>99,739</u>	<u>2,643,057</u>
Balance, June 30, 2021	-	7,398,794	10,125,761	788,588	18,313,143
Change in net position for 2022	<u>-</u>	<u>511,888</u>	<u>(2,273,566)</u>	<u>60,353</u>	<u>(1,701,325)</u>
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 7,910,682</u>	<u>\$ 7,852,195</u>	<u>\$ 848,941</u>	<u>\$ 16,611,818</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>2022</u> <u>College</u>	<u>Primary</u> <u>Government</u> (Restated) 2021 <u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 23,808,544	\$ 25,345,803
Grants and contracts	4,804,700	4,305,010
Payments to employees	(30,241,449)	(29,168,722)
Payments to suppliers and vendors	(22,364,652)	(16,666,716)
Collections on loans	55,333	45,560
Scholarships and fellowships	(1,195,071)	(1,137,396)
Auxiliary enterprises expenses	(7,861,925)	(6,299,642)
Auxiliary enterprises revenues	14,513,306	9,567,811
Other operating revenues	<u>2,834,287</u>	<u>3,400,435</u>
Net Cash Applied to Operating Activities	<u>(15,646,927)</u>	<u>(10,607,857)</u>
Cash Flows from Non-Capital Financing Activities:		
Federal grants	4,965,492	1,926,885
Commonwealth appropriations	<u>23,032,561</u>	<u>20,783,822</u>
Net Cash Provided by Non-Capital Financing Activities	<u>27,998,053</u>	<u>22,710,707</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(1,311,068)	-
Commission advance from service concession agreement	2,413,167	
Principal paid on capital lease payable	(1,481,566)	(132,981)
Principal paid on bonds payable	(1,064,439)	-
Interest paid on bonds payable	<u>(5,138,764)</u>	<u>(2,541,944)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(6,582,670)</u>	<u>(2,674,925)</u>
Cash Flows from Investing Activity:		
Dividends and interest income	<u>25,679</u>	<u>24,898</u>
Net Increase in Cash and Equivalents	5,794,135	9,452,823
Cash and Equivalents, Beginning of Year	<u>30,453,493</u>	<u>21,000,670</u>
Cash and Equivalents, End of Year	<u>\$ 36,247,628</u>	<u>\$ 30,453,493</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (32,816,476)	\$ (32,191,585)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	7,694,017	7,449,987
Fringe benefits provided by State appropriations	10,835,920	10,073,851
Deferred inflows and outflows of resources	(241,317)	(354,487)
Changes in assets and liabilities:		
Accounts and loans receivable	(37,777)	(103,163)
Prepaid expenses	(25,390)	-
Other receivable	55,333	256,082
Inventories	35,859	(43,311)
Accounts payable and accrued expenses	(1,504,339)	3,389,691
Accrued salaries and wages	153,471	6,655
Accrued compensated absences and benefits	165,138	1,000,398
Unearned revenues and deposits	349,101	(174,036)
Net other post-employment benefit liability	(159,411)	(48,237)
Net pension activity	<u>(151,056)</u>	<u>130,298</u>
Net Cash Applied to Operating Activities	<u>\$ (15,646,927)</u>	<u>\$ (10,607,857)</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,

	<u>Primary</u>	
	<u>Government</u>	
	2022	2021
	<u>College</u>	<u>College</u>
Summary of Restricted Cash and Equivalents and		
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 33,317,663	\$ 27,752,049
Deposits held by State Treasurer	2,659,212	2,426,146
Restricted cash and equivalents	237,376	242,022
Restricted deposits held by State Treasurer	<u>33,377</u>	<u>33,276</u>
Cash and Equivalents, End of Year	<u>\$ 36,247,628</u>	<u>\$ 30,453,493</u>
Non-Cash Transactions:		
Fringe benefits provided by Commonwealth appropriations	<u>\$ 10,835,920</u>	<u>\$ 10,073,851</u>
Capital improvements provided by Commonwealth capital appropriations	<u>\$ 146,859</u>	<u>\$ 966,779</u>
Capital improvements provided by DCAM	<u>\$ 1,245,068</u>	<u>\$ 7,304,442</u>
Deferred inflows of resources - service concession revenue	<u>\$ 241,317</u>	<u>\$ 354,487</u>
Deferred outflow loss on bond refunding	<u>\$ 172,193</u>	<u>\$ 2,328,708</u>
Amortization of bond premium	<u>\$ 228,064</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, 2022 and 2021

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

In response to the COVID-19 pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds (“HEERF”) and funds for the Strengthening Institution Program (“SIP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), and American Rescue Plan Act (“ARPA”). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 2022, while the SIP funding must be spent by August 2022. In April 2022, the Department of Education extended all HEERF funds deadlines to be spent by June 2023.

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

Notes to the Financial Statements

June 30, 2022 and 2021

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

	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
Total	\$3,663,132	\$4,585,329	\$8,248,461

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

For the Year Ended June 30, 2022				For the Year Ended June 30, 2021			
	Student Aid Award	Institutional Award	Total		Student Aid Award	Institutional Award	Total
CARES	\$ -	\$ -	\$ -	CARES	\$ 190,733	\$ 755,132	\$ 945,865
CRRSAA	435,066	966,386	1,401,452	CRRSAA	320,067	710,945	1,031,012
ARPA	2,410,384	1,153,656	3,564,040	ARPA	-	-	-
Total	\$2,845,450	\$2,120,042	\$4,965,492	Total	\$ 510,800	\$1,466,077	\$1,976,877

As of June 30, 2022, the College has \$741,692 of unspent ARPA funds. CARES and CRRSAA funds have been fully spent at June 30, 2022.

As of June 30, 2022 and 2021, the College recognized \$0 and \$99,400 as an operating grant of for Governor's Emergency Education Relief Fund ("GEERF") as a pass-through from the State of Massachusetts.

Basis of Presentation

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

MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

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 College-wide basis with separate totals for the component unit.

The College's policies for defining operating activities in the statements of revenues and expenses, and statements of changes in net position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts, and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

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.

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).

MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

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.

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, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

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

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.

MASSACHUSETTS COLLEGE OF ART AND DESIGN

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

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.

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.

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.

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Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require.

As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of donated assets and accounts receivable, incremental borrowing rate for lease liability and estimating depreciation, amortization, net pension and OPEB liability assumptions and the recoverability of long-lived assets.

Upcoming Governmental Accounting Pronouncements

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

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

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

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

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

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

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

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

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

There was no change to net position as of July 1, 2020, upon the implementation of GASB 87, since the adjustment for the right to use assets and capital leases were completely offset by the adjustment for the lease liabilities. Adjustments to captions in the Statements of Financial Position are as follows:

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The prior period adjustment due to the implementation of GASB are as follows:

<u>As of July 1, 2020:</u>	As Previously	
Statement of Net Position:	<u>Reported</u>	<u>As Restated</u>
Capital lease	\$ -	\$ 86,956,440
Lease liability	-	(86,956,440)
Net investment in capital assets	74,990,807	74,990,807
Restricted:		
Nonexpendable	58,622	58,622
Expendable	927,589	927,589
Unrestricted	<u>6,242,948</u>	<u>6,242,948</u>
Total net position	<u>82,219,966</u>	<u>82,219,966</u>
 <u>As of June 30, 2021:</u>		
Statement of Net Position:		
Capital asset, net	\$ -	\$ 82,457,370
Lease liability	-	(86,847,992)
Net investment in capital assets	74,485,200	70,094,578
Restricted:		
Nonexpendable	58,622	58,622
Expendable	1,546,276	1,546,276
Unrestricted	<u>11,023,168</u>	<u>11,023,168</u>
Total net position	<u>87,113,266</u>	<u>82,722,644</u>
Statements of Revenues and Expenses:		
Depreciation and amortization	2,950,917	7,449,987
Auxiliary enterprises expenses	8,528,775	6,299,641
Interest expense	\$ 359,412	\$ 2,480,097

Note 3 - 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.

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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, 2022 and 2021, the College has \$12,363,912 and \$12,338,700, 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 \$22,056,913 and \$16,265,843 at June 30, 2022 and 2021, \$307,705 and \$312,926 was covered by federal depository insurance; collateralization agreements covered \$21,749,208 and \$15,952,917, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2022 and 2021. All bank balances (not including MMDT) were either insured or collateralized at June 30, 2022 and 2021.

Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from State-appropriated funds totaled approximately \$2,659,000 and \$2,246,000 at June 30, 2022 and 2021, 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.

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.

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Note 4 - **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>2022</u>	<u>2021</u>
Equity mutual funds	\$ 9,493,468	\$ 10,590,710
Fixed income mutual funds	<u>3,478,173</u>	<u>3,954,527</u>
	<u>\$ 12,971,641</u>	<u>\$ 14,545,237</u>

Note 5 - **Accounts Receivable**

Accounts receivable comprise the following at June 30,:

	<u>2022</u>	<u>2021</u>
Student accounts receivable	\$ 940,010	\$ 852,431
Less: allowance for doubtful accounts	<u>150,077</u>	<u>100,275</u>
	<u>\$ 789,933</u>	<u>\$ 752,156</u>

Note 6 - **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>2022</u>	<u>2021</u>
Due within one year	\$ 1,146,024	\$ 150,394
Due within one to five years	<u>37,500</u>	<u>546,000</u>
Gross contributions receivable	1,183,524	696,394
Unamortized discount and allowance	<u>(54,914)</u>	<u>(5,569)</u>
Total Contributions Receivable	<u>\$ 1,128,610</u>	<u>\$ 690,825</u>

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Note 7 - **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, 2022 and 2021 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>2022</u>	<u>2021</u>
Perkins loans receivable	\$ 447,134	\$ 502,467
Joslin loans receivable	<u>71,509</u>	<u>71,509</u>
	<u>\$ 518,643</u>	<u>\$ 573,976</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 reviewing the ongoing updates to the Perkins programs and is working with families affected by the Extension Act for the 2022-2023 academic year.

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Note 8 - Capital Assets

Capital assets activity for the year ended June 30, 2022 is as follows:

	Estimated Lives (In Years)	(Restated) Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Non-depreciable:						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		9,673,035	-	-	(7,654,529)	2,018,506
Total non-depreciable		<u>9,678,712</u>	<u>-</u>	<u>-</u>	<u>(7,654,529)</u>	<u>2,024,183</u>
Depreciable:						
Buildings, including improvements	40	179,536,124	2,702,995	-	7,654,529	189,893,648
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3 to 10	2,247,559	-	(86,258)	-	2,161,301
Leased equipment	5	146,022	-	-	-	146,022
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		<u>270,797,652</u>	<u>2,702,995</u>	<u>(86,258)</u>	<u>7,654,529</u>	<u>281,068,918</u>
Less: accumulated depreciation:						
Buildings, including improvements		83,103,128	3,186,835	(86,258)	-	86,203,705
Leased buildings		4,458,508	4,458,508	-	-	8,917,016
Furnishings and equipment		2,247,559	-	-	-	2,247,559
Leased equipment		40,562	48,674	-	-	89,236
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		<u>91,907,286</u>	<u>7,694,017</u>	<u>(86,258)</u>	<u>-</u>	<u>99,515,045</u>
Capital assets, net		<u>\$ 188,569,078</u>	<u>\$ (4,991,022)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,578,056</u>

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

	Estimated lives (In Years)	(Restated) Beginning Balance	Additions	Retirements	Reclassifications	(Restated) Ending Balance
Non-depreciable:						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		1,483,808	8,189,227	-	-	9,673,035
Total non-depreciable		<u>1,489,485</u>	<u>8,189,227</u>	<u>-</u>	<u>-</u>	<u>9,678,712</u>
Depreciable:						
Buildings, including improvements	40	179,536,124	-	-	-	179,536,124
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3 to 10	2,258,076	-	(10,517)	-	2,247,559
Leased equipment	5	146,022	-	-	-	146,022
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		<u>270,808,169</u>	<u>-</u>	<u>(10,517)</u>	<u>-</u>	<u>270,797,652</u>
Less: accumulated depreciation:						
Buildings, including improvements		80,175,232	2,927,896	-	-	83,103,128
Leased buildings		-	4,458,508	-	-	4,458,508
Furnishings and equipment		2,235,055	23,021	(10,517)	-	2,247,559
Leased equipment		-	40,562	-	-	40,562
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		<u>84,467,816</u>	<u>7,449,987</u>	<u>(10,517)</u>	<u>-</u>	<u>91,907,286</u>
Capital assets, net		<u>\$ 100,873,398</u>	<u>\$ 739,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,569,078</u>

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Note 9 - Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2022 consists of the following:

	(Restated)				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 34,799,548	\$ -	\$ 1,292,503	\$ 33,507,045	\$ 2,213,121
Lease payable	86,847,992	-	1,481,566	85,366,426	3,021,617
Other non-current liabilities:					
Compensated absences	4,938,934	92,411	-	5,031,345	3,286,400
Worker's compensation	893,887	72,727	-	966,614	116,527
Other post-employment benefit liability	3,377,693	-	531,254	2,846,439	-
Net pension liability	<u>2,624,944</u>	<u>-</u>	<u>1,003,751</u>	<u>1,621,193</u>	<u>-</u>
Total	<u>\$ 133,482,998</u>	<u>\$ 165,138</u>	<u>\$ 4,309,074</u>	<u>\$ 129,339,062</u>	<u>\$ 8,637,665</u>

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

	(Restated)			(Restated)	
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 25,858,058	\$ 9,169,554	\$ 228,064	\$ 34,799,548	\$ 858,908
Lease payable	86,956,440	-	108,448	86,847,992	1,481,567
Other non-current liabilities:					
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>\$ 123,465,362</u>	<u>\$ 15,610,653</u>	<u>\$ 5,593,017</u>	<u>\$ 133,482,998</u>	<u>\$ 5,689,716</u>

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 in June 2022. The maximum funds to be repaid are \$5,824,321. At June 30, 2022 and 2021, the debt outstanding was \$5,618,790 and \$5,824,321, respectively.

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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 was 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, 2022 and 2021, the debt outstanding was \$27,888,255 and \$28,975,227, respectively.

Maturities of bond principal and interest subsequent to June 30, 2022 are as follows:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,213,121	\$ 1,040,994
2024	2,513,936	962,331
2025	2,570,045	877,384
2026	2,621,162	787,784
2027	2,685,842	703,105
2028 - 2032	12,552,770	2,265,704
2033 - 2037	6,327,913	865,954
2038 - 2041	2,022,256	153,516
	<u>\$ 33,507,045</u>	<u>\$ 7,656,772</u>

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Note 10 - Leases

A summary of the College's leases at June 30,:

Description	Commencement date for GASB 87	Lease Term at GASB 87 Commencement (Months)	Payment Amount	Rate Type	Interest Rate	Lease Liability	(Restated) Lease Liability
						6/30/2022	6/30/2021
MSCBA - Residence hall	7/1/2020	227	Varies	Implicit Rate	5.83%	\$ 22,080,326	\$ 22,432,553
MSCBA - Treehouse	7/1/2020	239	Varies	Implicit Rate	4.23%	62,513,829	63,537,998
MSCBA - 2006 Renewal	7/1/2020	167	Varies	Implicit Rate	2.14%	240,705	257,303
MSCBA - 20 Renewal	7/1/2020	119	Varies	Implicit Rate	4.08%	242,767	273,280
MSCBA - System Debt	7/1/2020	95	Varies	Implicit Rate	30.70%	238,986	248,611
MSCBA Total						85,316,613	86,749,745
Equipment - Copier	7/1/2020	36	\$50,163 (annual)	Implicit Rate	2.81%	49,813	98,247
					Total	\$ 85,366,426	\$ 86,847,992

There are no renewal options included in the above lease agreements. The amortization of the right of use asset was amortized on a straight-line basis over the lease term for each lease. At June 30, 2022 and 2021, the remaining unamortized right of use asset related to lease obligations was \$77,950,188 and \$82,457,370 respectively.

Massachusetts State College Building Authority ("MSCBA")

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority ("MSCBA") from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the College's residence halls. The residence halls and the associated liability of the are reflected on the financial statements of MSCBA. MSCBA leases the residence halls to the College.

According to an agreement between the Commonwealth of Massachusetts and the College, the College is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the residence halls and operating costs for the residence halls incurred by MSCBA.

The lease terms are completed when the final bond payment is made. Final payment for all bonds is scheduled for May, 2040. If MSCBA refunds the bonds, any cost savings are passed through to the College.

Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2022 and 2021, debt service payments related to leases paid by the College was \$5,430,101 and \$4,898,438 and insurance and other payments of \$876,447 and \$150,171, respectively.

Lease interest expense for the years ended June 30, 2022 and 2021 was \$3,998,698 and \$2,120,685, respectively.

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Equipment Leases

In July 2020, the College entered into a three-year lease agreement for equipment. Payments of \$50,163 are due annually. There are no options to renew the lease or purchase the leased equipment. The College did not make payments for the lease other than the monthly payments for the year ended June 30, 2022 and 2021.

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

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2023	\$ 3,939,847	\$ 3,021,617	\$ 6,961,464
2024	3,798,861	3,465,839	7,264,700
2025	3,635,831	3,623,170	7,259,001
2026	3,463,558	3,798,568	7,262,126
2027	3,280,564	3,972,835	7,253,399
2028-2032	13,315,724	22,939,054	36,254,778
2033-2037	6,497,021	21,663,087	28,160,108
2038-2040	2,476,423	22,882,256	25,358,679
	<u>\$ 40,407,829</u>	<u>\$ 85,366,426</u>	<u>\$ 125,774,255</u>

Note 11 - **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.

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

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

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For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.11%, 14.66% and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. The College contributed \$216,605, \$184,791 and \$165,328 for the fiscal years ended June 30, 2022, 2021 and 2020, 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, 2022 and 2021, the College reported a liability of \$1,621,193 and \$2,624,944, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2022 and 2021, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal years. At June 30, 2022 and 2021, the College's proportion was 0.014% and 0.015%, respectively.

For the years ended June 30, 2022 and 2021, the College recognized pension expense of \$65,545 and \$315,089, respectively.

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

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	<u>2022</u>	<u>2021</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 216,605	\$ 184,791
Differences between expected and actual experience	55,941	83,522
Differences between projected and actual investment earnings on pension plan investments	-	144,295
Changes in proportion from Commonwealth	648	1,982
Changes in plan actuarial assumptions	110,523	148,831
Changes in proportion due to internal allocation	<u>158,569</u>	<u>171,306</u>
Total deferred outflows related to pension	<u>\$ 542,286</u>	<u>\$ 734,727</u>
	<u>2022</u>	<u>2021</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 117,373	\$ 16,985
Differences between projected and actual investment earnings on pension plan investments	635,602	-
Changes in proportion from Commonwealth	5,122	6,398
Changes in proportion due to internal allocation	<u>24,361</u>	<u>98,821</u>
Total deferred inflows related to pension	<u>\$ 782,458</u>	<u>\$ 122,204</u>

The College's contributions of \$216,605 and \$184,791 made during fiscal years ending June 30, 2022 and 2021, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the succeeding years.

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

Years Ending <u>June 30,</u>	
2023	\$ (84,028)
2024	(79,520)
2025	(117,185)
2026	(185,094)
2027	<u>9,050</u>
	<u>\$ (456,777)</u>

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Actuarial Assumptions

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

	<u>2022</u>	<u>2021</u>
Measurement date	June 30, 2021	June 30, 2020
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.15%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2021 and 2020, mortality rates were based on:

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

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

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

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Asset Class	2022		2021	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39.0%	4.80%	39.0%	4.80%
Core Fixed Income	15.0%	0.30%	15.0%	0.70%
Portfolio Completion Strategies	11.0%	2.90%	11.0%	3.20%
Private Equity	13.0%	7.80%	13.0%	8.20%
Real Estate	10.0%	3.70%	10.0%	3.50%
Value Added Fixed Income	8.0%	3.90%	8.0%	4.20%
Timber/Natural Resources	4.0%	4.30%	4.0%	4.10%
	100%		100%	

Discount Rate

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

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

The following 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,;

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2022		
Current		
1.00% Decrease (6.00%)	Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 2,481,475	\$ 1,621,193	\$ 914,108

2021		
Current		
1.00% Decrease (6.15%)	Discount Rate (7.15%)	1.00% Increase (8.15%)
\$ 3,458,531	\$ 2,624,944	\$ 1,939,808

Note 12 - **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").

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.

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Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022 and 2021, and as of the valuation date (January 1, 2021 and 2020), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.65% and 7.70% of annual covered payroll for the fiscal years ended June 30, 2022 and 2021, respectively. The College contributed \$102,868 and \$97,036 for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, the College reported a liability of \$2,846,439 and \$3,377,693, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, respectively.

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The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2021 and 2020. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2022 and 2021, the College's proportion was 0.018% and 0.016% respectively.

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

For the years ended June 30, 2022 and 2021, the College recognized OPEB income of \$56,544 and expense of \$48,799, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2022</u>	<u>2021</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 102,868	\$ 97,036
Differences between expected and actual experience	72,661	93,218
Changes in OPEB plan actuarial assumptions	239,055	278,159
Changes in proportion from Commonwealth	3,191	5,119
Net differences between projected and actual earnings on OPEB plan investments	-	9,766
Changes in proportion due to internal allocation	<u>355,544</u>	<u>163,639</u>
Total deferred outflows related to OPEB	<u>\$ 773,319</u>	<u>\$ 646,937</u>

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	<u>2022</u>	<u>2021</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between projected and actual earnings on OPEB plan investments	\$ 34,591	\$ 11,471
Changes in proportion due to internal allocation	672,395	860,840
Differences between expected and actual experience	501,064	83,373
Changes in proportion from commonwealth	12,363	-
Changes in OPEB plan actuarial assumptions	<u>559,938</u>	<u>326,442</u>
Total deferred inflows related to OPEB	<u>\$ 1,780,351</u>	<u>\$ 1,282,126</u>

The College's contributions of \$102,868 and \$97,036 made during fiscal years ending June 30, 2022 and 2021, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2023	\$ (290,106)
2024	(231,782)
2025	(228,170)
2026	(214,462)
2027	<u>(145,380)</u>
	<u>\$ (1,109,900)</u>

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Actuarial Assumptions

The total OPEB liability for 2022 and 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.15%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 6.7%

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

The participation rates are actuarially assumed as below:

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

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

The actuarial assumptions used in the January 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 and 2018 through December 31, 2020 and 2019, depending upon the criteria being evaluated. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2022 and 2021 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 and 2021 was 2.77% and 2.28%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.16% and 2.21%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2041 and 2028 for the fiscal years 2022 and 2021, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% and 7.15%, respectively per annum, was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

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2022		
1.00% Decrease (1.77%)	Current Discount Rate (2.77%)	1.00% Increase (3.77%)
\$ 3,381,547	\$ 2,846,439	\$ 2,415,420
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

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,:

2022		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
\$ 2,330,648	\$ 2,846,439	\$ 3,518,688
2021		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 2,743,469	\$ 3,377,693	\$ 4,220,315

(A) - Current healthcare cost trend rate, as disclosed in the actuarial assumptions

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed in the actuarial assumptions

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed in the actuarial assumptions

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Note 13 - **Other Fringe Benefits**

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

Group Insurance Commission

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

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

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Note 14 - **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 \$0 and \$298,000 during the years ended June 30, 2022 and 2021, respectively.

Campus Dining Facilities Agreement

The College has entered into a joint service concession arrangement for dining and related services with Sodexo Operations, LLC, (“Sodexo”) and Wentworth Institution of Technology, Inc. and MCPHS University. In exchange for this agreement, Sodexo has provided the College with funds to augment the cost of improvements to the College’s dining and kitchen facilities. The College’s share of the funds received in 2022 was \$2,413,167 which is amortized into revenue ratably over the life of the agreement through June 2031. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. At June 30, 2022 and 2021, there was approximately \$241,000 and \$0, recognized as revenue, respectively.

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Note 15 - 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>2022</u>	<u>2021</u>
Restricted - non-expendable, categorized by allowable income usage:		
Scholarships	\$ 53,820	\$ 53,714
Loans	<u>4,908</u>	<u>4,908</u>
	<u>\$ 58,728</u>	<u>\$ 58,622</u>
Restricted - expendable:		
Program activities	\$ 1,221,357	\$ 827,477
Loans	<u>658,267</u>	<u>718,799</u>
	<u>\$ 1,879,624</u>	<u>\$ 1,546,276</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 16 - 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.

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

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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 17 - **Operating Expenses**

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

	<u>2022</u>	(Restated) <u>2021</u>
Compensation and benefits	\$ 51,044,663	\$ 47,092,474
Supplies and services	18,773,555	19,551,951
Depreciation	7,694,017	7,449,987
Scholarships and fellowships	<u>1,195,071</u>	<u>1,137,396</u>
	<u>\$ 78,707,306</u>	<u>\$ 75,231,808</u>

Note 18 - **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 \$2,122,000 and \$2,662,000, included within other operating revenues, for the years ended June 30, 2022 and 2021, respectively.

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Note 19 - **Pass-Through Student Federal Loans**

The College distributed \$10,076,448 and \$9,713,064 for student loans through the United States Department of Education federal direct lending program for the years ended June 30, 2022 and 2021, 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 20 - **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*.

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

	<u>2022</u>	<u>2021</u>
Direct unrestricted appropriations	\$ 23,032,561	\$ 20,783,822
Fringe benefits for benefited employees on the State payroll	<u>10,835,920</u>	<u>10,073,851</u>
Total unrestricted appropriations	33,868,481	30,857,673
Capital appropriations	<u>146,859</u>	<u>966,779</u>
Total appropriations	<u>\$ 34,015,340</u>	<u>\$ 31,824,452</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.

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

	<u>2022</u>	<u>2021</u>
Revenue per MMARS	\$ 86,830,672	\$ 52,879,904
Revenue per College	<u>86,830,672</u>	<u>52,879,904</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2022</u>	<u>2021</u>
Expenditures per MMARS	\$ 79,965,716	\$ 46,980,036
Expenditures per College	<u>79,965,716</u>	<u>46,980,036</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 21 - **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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022 and 2021

Massachusetts College of Art and Design's Preliminary Unrestricted Net Position at June 30, 2022	\$ 31,289,816																																								
Reconciling items:																																									
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;"><u>Local</u></th> <th style="width: 10%; text-align: center;"><u>State</u></th> <th style="width: 20%; text-align: center;"><u>Total</u></th> </tr> </thead> <tbody> <tr> <td>Inventories</td> <td style="text-align: right;">\$ 158,017</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 158,017</td> </tr> <tr> <td>Deferred outflows of resources</td> <td style="text-align: right;">-</td> <td style="text-align: right;">1,315,605</td> <td style="text-align: right;">1,315,605</td> </tr> <tr> <td>Deferred inflows of resources</td> <td style="text-align: right;">(2,171,850)</td> <td style="text-align: right;">(2,562,809)</td> <td style="text-align: right;">(4,734,659)</td> </tr> <tr> <td>Accrued interest</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(140,533)</td> <td style="text-align: right;">(140,533)</td> </tr> <tr> <td>Accrued salaries and wages</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(1,985,591)</td> <td style="text-align: right;">(1,985,591)</td> </tr> <tr> <td>Accrued compensated absences and benefits</td> <td style="text-align: right;">(265,038)</td> <td style="text-align: right;">(5,732,921)</td> <td style="text-align: right;">(5,997,959)</td> </tr> <tr> <td>Other post-employment benefit liability</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(2,846,439)</td> <td style="text-align: right;">(2,846,439)</td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(1,621,193)</td> <td style="text-align: right;"><u>(1,621,193)</u></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td></td> <td></td> <td style="text-align: right;"><u>(15,852,752)</u></td> </tr> </tbody> </table>		<u>Local</u>	<u>State</u>	<u>Total</u>	Inventories	\$ 158,017	\$ -	\$ 158,017	Deferred outflows of resources	-	1,315,605	1,315,605	Deferred inflows of resources	(2,171,850)	(2,562,809)	(4,734,659)	Accrued interest	-	(140,533)	(140,533)	Accrued salaries and wages	-	(1,985,591)	(1,985,591)	Accrued compensated absences and benefits	(265,038)	(5,732,921)	(5,997,959)	Other post-employment benefit liability	-	(2,846,439)	(2,846,439)	Net pension liability	-	(1,621,193)	<u>(1,621,193)</u>	Total			<u>(15,852,752)</u>
	<u>Local</u>	<u>State</u>	<u>Total</u>																																						
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Total			<u>(15,852,752)</u>																																						
Massachusetts College of Art and Design's Audited Unrestricted Net Position at June 30, 2022	<u>\$ 15,437,064</u>																																								
Distribution of Unrestricted Net Position:																																									
Local funds	\$ 29,010,945																																								
State funds	<u>(13,573,881)</u>																																								
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Massachusetts College of Art and Design's Preliminary Unrestricted Net Position at June 30, 2021	\$ 23,600,137																																								
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	<u>Local</u>	<u>State</u>	<u>Total</u>																																						
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Total			<u>(12,576,969)</u>																																						
Massachusetts College of Art and Design's Audited Unrestricted Net Position at June 30, 2021	<u>\$ 11,023,168</u>																																								
Distribution of Unrestricted Net Position:																																									
Local funds	\$ 23,539,168																																								
State funds	<u>(12,516,000)</u>																																								
	<u>\$ 11,023,168</u>																																								

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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Proportion of the collective net pension liability	0.014%	0.015%	0.014%	0.015%	0.014%	0.015%
Proportionate share of the collective net pension liability	\$ 1,621,193	\$ 2,624,944	\$ 2,016,666	\$ 1,844,997	\$ 1,819,832	\$ 2,103,656
College's covered payroll	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968	\$ 1,159,256
College's proportionate share of the net pension liability as a percentage of its covered payroll	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%
Plan fiduciary net position as a percentage of the plan's total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 216,605	\$ 184,791	\$ 165,328	\$ 137,212	\$ 127,527	\$ 110,939
Contributions in relation to the statutorily required contribution	<u>(216,605)</u>	<u>(184,791)</u>	<u>(165,328)</u>	<u>(137,212)</u>	<u>(127,527)</u>	<u>(110,939)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,344,538	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968
Contribution as a percentage of covered payroll	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%

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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.018%	0.016%	0.021%	0.022%	0.020%
Proportionate share of the collective net OPEB liability	\$ 2,846,439	\$ 3,377,693	\$ 3,801,775	\$ 4,037,200	\$ 4,003,270
College's covered payroll	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	225.82%	287.66%	334.11%	372.93%	359.05%
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	7.38%	4.80%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 102,868	\$ 97,036	\$ 85,644	\$ 100,067	\$ 96,553
Contributions in relation to the statutorily required contribution	<u>(102,868)</u>	<u>(97,036)</u>	<u>(85,644)</u>	<u>(100,067)</u>	<u>(96,553)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,344,538	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572
Contribution as a percentage of covered payroll	7.65%	7.70%	7.29%	8.79%	8.92%

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, 2022 and 2021

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

Measurement Date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changes as follows:

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

Measurement date – June 30, 2020

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

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

Notes to the Required Supplementary Information (Unaudited) - Continued

June 30, 2022 and 2021

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer 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)

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

Notes to the Required Supplementary Information (Unaudited) - Continued

June 30, 2022 and 2021

- 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 - Continued

June 30, 2022

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

Fiscal year June 30, 2022

Assumptions:

Change in per Capita Claims Costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in Medical Trend Rates

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

Change in Investments Rate

The investment rate of return decreased from 7.15% to 7.00%

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

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

Fiscal year June 30, 2021

Assumptions:

Change in per Capita Claims Costs

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

Change in Medical Trend Rates

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

Change in Investment Rate

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

See Independent Auditors' Report.

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

Notes to the Required Supplementary Information (Unaudited) - Continued

June 30, 2022 and 2021

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%.

Change in Trend on Future Costs

The original 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.

See Independent Auditors' Report.

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

Notes to the Required Supplementary Information (Unaudited) - Continued

June 30, 2022 and 2021

Change in Mortality Rates

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

Actuarial Valuation:

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

See Independent Auditors' Report.

**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"), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenue and expenses, changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated October 12, 2022.

Reporting on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, 2022

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>2022</u>	<u>2021</u>
Asset:		
Cash and equivalents	<u>\$ 1,971,032</u>	<u>\$ 1,736,851</u>
Total Residence Hall Trust Fund Assets	<u>\$ 1,971,032</u>	<u>\$ 1,736,851</u>

Liabilities and Net Position

Liabilities:		
Compensated absences	\$ 35,888	\$ 35,271
Workers' compensation	<u>6,895</u>	<u>6,384</u>
Total Residence Hall Trust Fund Liabilities	<u>42,783</u>	<u>41,655</u>
Net Position (Deficit):		
Residence Hall Trust Net (Deficit) Position - Smith Hall	(1,970,678)	(1,436,851)
Residence Hall Trust Net Position - Artist Residence	1,321,427	997,600
Residence Hall Trust Net Position - Treehouse	<u>2,577,500</u>	<u>2,134,447</u>
Total Net Position	<u>1,928,249</u>	<u>1,695,196</u>
Total Residence Hall Trust Fund Liabilities and Net Position	<u>\$ 1,971,032</u>	<u>\$ 1,736,851</u>

* - At June 30, 2022 and 2021, the College's net pension liability of \$1,621,193 and \$2,624,944, and OPEB liability of \$2,846,439 and \$3,377,693, 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>2022</u>	<u>2021</u>
Revenues:		
Student rents	\$ 8,699,462	\$ 4,197,700
Contract rents	2,880,180	4,005,142
Other	<u>504,057</u>	<u>194,111</u>
Total Revenues	<u>12,083,699</u>	<u>8,396,953</u>
Expenses:		
Loans and special payments	6,306,459	2,229,134
Operational services	5,154,422	5,175,872
Regular employee compensation	219,652	203,933
Information technology	4,584	4,640
Pension and insurance related	81,216	84,208
Administrative	585	5,340
Regular employee related	-	516
Special employee compensation	6,356	26,565
Facility operational	<u>5,992</u>	<u>347</u>
Total Expenses	<u>11,779,266</u>	<u>7,730,555</u>
Revenues Over (Expenses)	304,433	666,398
Non-Operating Revenues (Expenses) and Transfers:		
Transfers	<u>(71,380)</u>	<u>(77,454)</u>
Total Non-Operating Revenues (Expenses) and Transfers:	(71,380)	(77,454)
Total Increase in Net Position	233,053	588,944
Net Position, Beginning of Year	<u>1,695,196</u>	<u>1,106,252</u>
Net Position, End of Year	<u>\$ 1,928,249</u>	<u>\$ 1,695,196</u>