

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2021

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

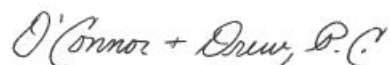
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in financial position and its cash flows for the years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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 26, 2021

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

The following discussion and analysis provide management's view of the financial position of North Shore Community College, (the "College") as of June 30, 2021 and 2020, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

North Shore Community College is a public institution of higher education serving 6,909 credit and 1,625 noncredit students annually with 120 full-time faculty, 281 part-time faculty, 270 full-time staff and 126 part-time staff members. Campuses are located in Danvers, Lynn and Middleton Massachusetts. The Middleton lease ended in August 2020 and was replaced with a lease in Danvers. In addition, the College offers programs and courses in off-site locations throughout the greater North Shore area; courses are offered in many modalities including online, hybrid and traditional classes on its campuses. The College offers 71 credit programs within 13 guided pathways, leading to Associate of Arts, Associate of Science, and Associate of Applied Science degrees and one-year certificates. In addition, the College offers approximately 400 noncredit workforce development and recreational courses.

Financial Highlights

- At June 30, 2021 and 2020, the College's assets of \$124,337,813 and \$115,372,811, respectively, exceeded its liabilities of \$28,779,950 and \$33,852,220 by \$95,557,863 and \$81,520,591, respectively. The resulting net position is summarized into the following categories: net investment in capital assets, restricted (expendable and nonexpendable), and unrestricted.
- The College's total net position increased by \$11,154,492 in FY21 compared to an increase of \$10,277,885 in FY20. The increase in FY21 was primarily the result of approximately \$7.0M from federally funded Higher Education Emergency Relief Funds (HEERF) grants, approximately \$2.2M positive adjustments to the College's Pension and OPEB liabilities estimates and approximately \$1.9M in capital appropriations. In FY20 the increase was primarily the result of increase of approximately \$2.1M restricted and unrestricted state appropriations and \$4.7M in state funded capital appropriations and an increase in grants and contracts of \$2.7M.
- The unrestricted net position for FY21 increased by \$11,472,500 to \$1,882,124 compared to the increase in the unrestricted net position of \$5,063,387 to (\$9,590,376) for FY20. The increase in FY21 is primarily the result of the increase in unrestricted appropriations, decreases in estimates for pension and OPEB expenses and HEERF funding of approximately \$7.0M. The increase in FY20 was primarily the result of reductions in bonds and notes payable and HEERF grant funding of \$806K.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

Overview of the Financial Statements

The College's financial statements comprise two primary components: (1) the financial statements and (2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities. The College follows principles established by the Governmental Accounting Standards Board ("GASB").

North Shore Community College Foundation (the "Foundation") is a legally separate tax-exempt affiliated unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Management's Discussion and Analysis is required to focus on the College, not its component unit.

The Financial Statements

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

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

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

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

The Statements of Cash Flows are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services). GASB requires this method to be used. The Foundation is not required to present the statements of cash flows.

The financial statements can be found on pages 15 to 18 of this report.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 19 to 56 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of the North Shore Community College, assets exceeded liabilities and deferred inflows/outflows by \$85,036,601 and \$73,882,109 at the close of FY21 and FY20, respectively.

Net investment in capital assets represents capital assets net of related debt and is by far the largest portion of the College's net position in fiscal year 2021 and 2020, representing, 97% and 111%, or \$82,446,311 and \$82,233,775, respectively. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

Condensed Financial Information

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Current assets	\$ 39,152,164	\$ 29,668,627	\$ 24,551,325
Noncurrent assets	85,185,649	85,704,184	82,090,505
Deferred Outflows of Resources	4,141,785	4,296,880	5,503,026
Total assets and deferred outflows	<u>\$ 128,479,598</u>	<u>\$ 119,669,691</u>	<u>\$ 112,144,856</u>
Current liabilities	\$ 8,453,311	\$ 8,147,968	\$ 8,181,732
Noncurrent liabilities	20,326,639	25,704,252	36,519,554
Deferred inflows of resources	14,663,047	11,935,362	3,839,346
Total liabilities and deferred inflows	<u>\$ 43,442,997</u>	<u>\$ 45,787,582</u>	<u>\$ 48,540,632</u>
Net position:			
Net investment in capital assets	\$ 82,446,311	\$ 82,233,775	\$ 77,646,099
Restricted, expendable	708,166	1,238,710	611,888
Unrestricted	1,882,124	(9,590,376)	(14,653,763)
Total Net Position	<u>\$ 85,036,601</u>	<u>\$ 73,882,109</u>	<u>\$ 63,604,224</u>
Total Operating Revenues	\$ 28,868,138	\$ 34,670,979	\$ 33,569,486
Total Operating Expenses	60,820,274	63,812,586	64,697,819
Net operating loss	(31,952,136)	(29,141,607)	(31,128,333)
Net nonoperating revenues	41,218,687	34,338,190	31,506,597
Change in net position before capital appropriations	9,266,551	5,196,583	378,264
Capital Appropriation	1,887,941	5,081,302	374,674
Increase in net position	11,154,492	10,277,885	752,938
Statement of net position:			
Net Position, Beginning of Year	73,882,109	63,604,224	62,851,286
Net Position, End of Year	<u>\$ 85,036,601</u>	<u>\$ 73,882,109</u>	<u>\$ 63,604,224</u>

Sources of Revenue

Major sources of revenue for the College are tuition and fees, and restricted and unrestricted appropriations from the Commonwealth of Massachusetts. Tuition is set by the Board of Higher Education at \$25.00 per credit for all fiscal years presented above. Fees are on a per credit bases and are set by the College's Board of Trustees at \$194.00 for fiscal years 2021 and 2020, and \$190.00 for FY19.

NORTH SHORE COMMUNITY COLLEGE

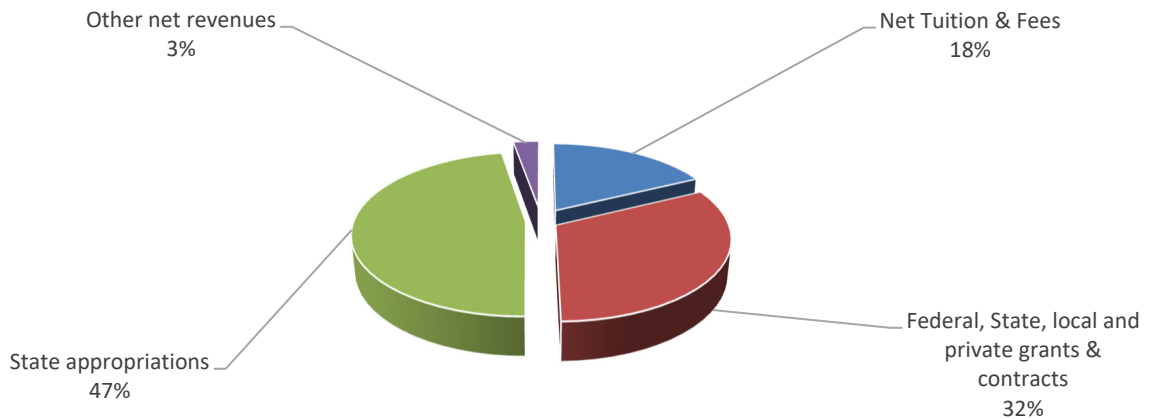
Required Supplementary Information

Management's Discussion and Analysis - Continued

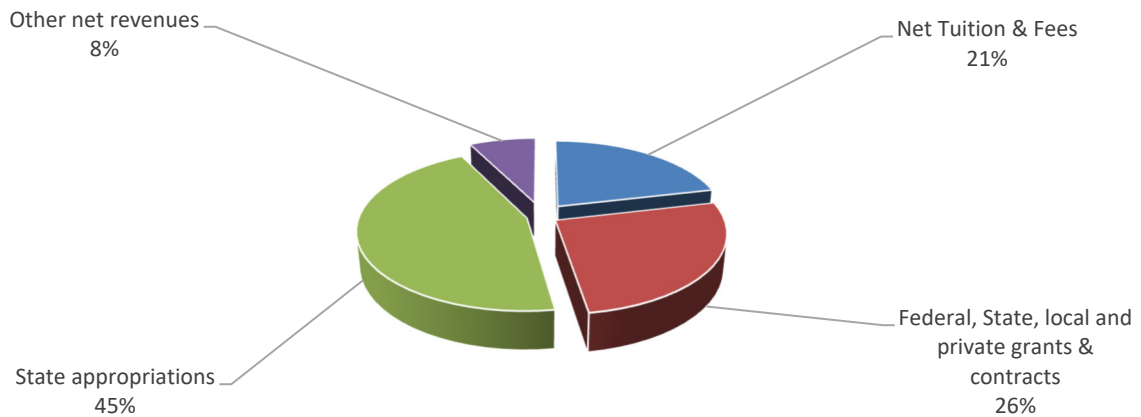
June 30, 2021 and 2020

(Unaudited)

Source of Operating & Nonoperating Revenues 2021



Source of Operating & Nonoperating Revenues 2020



NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

Highlights of operating revenue activity include:

- Tuition and Fees decreased by 8.5% or \$2,129,254 in FY21, before scholarship allowances as compared to slight decrease of 0.2% or \$60,209 in FY20. For both years, this decrease is due to a decline in enrollment resulting from the challenges of the pandemic.

	June 30		
	2021	2020	2019
Tuition and fees	\$ 22,866,464	\$ 24,995,718	\$ 25,055,927

- Operating grants and contracts from federal, state and private sources decreased significantly by 14% or \$2,530,886 in FY21, compared to sizable increase of 11% or \$1,915,659 in FY20. In FY21, the majority of the decrease was a result of decrease of \$1.8M in the amount of federal Pell grants awarded due to the decrease in enrollment. Further the College experienced a decrease in state funded grants and a slight increase in grants funded by private organizations. In FY20, the College benefited from a significant increase in the Career Pathways grant.

Major grants and contracts received by the College for FY21 included the following:

The Foundation

- Bertolon Foundation, \$448,640
- GE Foundation, \$172,820
- Smith Family Foundation - \$200,000

Massachusetts Department of Early Education and Care

- Career Pathways, \$1,457,045

Massachusetts Department of Elementary and Secondary Education

- Vocational Education, \$265,468
- Community Adult Learning Center. \$353,230

Massachusetts Department of Higher Education

- Governor's Emergency Education Relief Fund (GEER), \$561,472
- STEM Starter Academy, \$219,698

Massachusetts Executive Office of Education

- Massachusetts Skills Capital, \$280,588

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

U. S. Department of Education

- Student Support, \$428,710
- Talent Search, \$337,654
- Upward Bound, \$415,236
- Title III, \$418,405

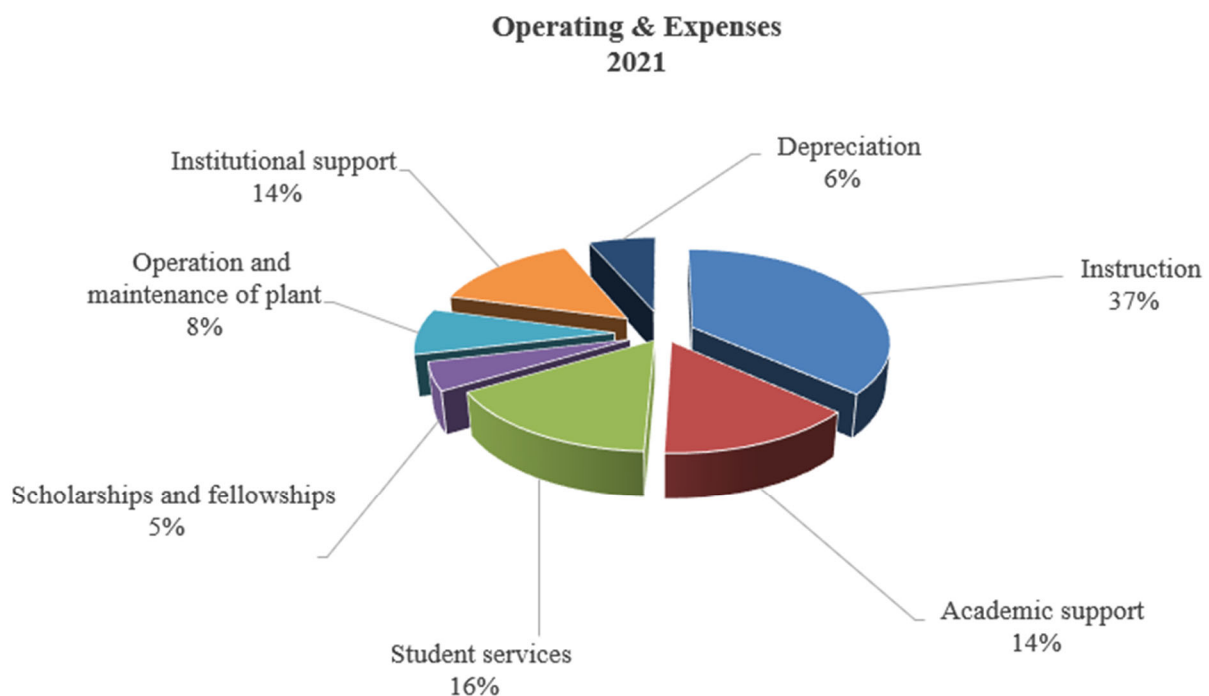
Higher Education Emergency Relief Funds – presented in non-operating revenue

- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), \$4,138,187
- Coronavirus Aid, Relief, and Economic Security Act (CARES), \$2,855,890

U.S. Department of Health and Human Services

- Opioid Workforce Grant, \$206,277
- Family Impact, \$120,984

Operating Expenses



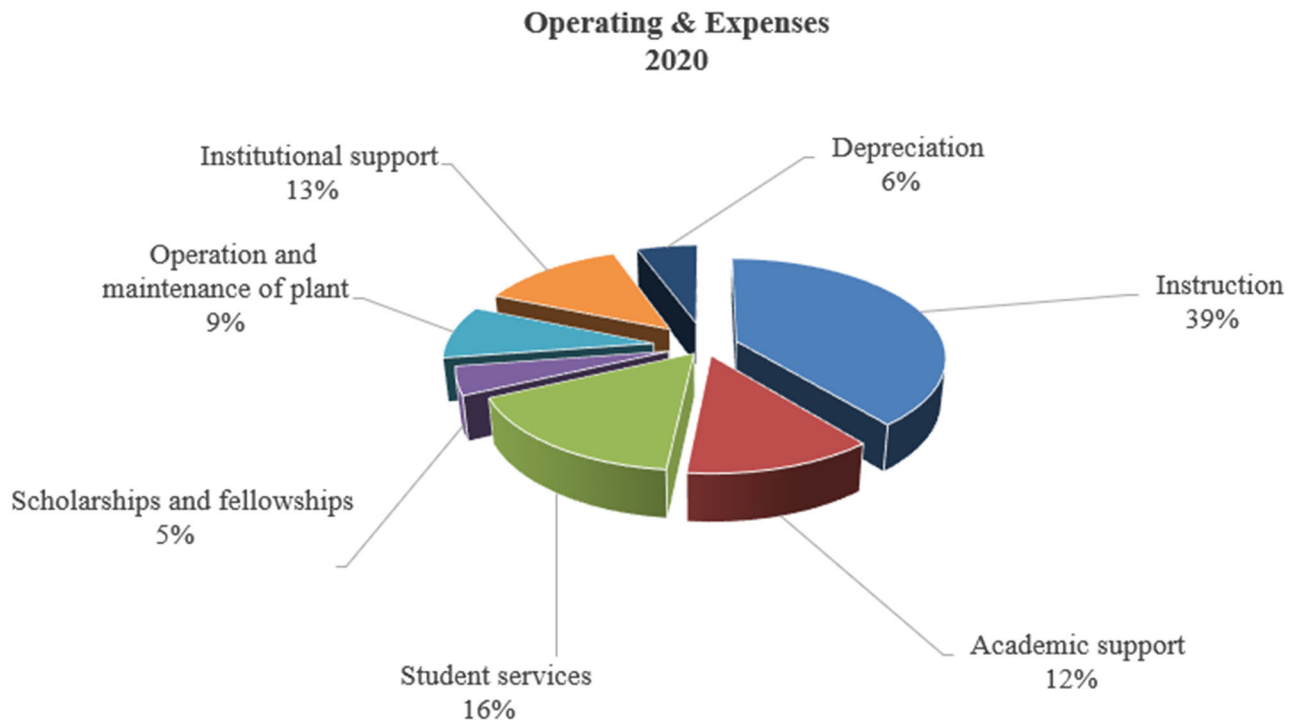
NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)



Highlights of operating expense activity include:

- Instruction expenses decreased by 10.6% or \$2,656,822, primarily due to change in pension and OPEB actuarial estimates in FY21 over FY20. Contributing to this decrease FY21, was a reduction of adjunct faculty expenses due to lower enrollment, grant expenses and a significant downward adjustment to the allowance for doubtful accounts as federal HEERF funding was used to alleviate certain student debt owed to the College. In addition, the College increased purchases of educational equipment. In FY20, there was a slight decrease of instructional expense of 1.3% or \$322,032 over the prior year primarily due to changes in pension and OPEB actuarial estimates.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

- Academic support expenditures increased by 5.9% or \$467,792, primarily due to stipend payments to faculty members to adapt course curriculum to an on-line format. This was funded by institutional portion of federal HEERF. This increase was mitigated by the decrease in expenses associated with the change in pension and OPEB actuarial estimates. There was a slight increase in academic support expenditures of 0.6% or \$49,100 in FY20 over FY19. The increase was attributed to expenses relating to retention initiatives and adjustments for OPEB benefits expenses.
- Student support services decreased in FY21 by 7.7% or \$803,929. This decrease was primarily the result of reduction in pension and OPEB actuarial estimates and a decrease in part-time employee expenses. There was a slight increase in student support services of 0.5% or \$54,067 in FY20 as compared with FY19. The increase was the result of continued efforts for student retention and recruitment, adjustments for OPEB benefits expenses actuarial estimate changes and expenses related to tools for students for on-line coursework due to the pandemic.
- Scholarships and fellowships expenses were level when comparing FY21 and FY20 with a .02% or 5,277 increase. There was a decrease in scholarships and fellowships of 9.1% or \$292,924 in FY20 over the prior year due in part to less federal grant funding to students.
- Operation and maintenance of plant expenses decreased by 13.0% or 717,533 in FY21 over FY20 primarily due to the changes in actuarial estimates of pension and OPEB benefit expenses. The decrease was also the result of the funeral program equipment expenses in FY20, funded in part by grants. There was a slight increase in expenditures for operation and maintenance of plant of 0.5% or \$29,317 in FY20 as compared to primarily due to pandemic related expenses.
- Institutional support expenses increased in FY21 over FY20 by 4.0% or \$338,850. There was a decrease due to the changes in pension and OPEB benefit expenses, mitigated by increases in investments in marketing and technology, worker compensation expense, and retirement and non-professional union bonus pay outs. Expenditures for institutional support in FY20 over FY19 decreased by 4.0% or \$345,700 due to purposeful delays in hiring vacant positions and adjustments for OPEB benefits expenses.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

Non-operating revenues and expenses, including capital appropriations, increased by 9% or \$3,687,136 in FY21 over FY20. The College recognized \$6,994,077 in HEERF funding in the current year, an increase of \$6,187,949 over the prior year. In addition, the College saw an increase in state support through unrestricted and restricted appropriations for payroll and non-capital expenses in the amount of \$779,744. State supported capital expenses funded through the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") decreased over the prior year due to completion of the Lynn campus electrical upgrade project, a multiyear project, in the current year.

In FY20, the Commonwealth's total non-capital appropriations increased by 6.8% or \$1,205,554. This was primarily due to additional restricted grant funding. In addition, Commonwealth funded capital appropriations through DCAMM increased by \$4,818,319 in FY20 to fund the Lynn electrical infrastructure project.

The Commonwealth's fringe benefits provided for employees on the Commonwealth's payroll increased in FY21 by 5.5% or \$453,064 to \$8,629,702 compared to an increase of 8.5% or \$637,997 to \$8,176,637 in FY20. In FY21, the fringe benefit rate was 38.32%, a 1.1% increase over FY20. In FY20, the fringe benefit rate was 37.91%, a 3.5% increase over FY19.

Loss from Operations

Because generally accepted accounting principles requires state appropriations to be presented as non-operating revenues, the College incurred a loss from operations in FY21 and FY20. The Massachusetts Board of Higher Education presets tuition rates, and the College's Board of Trustees sets fees and other charges. Commonwealth appropriations to the College made up the loss from operations not made up by tuition and fees.

The College, with the purpose of balancing educational and operational needs with tuition and fee revenues, approves budgets to mitigate losses after Commonwealth Appropriations.

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2021 and 2020 amounts to \$85,185,647 and \$85,704,182, respectively, net of accumulated depreciation. Investments in capital assets includes land, building (including improvements), furnishings, and equipment. In addition to the Lynn electrical infrastructure project in FY21, The College also invested in the computer science and networking lab (LW329), Lynn East End Plaza ADA upgrades, the Danvers Math and Science building HVAC replacement, Danvers McGee central air handling project and upgrade to the Danvers campus fire alarm system and upgrades to the CCTV security system.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

The College recognized \$1,887,941 in capital assets funded by the DCAMM in FY21 and \$5,081,302 in FY20. In both years, the majority of this represented the Lynn campus electrical infrastructure upgrade project.

Debt

The College carries long-term debt, other than pensions, accruals for compensated absences, workers compensation, and other long-term settlement obligations. Included in debt are \$7,675,000 Series B bonds issued in March of 1998, which are payable semiannually through FY2022 in principal repayment amounts between \$170,000 and \$555,000. Interest is payable semiannually (April 2 and October 2) at fixed rates between 3.5% and 5.0%.

In December 2013, a refinancing of the Massachusetts Health and Educational Facilities Series B and Series C bonds was completed through Massachusetts Development Finance Agency. After the RFP process, Century Bank proved to offer the best new financing for the debt obligations. Series B bonds were rolled into the new Series E bonds and Series C bonds were rolled into the new Series F bonds. The Series B and Series C bonds were liquidated, and the escrows were used to pay down the new debt. Century Bank offered the best fixed interest rates at 3.08% for the Series E obligations and 3.79% for the Series F obligations. Interest is payable monthly, and principle is payable semiannually. The terms on the debt did not change and will end in October 2022 for the Series E bonds and in October 2026 for the Series F bonds. Refinancing at the lower rates will save North Shore Community College \$1.7 million over the life of the debt.

In 2012, the College added \$1,966,772 to its debt obligations for a 10-year note for the Clean Energy Investment Program ("CEIP"). The first payment for the note, in February of 2012, was in the amount of \$97,532 for interest only. The note represents 53% of the anticipated total obligation of \$3,686,772 for equipment, design, and installation of mechanical, electrical, controls and plumbing conservation measures at the Lynn and Danvers Campuses. The remaining 47% or \$1,600,000 will be paid for by DCAMM.

In 2011, the College issued \$148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027. The Bond is designated a "clean renewable energy bond" pursuant to Section 54C of the Internal revenue Code of 1986, and shall bear interest at a rate of 3.5%.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

The debt was to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry building. The total project cost is estimated to be \$559,000, which will be funded from two sources: (1) grants from DCAMM in the amount of \$410,950 and (2) a financing agreement with Century Bank secured by the College in the amount of \$148,050.

In 2008, the College issued \$190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually commencing on December 31, 2007 through December 31, 2021 and does not bear interest.

The bond proceeds plus a grant in the amount of \$358,100 from the Massachusetts Technology Collaborative was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium.

The noncurrent accrual for pensions and compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College's payroll.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, North Shore Community College, One Ferncroft Road, Danvers, Massachusetts 01923.

NORTH SHORE COMMUNITY COLLEGE

Statements of Net Position

June 30, 2021 and 2020

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2021 College	2020 College	2021 Foundation	2020 Foundation
Current Assets:				
Cash and equivalents	\$ 34,269,356	\$ 26,027,245	\$ 842,813	\$ 808,556
Cash held by State Treasurer	843,528	1,057,350	-	-
Investments	379,243	377,785	-	-
Accounts receivable, net	3,436,298	1,928,400	-	-
Pledges receivable, current	-	-	20,200	335,700
Other current assets	<u>223,739</u>	<u>277,847</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>39,152,164</u>	<u>29,668,627</u>	<u>863,013</u>	<u>1,144,256</u>
Noncurrent Assets:				
Funds held by bond trustee - restricted	2	2	-	-
Investments	-	-	11,448,944	9,170,739
Pledges receivable, net of current	-	-	4,950	32,535
Capital assets, net	<u>85,185,647</u>	<u>85,704,182</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>85,185,649</u>	<u>85,704,184</u>	<u>11,453,894</u>	<u>9,203,274</u>
Total Assets	<u>124,337,813</u>	<u>115,372,811</u>	<u>12,316,907</u>	<u>10,347,530</u>
Deferred Outflows of Resources:				
Pension related, net	1,430,438	1,362,018	-	-
OPEB related, net	<u>2,711,347</u>	<u>2,934,862</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>4,141,785</u>	<u>4,296,880</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 128,479,598</u>	 <u>\$ 119,669,691</u>	 <u>\$ 12,316,907</u>	 <u>\$ 10,347,530</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2021 College	2020 College	2021 Foundation	2020 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,503,246	\$ 1,949,309	\$ 180,047	\$ 158,892
Accrued payroll	2,432,028	2,161,050	-	-
Compensated absences and workers' compensation	2,548,054	2,439,420	-	-
Students' deposits and unearned revenues	997,431	627,115	-	-
Current portion of bonds payable	732,550	732,550	-	-
Current portion of note payable	<u>240,002</u>	<u>238,524</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>8,453,311</u>	<u>8,147,968</u>	<u>180,047</u>	<u>158,892</u>
Noncurrent Liabilities:				
Compensated absences and workers' compensation	1,953,606	1,519,991	-	-
Bonds payable	1,766,786	2,499,335	-	-
Net pension liability	7,261,893	7,516,002	-	-
Net OPEB liability	<u>9,344,354</u>	<u>14,168,924</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>20,326,639</u>	<u>25,704,252</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>28,779,950</u>	<u>33,852,220</u>	<u>180,047</u>	<u>158,892</u>
Deferred Inflows of Resources:				
Pension related, net	3,031,979	3,330,150	-	-
OPEB related, net	<u>11,631,068</u>	<u>8,605,212</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>14,663,047</u>	<u>11,935,362</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>43,442,997</u>	<u>45,787,582</u>	<u>180,047</u>	<u>158,892</u>
Net Position:				
Net investment in capital assets	82,446,311	82,233,775	-	-
Restricted:				
Expendable	708,166	1,238,710	8,416,817	6,835,924
Nonexpendable	-	-	2,729,906	2,487,192
Unrestricted	<u>1,882,124</u>	<u>(9,590,376)</u>	<u>990,137</u>	<u>865,522</u>
Total Net Position	<u>85,036,601</u>	<u>73,882,109</u>	<u>12,136,860</u>	<u>10,188,638</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 128,479,598</u>	<u>\$ 119,669,691</u>	<u>\$ 12,316,907</u>	<u>\$ 10,347,530</u>

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,

	<u>Primary Government</u>		<u>Component Unit</u>	
	2021 <u>College</u>	2020 <u>College</u>	2021 <u>Foundation</u>	2020 <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 22,866,464	\$ 24,995,718	\$ -	\$ -
Less: scholarship allowances	<u>(10,070,396)</u>	<u>(9,175,764)</u>	-	-
Net tuition and fees	12,796,068	15,819,954	-	-
Grants and contracts	16,055,713	18,586,599	-	-
Other	<u>16,357</u>	<u>264,426</u>	<u>1,027,416</u>	<u>807,991</u>
Total Operating Revenues	<u>28,868,138</u>	<u>34,670,979</u>	<u>1,027,416</u>	<u>807,991</u>
Operating Expenses:				
Instruction	22,338,592	24,995,414	-	-
Academic support	8,427,613	7,959,821	-	-
Student services	9,664,905	10,468,834	-	-
Scholarships and fellowships	2,929,136	2,923,859	1,100,630	594,433
Operation and maintenance of plant	4,809,683	5,527,216	-	-
Institutional support	8,722,621	8,383,771	51,322	58,013
Depreciation	<u>3,927,724</u>	<u>3,553,671</u>	-	-
Total Operating Expenses	<u>60,820,274</u>	<u>63,812,586</u>	<u>1,151,952</u>	<u>652,446</u>
Operating Loss	<u>(31,952,136)</u>	<u>(29,141,607)</u>	<u>(124,536)</u>	<u>155,545</u>
Nonoperating Revenues (Expenses):				
Federal grants	6,994,077	806,128	-	-
State appropriations - unrestricted	33,163,468	31,757,468	-	-
State appropriations - restricted	962,191	1,588,447	-	-
Net investment income	13,106	107,268	2,355,076	433,790
Interest expense	(196,473)	(164,041)	-	-
Payments from Foundation	<u>282,318</u>	<u>242,920</u>	<u>(282,318)</u>	<u>(242,920)</u>
Net Nonoperating Revenues	<u>41,218,687</u>	<u>34,338,190</u>	<u>2,072,758</u>	<u>190,870</u>
Change in Net Position Before Capital Appropriations	9,266,551	5,196,583	1,948,222	346,415
Capital Appropriations	<u>1,887,941</u>	<u>5,081,302</u>	-	-
Change in Net Position	<u>\$ 11,154,492</u>	<u>\$ 10,277,885</u>	<u>\$ 1,948,222</u>	<u>\$ 346,415</u>
Net Position, Beginning of Year	<u>73,882,109</u>	<u>63,604,224</u>	<u>10,188,638</u>	<u>9,842,223</u>
Net Position, End of Year	<u>\$ 85,036,601</u>	<u>\$ 73,882,109</u>	<u>\$ 12,136,860</u>	<u>\$ 10,188,638</u>

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2021	2020
	<u>College</u>	<u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 12,814,406	\$ 15,934,107
Grants and contracts	14,899,393	17,315,814
Payments to suppliers	(12,900,622)	(11,878,314)
Payments to employees	(34,207,717)	(37,256,649)
Payments to students	(2,929,136)	(2,923,859)
Other cash receipts	<u>16,757</u>	<u>264,674</u>
Net Cash Used by Operating Activities	<u>(22,306,919)</u>	<u>(18,544,227)</u>
Cash Flows from Noncapital Financing Activities:		
Federal grants	6,994,077	806,128
State appropriations	25,495,958	25,169,278
Payments from Foundation	<u>282,318</u>	<u>242,920</u>
Net Cash Provided by Noncapital Financing Activities	<u>32,772,353</u>	<u>26,218,326</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(1,336,114)	(2,086,048)
Principal paid on capital debt	(995,169)	(973,997)
Interest paid on capital debt	<u>(117,510)</u>	<u>(169,174)</u>
Net Cash Used by Capital Financing Activities	<u>(2,448,793)</u>	<u>(3,229,219)</u>
Cash Flows from Investing Activity:		
Interest on investments	<u>11,648</u>	<u>107,268</u>
Net Change in Cash and Equivalents	8,028,289	4,552,148
Cash and Equivalents, Beginning of Year	<u>27,084,595</u>	<u>22,532,447</u>
Cash and Equivalents, End of Year	<u>\$ 35,112,884</u>	<u>\$ 27,084,595</u>

NORTH SHORE COMMUNITY COLLEGE
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Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>Primary Government</u>	
	<u>2021 College</u>	<u>2020 College</u>
Reconciliation of Operating Loss to Net Cash Used by		
Operating Activities:		
Operating loss	\$ (31,952,136)	\$ (29,141,607)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	3,927,724	3,553,671
Bad debt	(868,332)	129,953
Fringe benefits provided by the State	8,629,702	8,176,637
Pension activity	(620,700)	(222,358)
OPEB activity	(1,575,199)	(332,400)
Changes in assets and liabilities:		
Accounts receivable	(639,566)	(680,194)
Other current assets	54,108	(9,780)
Accounts payable and accrued liabilities	(446,063)	399,693
Accrued payroll	270,978	110,030
Compensated absences and workers' compensation	542,249	78,271
Students' deposits and unearned revenues	<u>370,316</u>	<u>(606,143)</u>
 Net Cash Used by Operating Activities	 <u>\$ (22,306,919)</u>	 <u>\$ (18,544,227)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	\$ 34,269,356	\$ 26,027,245
Cash held by State Treasurer	<u>843,528</u>	<u>1,057,350</u>
 Cash and Equivalents, End of Year	 <u>\$ 35,112,884</u>	 <u>\$ 27,084,595</u>
Noncash Transactions:		
Fringe benefits provided by the State	<u>\$ 8,629,702</u>	<u>\$ 8,176,637</u>
Capital appropriations used to acquire capital assets	<u>\$ 1,887,941</u>	<u>\$ 5,081,302</u>
Note payable adjustment for capital asset acquisition (Note 6)	<u>\$ 185,135</u>	<u>\$ -</u>
Day school tuition remitted to state	<u>\$ 31,087</u>	<u>\$ -</u>

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

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2021 and 2020

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

Organization

North Shore Community College (the “College”) is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences as well as one-year certificate programs. With campuses located in Danvers and Lynn, Massachusetts, as well as an instructional location in Middleton, Massachusetts, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers day and evening credit and noncredit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

Basis of Presentation

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

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Basis of Presentation - continued

The College's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment 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"). GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

North Shore Community College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2021 and 2020, the Foundation provided \$282,318 and \$242,920, respectively, to the College for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained from the College at: One Ferncroft Road, Danvers, MA 01923.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Net Position

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

Net investment in capital assets: Funds held by bond trustee, capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - nonexpendable: Net 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.

Cash and Equivalents

The College considers cash held by the State Treasurer and all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and equivalents.

Investments

Investments in marketable securities, including funds held by bond trustee, are stated at fair value.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Investments - continued

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues and expenses, and changes in net position. Any net earnings not expended are included in net position categories as follows:

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

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined based on loss experience, known and inherent risks, and current economic conditions.

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 are capitalized during the construction period. College capital assets, except for land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The College does not hold 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.

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Students' Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs, and tuition received for the following academic year, are deferred and are recorded as related services are provided.

Fringe Benefits

The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, workers' compensation, and certain post-employment benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its participating employers on a self-insured basis.

Workers' Compensation

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 earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2021 and 2020. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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 ("SERS") and the additions to/deductions from SERS's 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.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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

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

Student Tuition and Fees

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

Tax Status

The College is a governmental component unit of the Commonwealth and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension and OPEB liabilities.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Governmental Account Pronouncements

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

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

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

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

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Governmental Account Pronouncement- continued

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

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

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College's operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds ("HEERF") and funds for Minority Serving institutions ("MSI") 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 MSI 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 January 2022, while the MSI funding must be spent by March 2022. Management intends to request an extension for any funds not spent previous to the deadline.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

COVID-19 - continued

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

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 1,723,366	\$ 1,723,366	\$ 216,919	\$ 3,663,651
CRRSAA	1,723,366	5,797,376	404,788	7,925,530
ARPA	<u>6,720,954</u>	<u>6,516,130</u>	<u>690,159</u>	<u>13,927,243</u>
Total	<u>\$ 10,167,686</u>	<u>\$ 14,036,872</u>	<u>\$ 1,311,866</u>	<u>\$ 25,516,424</u>

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

2021

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 980,716	\$ 1,659,888	\$ 215,286	\$ 2,855,890
CRRSAA	948,259	3,189,928	-	4,138,187
ARPA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,928,975</u>	<u>\$ 4,849,816</u>	<u>\$ 215,286</u>	<u>\$ 6,994,077</u>

2020

	Student Aid Award	Institutional Award	Total
CARES	\$ 742,650	\$ 63,478	\$ 806,128

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **Cash and Investments**

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principal objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investments and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of investment vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality, and mutual funds holding any or all the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but delegates to the President of the College or her designee, the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

The Treasurer of the Commonwealth oversees the financial management of the Massachusetts Municipal Depository Trust (“MMDT”), an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high-quality money market instruments. The MMDT is not a bank, savings institution or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT’s management on an amortized cost where the net asset value is \$1 per share.

Summary of Deposits and Investments

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

	<u>2021</u>	<u>2020</u>
Cash on deposit	\$ 32,824,403	\$ 24,584,997
MMDT		
Trust Fund	<u>1,444,953</u>	<u>1,442,248</u>
Total Cash and Equivalents	<u>34,269,356</u>	<u>26,027,245</u>
Certificates of Deposit	<u>379,243</u>	377,785
Funds Held by Bond Trustee	<u>2</u>	<u>2</u>
Total Deposits and Investments	<u>\$ 34,648,601</u>	<u>\$ 26,405,032</u>

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **Cash and Investments - Continued**

Concentration of Credit Risk

Concentration of credit risk is assumed to arise when the amount of investments that the College has with one issuer exceeds 5% or more of the total value of the College's investments. The College does not have a formal policy for concentration of credit risk and has no investments exceeding the 5% threshold.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank's failure, the College's deposits and investments might not be recovered. Deposits and investments are made in domestic banks that are federally insured including some Massachusetts banks that are insured with supplemental insurance for those accounts exceeding the federally insured limits. The bank balances of the deposits and investments at June 30, 2021 and 2020 amounted to \$33,186,824 and \$25,109,808, respectively, of which \$420,813 and \$171,957, respectively, was exposed to custodial credit risk. The College does not have a written policy to mitigate custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All investments at June 30, 2021 and 2020 have an original maturity of one year or less. The College does not have a written policy to mitigate interest rate risk.

Disclosure of Credit Risk of Debt Securities

Credit risk of debt securities is the risk of default on a debt security that may arise from an issuer or other counterparty to a debt security not fulfilling its payment obligations. The College does not have a written policy to mitigate credit risk of debt securities. The following is a listing of credit quality ratings of the College's investments in debt securities as of June 30,:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	2021	
		<u>Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Certificates of deposit	<u>\$ 379,243</u>	<u>\$ -</u>	<u>\$ 379,243</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **Cash and Investments - Continued**

Disclosure of Credit Risk of Debt Securities – continued

<u>Rated Debt Investments</u>	2020		
	<u>Fair Value</u>	Quality Ratings	
		<u>AAA</u>	<u>Unrated</u>
Certificates of deposit	\$ <u>377,785</u>	\$ <u> </u> -	\$ <u>377,785</u>

Certificates of deposit have an original maturity of one year. Historically, they have been automatically renewed annually for an additional year.

Fair Value Hierarchy

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

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

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

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **Cash and Investments - Continued**

Fair Value Hierarchy - continued

At June 30, 2021 and 2020, all investments are categorized in Level 2 of the fair value hierarchy and mature in less than one year.

Investments of the Foundation

The Foundation's investments consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Commonfund investments	\$ 6,176,799	\$ 4,908,104
Equity securities	1,624,728	1,613,412
Fixed income securities	<u>3,647,417</u>	<u>2,649,223</u>
	<u>\$ 11,448,944</u>	<u>\$ 9,170,739</u>

Note 3 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$843,528 and \$1,057,350 at June 30, 2021 and 2020, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 1,884,199	\$ 2,758,251
Grants receivable	2,920,896	1,406,878
Other receivables	<u>1,003</u>	<u>1,403</u>
	4,806,098	4,166,532
Less: allowance for doubtful accounts	<u>(1,369,800)</u>	<u>(2,238,132)</u>
	<u>\$ 3,436,298</u>	<u>\$ 1,928,400</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Capital Assets**

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

	2021				
	<u>Estimated</u>	<u>Beginning</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Ending</u>
	<u>lives</u>	<u>Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u>
	<u>(in years)</u>	<u>Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u>
Capital assets, not depreciated:					
Land		\$ 13,842,077	\$ -	\$ -	\$ 13,842,077
Construction in progress	-	<u>5,879,491</u>	<u>475,174</u>	<u>(5,820,940)</u>	<u>533,725</u>
Total non-depreciable assets		<u>19,721,568</u>	<u>475,174</u>	<u>(5,820,940)</u>	<u>14,375,802</u>
Capital assets, depreciated:					
Buildings and improvements	20-40	119,714,953	2,798,639	5,820,940	128,334,532
Furnishings and equipment	3-10	12,700,981	135,376	-	12,836,357
Educational resource materials	5	<u>505,463</u>	<u>-</u>	<u>-</u>	<u>505,463</u>
Total depreciable assets		<u>132,921,397</u>	<u>2,934,015</u>	<u>5,820,940</u>	<u>141,676,352</u>
Total capital assets		<u>152,642,965</u>	<u>3,409,189</u>	<u>-</u>	<u>156,052,154</u>
Less: accumulated depreciation:					
Buildings and improvements		(55,430,374)	(3,424,572)	-	(58,854,946)
Furnishings and equipment		(11,002,946)	(503,152)	-	(11,506,098)
Educational resource materials		<u>(505,463)</u>	<u>-</u>	<u>-</u>	<u>(505,463)</u>
Total accumulated depreciation		<u>(66,938,783)</u>	<u>(3,927,724)</u>	<u>-</u>	<u>(70,866,507)</u>
Capital assets, net		<u>\$ 85,704,182</u>	<u>\$ (518,535)</u>	<u>\$ -</u>	<u>\$ 85,185,647</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Capital Assets - Continued**

	2020				
	Estimated lives (in years)	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land		\$ 13,842,077	\$ -	\$ -	\$ 13,842,077
Construction in progress	-	<u>441,508</u>	<u>5,504,871</u>	<u>(66,888)</u>	<u>5,879,491</u>
Total non-depreciable assets		<u>14,283,585</u>	<u>5,504,871</u>	<u>(66,888)</u>	<u>19,721,568</u>
Capital assets, depreciated:					
Buildings and improvements	20-40	119,078,946	570,401	65,606	119,714,953
Furnishings and equipment	3-10	11,607,621	1,092,078	1,282	12,700,981
Educational resource materials	5	<u>505,463</u>	<u>-</u>	<u>-</u>	<u>505,463</u>
Total depreciable assets		<u>131,192,030</u>	<u>1,662,479</u>	<u>66,888</u>	<u>132,921,397</u>
Total capital assets		<u>145,475,615</u>	<u>7,167,350</u>	<u>-</u>	<u>152,642,965</u>
Less: accumulated depreciation:					
Buildings and improvements		(52,371,390)	(3,058,984)	-	(55,430,374)
Furnishings and equipment		(10,508,259)	(494,687)	-	(11,002,946)
Educational resource materials		<u>(505,463)</u>	<u>-</u>	<u>-</u>	<u>(505,463)</u>
Total accumulated depreciation		<u>(63,385,112)</u>	<u>(3,553,671)</u>	<u>-</u>	<u>(66,938,783)</u>
Capital assets, net		<u>\$ 82,090,503</u>	<u>\$ 3,613,679</u>	<u>\$ -</u>	<u>\$ 85,704,182</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Long-Term Liabilities**

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

	2021					
	Beginning				Ending	Current
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	
Bonds and notes payable:						
Bonds payable	\$ 3,231,885	\$ -	\$ 732,549	\$ 2,499,336	\$ 732,550	
Notes payable	<u>238,524</u>	<u>240,002</u>	<u>238,524</u>	<u>240,002</u>	<u>240,002</u>	
Total bonds and notes payable	<u>3,470,409</u>	<u>240,002</u>	<u>971,073</u>	<u>2,739,338</u>	<u>972,552</u>	
Other long-term liabilities:						
Compensated absences	3,624,883	262,363	-	3,887,246	2,473,289	
Workers' compensation	334,528	279,886	-	614,414	74,765	
Net pension liability	7,516,002	-	254,109	7,261,893	-	
Net OPEB liability	<u>14,168,924</u>	<u>-</u>	<u>4,824,570</u>	<u>9,344,354</u>	<u>-</u>	
Total other long-term liabilities	<u>25,644,337</u>	<u>542,249</u>	<u>5,078,679</u>	<u>21,107,907</u>	<u>2,548,054</u>	
Total long-term liabilities	<u>\$ 29,114,746</u>	<u>\$ 782,251</u>	<u>\$ 6,049,752</u>	<u>\$ 23,847,245</u>	<u>\$ 3,520,606</u>	
	2020					
	Beginning				Ending	Current
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>	
Bonds and notes payable:						
Bonds payable	\$ 3,964,435	\$ -	\$ 732,550	\$ 3,231,885	\$ 732,550	
Notes payable	<u>479,971</u>	<u>-</u>	<u>241,447</u>	<u>238,524</u>	<u>238,524</u>	
Total bonds and notes payable	<u>4,444,406</u>	<u>-</u>	<u>973,997</u>	<u>3,470,409</u>	<u>971,074</u>	
Other long-term liabilities:						
Compensated absences	3,513,963	110,920	-	3,624,883	2,380,019	
Workers' compensation	367,177	-	32,649	334,528	59,401	
Net pension liability	9,893,341	-	2,377,339	7,516,002	-	
Net OPEB liability	<u>21,648,505</u>	<u>-</u>	<u>7,479,581</u>	<u>14,168,924</u>	<u>-</u>	
Total other long-term liabilities	<u>35,422,986</u>	<u>110,920</u>	<u>9,889,569</u>	<u>25,644,337</u>	<u>2,439,420</u>	
Total long-term liabilities	<u>\$ 39,867,392</u>	<u>\$ 110,920</u>	<u>\$ 10,863,566</u>	<u>\$ 29,114,746</u>	<u>\$ 3,410,494</u>	

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Long-Term Liabilities - Continued**

Bonds Payable

On December 30, 2013, the College issued \$3,288,490 of Series E and \$4,494,695 of Series F bonds with fixed rates of 3.08% and 3.79%, respectively (at a true cost of 3.685%). The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the 2010 Series B and Series C bonds. Principal is payable semi-annually through October 1, 2026 for the Series E bonds and October 1, 2022 for the Series F bonds. Interest is payable monthly. The refunding did not result in a material difference between the reacquisition price and the net carrying amount of the previous debt. The College completed the refunding to reduce its total debt service payments over the next 14 years by \$1,391,155 and to obtain an economic gain of \$697,971. The balance of the Series E and F bonds at June 30, 2021 and 2020 was \$2,449,683 and \$3,160,816, respectively.

In 2011, the College issued \$148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027 and bears interest at a rate of 3.5%. The debt proceeds plus a grant of \$410,950 from the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") was used to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry Building. The balance of the Series 2010A-9 bonds at June 30, 2021 and 2020 was \$36,947 and \$45,656, respectively.

In 2008, the College issued \$190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually through December 31, 2021 and does not bear interest. The bond proceeds, plus a grant in the amount of \$358,100 from the Massachusetts Technology Collaborative, was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium. The balance of the Series 2007A bonds at June 30, 2021 and 2020 was \$12,706 and \$25,413, respectively. Interest has not been imputed due to lack of materiality.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Long-Term Liabilities - Continued**

Notes Payable

In fiscal 2011, the College entered into an agreement with DCAMM to participate in the Massachusetts Clean Energy Investment Program (“CEIP”). Under the program, DCAMM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. The College added \$1,966,772 to its debt obligations for a 10-year note for the CEIP. The note represents 55% of the total obligation of \$3,566,772 for equipment, design and installation of mechanical, electrical, controls, and plumbing conservation measures at the Lynn and Danvers Campuses. Under the terms of the agreement, the remaining 45%, or approximately \$1,600,000, of the obligation is the responsibility of DCAMM. During the year ended June 30, 2021, the obligation was adjusted for a discrepancy between the College and DCAMM’s records, resulting in an increase in principal debt of \$264,098 with a corresponding \$185,135 addition to capital assets and \$78,963 of interest expense. The balance of this note at June 30, 2021 and 2020 was \$240,002 and \$238,524, respectively.

Principal and Interest

As of June 30, 2021, principal and interest due on bonds and notes payable for the next five years and in subsequent five-year periods are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 972,552	\$ 92,028
2023	537,148	57,162
2024	354,455	41,772
2025	354,455	28,066
2026	347,857	14,471
2027 - 2031	<u>172,871</u>	<u>2,220</u>
	<u>\$ 2,739,338</u>	<u>\$ 235,719</u>

Total interest expense was \$196,473 and \$164,041 for the years ending June 30, 2021 and 2020, respectively.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Long-Term Liabilities - Continued**

Operating Leases

The College has entered into lease agreements for academic space for the Middleton and Lynn Campuses, and equipment for various departments. Future minimum lease payments as of June 30, 2021 are approximately \$75,700 due during the year ended June 30, 2022.

Rental expense for operating leases was approximately \$39,000 and \$235,000 for the years ending June 30, 2021 and 2020, respectively.

Note 7 - **Pension**

Defined Benefit Plan Description

Certain employees of the College participate in a cost-sharing, multiple-employer, defined benefit-pension plan – the Massachusetts State Employees’ Retirement System (“SERS”) – 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 a stand-alone financial statement. Additional information regarding the plan is contained in the Commonwealth's financial statements, which is available online from the Office of the State Comptroller's website.

Benefit Provisions

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

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

Benefit Provisions - continued

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

Contributions

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$3,477,499, \$3,244,841 and \$2,605,790 for the years ended June 30, 2021, 2020 and 2019, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

Contributions - continued

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The College contributed \$375,702, \$457,379 and \$511,444 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2021 and 2020, the College reported a liability of \$7,261,893 and \$7,516,002, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.04% and 0.05%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

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

For the years ended June 30, 2021 and 2020, the College recognized pension income of \$244,998 and pension expense of \$235,019, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions made after the measurement date	\$ 375,702	\$ 457,379
Net differences between projected and actual investment earnings on pension plan investments	399,189	-
Differences between expected and actual experience	231,063	249,606
Changes in proportion from Commonwealth	5,484	13,269
Changes in plan actuarial assumptions	411,734	557,118
Changes in proportion due to internal allocation	<u>7,266</u>	<u>84,646</u>
Total deferred outflows of resources related to pension	<u>\$1,430,438</u>	<u>\$ 1,362,018</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 112,111
Differences between expected and actual experience	46,990	97,749
Changes in proportion from Commonwealth	17,700	382
Changes in proportion due to internal allocation	<u>2,967,289</u>	<u>3,119,908</u>
Total deferred inflows of resources related to pension	<u>\$3,031,979</u>	<u>\$ 3,330,150</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

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

The College's contributions of \$375,702 and \$457,379 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2022	\$ (494,941)
2023	(403,181)
2024	(390,899)
2025	(493,522)
2026	<u>(194,700)</u>
	<u>\$ (1,977,243)</u>

Actuarial Assumptions

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

	<u>2021</u>	<u>2020</u>
Measurement date	June 30, 2020	June 30, 2019
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.15%	7.25%
Investment rate credited to annuity savings fund	3.50%	3.50%

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

Actuarial Assumptions - continued

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

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

Actuarial Assumptions - continued

Summarized in the following table are 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,:

Asset Class	2021		2020	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.80%	39%	4.90%
Core Fixed Income	15%	0.70%	15%	1.30%
Private Equity	13%	8.20%	13%	8.20%
Portfolio Completion Strategies	11%	3.20%	11%	3.90%
Real Estate	10%	3.50%	10%	3.60%
Value Added Fixed Income	8%	4.20%	8%	4.70%
Timber/Natural Resources	<u>4%</u>	4.10%	<u>4%</u>	4.10%
	<u>100%</u>		<u>100%</u>	

Discount Rate

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Pension - Continued**

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

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

2021		
1.00% Decrease 6.15%	Current Discount Rate 7.15%	1.00% Increase 8.15%
\$ 9,567,993	\$ 7,261,893	\$ 5,366,459
2020		
1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
\$ 10,004,042	\$ 7,516,002	\$ 5,390,091

Note 8 - **Other Post-Employment Benefits ("OPEB")**

Defined Benefit 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").

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Defined Benefit Plan Description - continued

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

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

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Contributions - continued

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed \$197,285 and \$236,934 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2021 and 2020, the College reported a liability of \$9,344,354 and \$14,168,924, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.045% and 0.077%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized OPEB income of \$1,367,002 and \$3,448, respectively.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

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

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

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions made subsequent to the measurement date	\$ 197,285	\$ 236,934
Net differences between projected and actual investment earnings on OPEB plan investments	27,018	-
Changes in proportion from Commonwealth	14,162	34,548
Differences between expected and actual experience	257,886	568,240
Changes in OPEB plan actuarial assumptions	769,523	10,902
Changes in proportion due to internal allocation	<u>1,445,473</u>	<u>2,084,238</u>
Total deferred outflows of resources related to OPEB	<u>\$ 2,711,347</u>	<u>\$ 2,934,862</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Net differences between projected and actual investment earnings on OPEB plan investments	\$ -	\$ 6,517
Differences between expected and actual experience	230,650	18,144
Changes in OPEB plan actuarial assumptions	903,100	2,130,642
Changes in proportion from Commonwealth	31,735	-
Changes in proportion due to internal allocation	<u>10,465,583</u>	<u>6,449,909</u>
Total deferred inflows of resources related to OPEB	<u>\$ 11,631,068</u>	<u>\$ 8,605,212</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

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

The College’s contributions of \$197,285 and \$236,934 made during the fiscal years 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2022	\$ (2,252,004)
2023	(2,208,386)
2024	(2,060,335)
2025	(2,051,164)
2026	<u>(545,117)</u>
	<u>\$ (9,117,006)</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Actuarial Assumptions

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

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5% decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026; 4.5% for administrative costs

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year for both measurement dates June 30, 2020 and 2019.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Actuarial Assumptions - continued

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later for measurement date June 30, 2019.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Actuarial Assumptions - continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029 and 2023 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.15% and 7.25% per annuity, respectively, 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 one-percentage-point lower or one-percentage-point higher than the current discount rate:

2021		
1.00% Decrease	Current Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 11,229,303	\$ 9,344,354	\$ 7,855,015

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Other Post-Employment Benefits (“OPEB”) - Continued**

Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - continued

2020		
1.00% Decrease (2.63%)	Current Discount Rate (3.63%)	1.00% Increase (4.63%)
\$ 16,913,116	\$ 14,168,924	\$ 11,999,225

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

2021		
1.00% Decrease (B)	Current Health care Cost Trend Rate (A)	1.00% Increase (C)
\$ 7,589,779	\$ 9,344,354	\$ 11,675,460
2020		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 11,676,983	\$ 14,168,924	\$ 17,456,773

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

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 9 - **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. At June 30, 2021 and 2020, the restricted net position was for instructional and departmental uses.

Note 10 - **Operating Expenses**

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

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 43,650,645	\$ 45,460,785
Supplies and services	10,312,769	11,874,271
Depreciation	3,927,724	3,553,671
Scholarships and fellowships	<u>2,929,136</u>	<u>2,923,859</u>
	<u>\$ 60,820,274</u>	<u>\$ 63,812,586</u>

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **State Appropriation**

The College's state appropriation is composed of the following for the years ending June 30,:

	<u>2021</u>	<u>2020</u>
Direct unrestricted appropriations	\$ 24,626,444	\$ 23,713,111
Add: Fringe benefits for benefited employees on the state payroll	8,568,111	8,044,357
Subtract: Day school tuition remitted to the State and included in tuition and fees	<u>31,087</u>	<u>-</u>
Total unrestricted appropriations	<u>33,163,468</u>	<u>31,757,468</u>
Restricted appropriations	900,600	1,456,167
Add: Fringe benefits for benefited employees on the state payroll	<u>61,591</u>	<u>132,280</u>
Total restricted appropriations	<u>962,191</u>	<u>1,588,447</u>
Capital appropriations	<u>1,887,941</u>	<u>5,081,302</u>
Total Appropriations	<u>\$ 36,013,600</u>	<u>\$ 38,427,217</u>

Note 12 - **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.

NORTH SHORE COMMUNITY COLLEGE

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Other Fringe Benefits - Continued**

Group Insurance Commission - continued

The GIC is a quasi-independent state agency governed by a seventeen-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2021 and 2020, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans.

In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

Note 13 - **Pass-Through Loans**

The College distributed \$4,247,029 and \$5,167,118 during fiscal years 2021 and 2020, respectively, for student loans through the U.S. Department of Education Direct Loan Program for student loans. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 14 - **Contingencies**

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

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

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.042%	0.051%	0.075%	0.075%	0.075%	0.106%	0.970%
Proportionate share of the collective net pension liability	\$ 7,261,893	\$ 7,516,002	\$ 9,893,341	\$ 9,655,877	\$ 10,321,326	\$ 12,077,736	\$ 7,222,922
College's covered payroll	\$ 3,248,430	\$ 4,240,828	\$ 5,805,025	\$ 5,915,910	\$ 5,687,757	\$ 6,393,378	\$ 7,216,427
College's proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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.

NORTH SHORE COMMUNITY COLLEGE
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Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 375,702	\$ 457,379	\$ 511,444	\$ 683,826	\$ 588,633	\$ 537,493	\$ 664,272
Contributions in relation to the statutorily required contribution	<u>(375,702)</u>	<u>(457,379)</u>	<u>(511,444)</u>	<u>(683,826)</u>	<u>(588,633)</u>	<u>(537,493)</u>	<u>(664,272)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 2,562,769	\$ 3,248,430	\$ 4,240,828	\$ 5,805,025	\$ 5,915,910	\$ 5,687,757	\$ 6,393,378
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2021

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

Measurement date – June 30, 2020

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2021

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

Measurement date – June 30, 2016

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

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

Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.045%	0.077%	0.117%	0.107%
Proportionate share of the collective net OPEB liability	\$ 9,344,354	\$ 14,168,924	\$ 21,648,505	\$ 18,780,725
College's covered payroll	\$ 3,248,430	\$ 4,240,828	\$ 5,805,025	\$ 5,915,910
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
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Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 197,285	\$ 236,934	\$ 372,942	\$ 517,472
Contributions in relation to the statutorily required contribution	<u>(197,285)</u>	<u>(236,934)</u>	<u>(372,942)</u>	<u>(517,472)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 2,562,769	\$ 3,248,430	\$ 4,240,828	\$ 5,805,025
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%	8.91%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2021

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information – OPEB (Unaudited) - Continued

June 30, 2021

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

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

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



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

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and business-type activities of North Shore Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

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

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

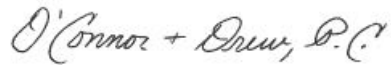
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants
Braintree, Massachusetts**

October 26, 2021