

**BERKSHIRE COMMUNITY
COLLEGE**
(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Financial Statements

June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Berkshire Community College
Pittsfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Berkshire Community College (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "College") and its discretely presented component unit, the Berkshire Community College Foundation, Inc. (the "Foundation"), which comprise the statements of net position as of June 30, 2019 and 2018, and the statements of revenues, expenses and changes in net position, and cash flows, where applicable, for the years then ended, 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 an opinion 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 of America. 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 auditor considers 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 opinion.

Opinion

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, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, which 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 8, 2019, 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 Berkshire Community College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2019

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

The following discussion and analysis provides management's view of the financial position of the College as of June 30, 2019 and 2018 as well as the results of its 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.

Introduction

Berkshire Community College (the "College") is a public institution of higher education serving 965 FTE students with 52 full-time faculty, 77 part-time faculty, and 130 full-time staff members. The College is located in Pittsfield, Massachusetts. In addition, the College offers credit and non-credit programs at the South County Center in Great Barrington, the Conte Educational Center in downtown Pittsfield, and McCann Technical School in North Adams. The College offers 55 degree and certificate programs plus a wide range of non-credit workforce development training options.

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

Financial Highlights

The College's financial performance from FY18 to FY19 is indicated by the following:

- Total net position in FY19 increased \$1,079,556 or 2.5% as compared to an increase of \$3,697,548 or 9.4% in FY18.
- Unrestricted net position in FY19 increased \$324,081 or 22.2% as compared to a decrease of \$29,791 or 2.1% in FY18.
- Total operating revenues in FY19 increased \$932,461 or 7.7% as compared to an increase of \$510,699 or 4.4% in FY18.
- Net student fees in FY19 decreased \$274,031 or 5.8% as compared to a decrease of \$55,853 or 1.2% in FY18.
- Operating grants and contributions in FY19 increased \$1,274,543 or 19.9% as compared to an increase of \$395,282 or 6.6% in FY18.
- FTE enrollments decreased 8.5% in FY19 as compared to a decrease of 6.4% in FY18.
- Operating expenses in FY19 increased \$775,572 or 2.7% as compared to a decrease of \$1,747,423 or 5.8% in FY18.

BERKSHIRE COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Highlights – Continued

The Berkshire Community College Foundation is a legally separate tax-exempt component 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 activities of the College by the donors. Because 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.

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

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

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

The financial statements can be found on pages 16 to 19 of this report.

The College reports its activity as a business-type activity, using the accrual basis of accounting. The College is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position, and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

BERKSHIRE COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data shown in the financial statements. The notes provide information regarding both the accounting policies and procedures that the College has adopted as well as additional detail about certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 20 to 52 of this report.

Financial Analysis

Net Position

The following table presents a summary of the College's net position. Detailed statements of net position may be found in the financial statements on page 16 of this report.

	June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 8,127,561	\$ 8,100,307	\$ 9,096,327
Non-current assets	<u>45,903,041</u>	<u>45,350,301</u>	<u>41,838,631</u>
Total assets	<u>54,030,602</u>	<u>53,450,608</u>	<u>50,934,958</u>
Deferred outflows of resources	<u>524,532</u>	<u>640,224</u>	<u>514,141</u>
Current liabilities	4,418,576	4,484,853	5,421,147
Non-current liabilities	<u>4,709,506</u>	<u>5,522,809</u>	<u>5,867,666</u>
Total liabilities	<u>9,128,082</u>	<u>10,007,662</u>	<u>11,288,813</u>
Deferred inflows of resources	<u>1,144,473</u>	<u>880,147</u>	<u>654,811</u>
Investment in capital assets	45,313,649	44,555,466	40,824,172
Restricted - expendable	101,760	104,468	108,423
Unrestricted	<u>(1,132,830)</u>	<u>(1,456,911)</u>	<u>(1,427,120)</u>
Total net position	<u>\$ 44,282,579</u>	<u>\$ 43,203,023</u>	<u>\$ 39,505,475</u>

The measurement of net position can serve over time as a useful indicator of the College's financial position. Net position increased \$1,079,556 for the year ended June 30, 2019 and increased \$3,697,548 for the year ended June 30, 2018.

BERKSHIRE COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Net Position – Continued

By far, the largest portion of the College's net position is its investment in capital assets, including land, buildings, machinery and equipment, less any related debt, including capital leases, used to acquire those assets. Net position investment in capital assets was \$45,313,649 at June 30, 2019, representing 102.3% of total net position. Net position investment in capital assets increased by \$758,183 in FY19. The College received capital appropriations from the Commonwealth totaling \$1,390,938. The College uses capital assets to provide services to students, faculty, and staff; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, note that the resources needed to repay this debt must be provided from non-capital sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the capital asset activity noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements. Additional information about the College's capital assets can be found in Note 6 on page 30 of the Notes to the Financial Statements.

The College's long-term debt consists of Clean Renewable Energy Bonds (CREB) of \$307,069 as well as accruals for compensated absences and workers compensation. The accrual for compensated absences consists of the long-term portion of vacation and sick pay relating to employees on the College's payroll. See Note 7 on page 31 of the Notes to the Financial Statements for more information on long-term liabilities.

A portion of the College's net position, \$101,760 in FY19 (\$104,468 in FY18), represents resources that are subject to external restrictions on how they must be used.

BERKSHIRE COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Net Position – Continued

The table and narrative below present the College's changes in net position, including a review of operating revenues and expenses as well as non-operating and other revenues and expenses.

Condensed Changes in Net Position

	For Fiscal Years Ended		
	2019	2018	2017
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Tuition and fees, net of tuition waivers and remissions	\$ 4,473,993	\$ 4,748,024	\$ 4,803,876
Operating grants and contributions	7,671,148	6,396,605	6,001,323
Other sources	957,167	1,025,218	853,948
	<u>13,102,308</u>	<u>12,169,847</u>	<u>11,659,147</u>
Total operating revenues			
Total operating expenses	<u>29,075,546</u>	<u>28,299,974</u>	<u>30,047,397</u>
Net operating loss	<u>(15,973,238)</u>	<u>(16,130,127)</u>	<u>(18,388,250)</u>
Non-operating and other revenues (expenses):			
State appropriations	17,025,331	19,828,057	28,547,865
Net investment income	41,473	15,185	14,137
Interest expense	(14,010)	(15,567)	(17,123)
	<u>17,052,794</u>	<u>19,827,675</u>	<u>28,544,879</u>
Total non-operating and other revenues			
Increase in net position	<u>1,079,556</u>	3,697,548	10,156,629
Net position - beginning of year	<u>43,203,023</u>	<u>39,505,475</u>	<u>29,348,846</u>
Net position - end of year	<u>\$ 44,282,579</u>	<u>\$ 43,203,023</u>	<u>\$ 39,505,475</u>

BERKSHIRE COMMUNITY COLLEGE

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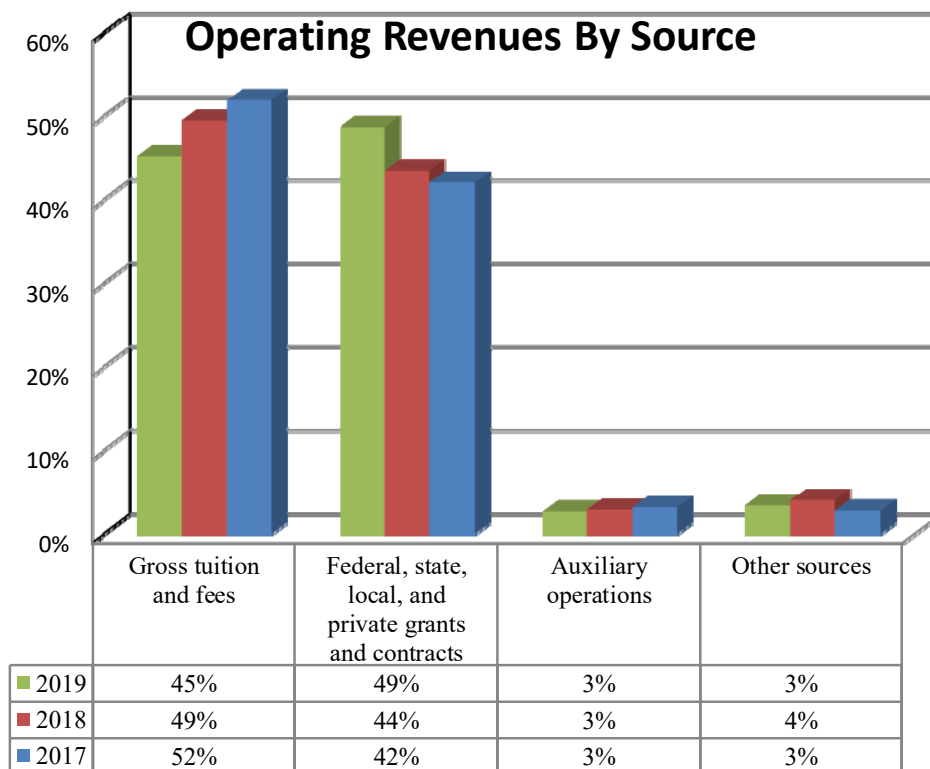
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Operating Revenue Highlights

The following is a graphic illustration of operating revenues by source, which were used to fund the College’s activities for the years ended June 30, 2019 and 2018.



- **Total operating revenues** in FY19 increased \$932,461 or 7.7% as compared to an increase of \$510,700 or 4.4% in FY18.
- **Gross tuition and fees** received by the College include tuition, college service fee, technology fee, and other credit and non-credit fees. Net student tuition and fees in FY19 decreased \$274,031 or 5.8% as compared to a decrease of \$55,853 or 1.2% in FY18.

BERKSHIRE COMMUNITY COLLEGE
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Operating Revenue Highlights – Continued

- **Operating grants and contributions** in FY19 increased \$1,274,543 or 19.9% as compared to an increase of \$395,282 or 6.6% in FY18.
- **Other sources** of revenue include auxiliary operations, parking and other fines, facilities use fees, special function charges, user fees, and direct contributions to the College. Total other sources of revenue in FY19 decreased \$68,051 or 6.6% as compared to an increase of \$171,270 or 20.1 % in FY18.
- FY19 operating grants and contracts included the following:

Grant Name	Funding Source	Amount	Purpose
Federal SEOG	US DOE	\$85,572	Need-based funds awarded at school discretion according to packaging policies.
Pell	US DOE	\$2,825,280	Entitlement fund based upon demonstrated financial need.
Federal Work Study	US DOE	\$83,340	Federal allocation providing on- and off-campus work opportunities.
Title III Strengthening Institutions Grant	US DOE	\$374,261	Help institutions expand their capacity to serve low-income students by providing funds to improve and strengthen academic quality, institutional management, and fiscal stability of eligible institutions. Fourth year of five-year award.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Operating Revenue Highlights – Continued

Grant Name	Funding Source	Amount	Purpose
Workforce Incentive Funding	Mass. Office of Workforce Development	\$96,667	Support Director of Corporate Training in Office of Workforce Development.
ABE Adult Community Learning Center	Mass. DESE	\$170,407	Support Adult Community Learning Center at South County Center.
STEM Starter Academy	Mass. BOHE	\$265,000	Provide support services and transition programming to STEM students.
Perkins	Mass. DOE	\$114,872	Support CVTE linkage activities and career technical program.
TRIO	US DOE	\$272,496	Student support services. Fourth year of five-year award.
Dual Enrollment	Mass. DHE	\$28,350	Support dual enrollment program, which allows qualified high school students to take college courses.
Performance Incentive Fund	Mass. DHE	\$7,792	Develop faculty capacity to deliver competency-based education (CBE) that aligns with early childhood education (ECE) competencies and standards.
TRAIN Grant	Mass. DHE	\$125,000	Support development and implementation of fast-track culinary and hospitality workforce training program.
Collaborative Workspace Grant	Mass. Office of Workforce Development	\$25,000	Support feasibility study of teaching kitchen at South County Center.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Operating Expense Highlights

Total operating expenses increased \$775,572 from FY18 to FY19. Of this amount, salary costs increased \$94,860 or .6% and fringe benefit costs increased \$75,096 or 1.7%. Functional expense classifications and dollar amounts are shown below. Expense percentage shares are shown in the accompanying chart.

	For Fiscal Years Ended		
	2019	2018	2017
Operating expenses:			
Instruction	\$ 9,659,814	\$ 9,815,819	\$ 11,170,982
Academic support	3,641,919	3,309,791	3,631,738
Student services	4,176,014	4,000,751	4,484,006
Scholarships and fellowships	1,854,754	1,888,405	1,658,352
Operation and maintenance of plant	2,985,437	2,792,271	2,687,252
Institutional support	4,295,377	4,183,655	4,704,612
Depreciation and amortization	1,951,779	1,806,854	1,128,368
Auxiliary operations	510,452	502,428	582,090
Total operating expenses	\$ 29,075,546	\$ 28,299,974	\$ 30,047,400

BERKSHIRE COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

- **Instruction** – Costs directly related to the classroom (i.e., faculty salaries, instructional supplies, and equipment) decreased \$156,005 or 1.6% in FY19 and decreased \$1,355,163 or 12.1% in FY18.
- **Academic Support** – Expenses that provide administrative and management support for academic programs increased \$332,128 or 10.0% in FY19 and decreased \$321,947 or 8.9% in FY18.
- **Student Services** – Admissions, Registrar, and Financial Aid offices as well as counseling, tutoring, interpreters, and all other student support services increased \$175,263 or 4.4% in FY19 and decreased \$483,255 or 10.8% in FY18.
- **Scholarships and Fellowships** – Student aid, including federal, state, and private grants (i.e., Pell, SEOG, Massachusetts State Cash Grants, and Massachusetts State Scholarships) decreased \$33,651 or 1.8% in FY19 and increased \$230,053 or 13.9% in FY18.
- **Operation and Maintenance of Plant** – Spending on the operation and direct maintenance of the physical plant and grounds increased \$193,166 or 6.9% in FY19 and increased \$105,019 or 3.9% in FY18.
- **Institutional Support** – Collectively, spending by all administrative functions increased \$111,722 or 2.7% in FY19 and decreased \$520,957 or 11.1% in FY18.
- **Depreciation and Amortization** – This non-cash expense increased \$144,925 or 8.0% in FY19 and increased \$678,486 or 60.1% in FY18.
- **Auxiliary Operations** – Food services increased \$8,024 or 1.6% in FY19 and decreased \$79,662 or 13.7% in FY18.

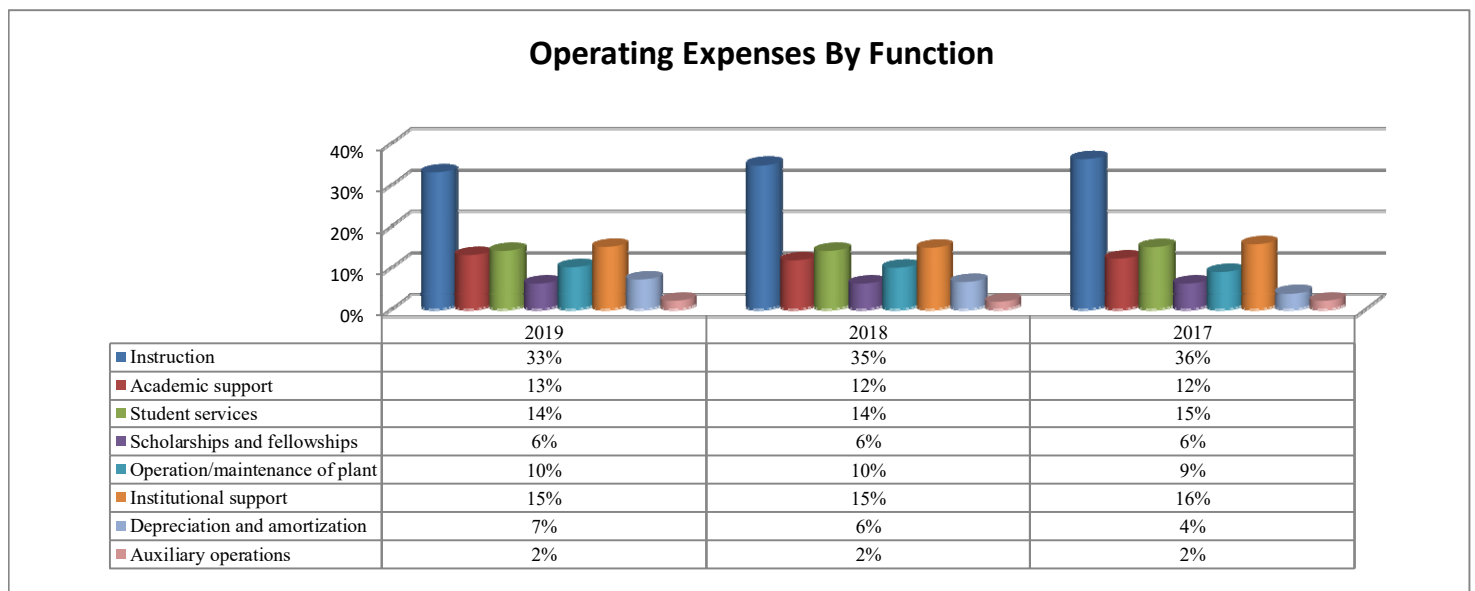
BERKSHIRE COMMUNITY COLLEGE
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Operating Expense Highlights – Continued



Non-Operating Revenues and Expenses

The Commonwealth’s net operating appropriations, which are composed of operating appropriations and fringe benefits less tuition remitted, increased \$805,247 or 5.4% in FY19 and increased \$34,066 or .2% in FY18. Investment income increased \$26,288 or 173.1% in FY19 and increased \$1,048 or 7.4% in FY18.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Loss from Operations and State Appropriations – Continued

The College, in order to balance educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following table provides a summary of the unrestricted appropriations and capital appropriations received by the College from the Commonwealth for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

	<u>2019</u>	<u>June 30, 2018</u>	<u>2017</u>
Gross Commonwealth operating appropriations	\$ 11,786,062	\$ 11,188,165	\$ 11,262,702
Plus fringe benefits*	<u>4,002,072</u>	<u>3,790,969</u>	<u>3,664,547</u>
	15,788,134	14,979,134	14,927,249
Less tuition remitted	<u>(153,741)</u>	<u>(149,988)</u>	<u>(132,169)</u>
Net Commonwealth operating appropriations	15,634,393	14,829,146	14,795,080
Gross Commonwealth capital appropriations	<u>1,390,938</u>	<u>4,998,911</u>	<u>13,752,785</u>
Net Commonwealth appropriations	<u>\$ 17,025,331</u>	<u>\$ 19,828,057</u>	<u>\$ 28,547,865</u>

* The Commonwealth pays the fringe benefit cost for College employees paid from Commonwealth appropriations. Therefore, such fringe benefit support is added to the "state appropriations" line item presented in the above table. The College pays the Commonwealth for the fringe benefit cost of College employees paid from funding sources other than Commonwealth appropriations.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

Financial Analysis – Continued

Economic Factors, Outlook, and Tuition and Student Fee Rates

The College's net state appropriations decreased \$2,802,726 in FY19 and decreased \$8,719,808 in FY18. The decrease in FY19 was the result of a general appropriations increase of \$805,247 and capital appropriations decrease of \$3,607,973.

For FY20, state appropriations are expected to increase 3.7% as compared to FY19. For FY20, tuition and student fees are unchanged from FY19. These fees are used to support the mission and operations of the College. The College remains concerned about the local economy, a declining population in Berkshire County, and future budget appropriations from the Commonwealth.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for any interested parties. Questions concerning the information provided in this report or requests for additional information should be addressed to Berkshire Community College, Vice President for Administration & Finance, 1350 West Street, Pittsfield, MA 01201.

BERKSHIRE COMMUNITY COLLEGE
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Statements of Net Position

June 30, 2019 and 2018

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>		<u>Component Unit</u>	
	2019	2018	2019	2018
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 5,554,899	\$ 5,683,735	\$ 1,163,582	\$ 1,309,977
Cash held by State Treasurer	1,162,501	1,246,883	-	-
Restricted cash and equivalents	241,251	58,205	-	-
Accounts receivable, net	900,834	900,464	34,500	312,000
Other current assets	<u>268,076</u>	<u>211,020</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>8,127,561</u>	<u>8,100,307</u>	<u>1,198,082</u>	<u>1,621,977</u>
Noncurrent Assets:				
Long-term investments	69,775	62,670	9,489,410	9,060,051
Capital assets, net of accumulated depreciation	<u>45,833,266</u>	<u>45,287,631</u>	<u>318,727</u>	<u>326,458</u>
Total Noncurrent Assets	<u>45,903,041</u>	<u>45,350,301</u>	<u>9,808,137</u>	<u>9,386,509</u>
Total Assets	<u>54,030,602</u>	<u>53,450,608</u>	<u>11,006,219</u>	<u>11,008,486</u>
Deferred Outflows of Resources:				
Deferred outflows related to pension	277,040	365,692	-	-
Deferred outflows related to OPEB	<u>247,492</u>	<u>274,532</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>524,532</u>	<u>640,224</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 54,555,134</u>	<u>\$ 54,090,832</u>	<u>\$ 11,006,219</u>	<u>\$ 11,008,486</u>

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary Government</u>		<u>Component Unit</u>	
	2019	2018	2019	2018
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 985,731	\$ 909,080	\$ 66,707	\$ 123,264
Accrued payroll	892,698	922,469	-	-
Compensated absences	1,254,864	1,205,980	-	-
Workers' compensation	34,742	32,032	-	-
Student deposits	186,877	143,035	-	-
Unearned revenues	851,116	1,059,709	-	-
Current portion of bond payable	43,867	43,867	-	-
Current portion of capital lease obligations	<u>168,681</u>	<u>168,681</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>4,418,576</u>	<u>4,484,853</u>	<u>66,707</u>	<u>123,264</u>
Noncurrent Liabilities:				
Compensated absences, net of current portion	499,845	648,650	-	-
Workers' compensation, net of current portion	125,358	119,061	-	-
Bond payable, net of current portion	307,069	350,936	-	-
Capital lease obligations, net of current portion	-	168,681	-	-
Net pension liability	1,370,318	1,438,196	-	-
Net OPEB liability	<u>2,406,916</u>	<u>2,797,285</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>4,709,506</u>	<u>5,522,809</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>9,128,082</u>	<u>10,007,662</u>	<u>66,707</u>	<u>123,264</u>
Deferred Inflows of Resources:				
Deferred inflows related to pension	383,628	531,410	-	-
Deferred inflows related to OPEB	750,655	328,356	-	-
Service concession arrangement	<u>10,190</u>	<u>20,381</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,144,473</u>	<u>880,147</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	45,313,649	44,555,466	318,727	326,458
Restricted:				
Nonexpendable	-	-	6,215,100	6,183,159
Expendable	101,760	104,468	4,121,827	4,004,416
Unrestricted	<u>(1,132,830)</u>	<u>(1,456,911)</u>	<u>283,858</u>	<u>371,189</u>
Total Net Position	<u>44,282,579</u>	<u>43,203,023</u>	<u>10,939,512</u>	<u>10,885,222</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 54,555,134</u>	<u>\$ 54,090,832</u>	<u>\$ 11,006,219</u>	<u>\$ 11,008,486</u>

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

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2019 and 2018

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2019</u> <u>College</u>	<u>2018</u> <u>College</u>	<u>2019</u> <u>Foundation</u>	<u>2018</u> <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 7,131,972	\$ 7,268,383	\$ -	\$ -
Less: scholarship allowances	<u>(2,657,979)</u>	<u>(2,520,359)</u>	-	-
Net student fees	4,473,993	4,748,024	-	-
Gifts and contributions	-	-	1,300,119	791,903
Federal, state, local and private grants and contracts	7,671,148	6,396,605	-	-
Other auxiliary operations	420,898	426,726	-	-
Other sources	<u>536,269</u>	<u>598,492</u>	<u>298,750</u>	<u>298,750</u>
Total Operating Revenues	<u>13,102,308</u>	<u>12,169,847</u>	<u>1,598,869</u>	<u>1,090,653</u>
Operating Expenses:				
Instruction	9,659,814	9,815,819	-	-
Academic support	3,641,919	3,309,791	-	-
Student services	4,176,014	4,000,751	-	-
Scholarships and fellowships	1,854,754	1,888,405	1,815,202	670,915
Operation and maintenance of plant	2,985,437	2,792,271	219,717	226,372
Institutional support	4,295,377	4,183,655	59,474	40,945
Depreciation and amortization	1,951,779	1,806,854	39,758	37,469
Auxiliary operations	<u>510,452</u>	<u>502,428</u>	-	-
Total Operating Expenses	<u>29,075,546</u>	<u>28,299,974</u>	<u>2,134,151</u>	<u>975,701</u>
Operating Income (Loss)	<u>(15,973,238)</u>	<u>(16,130,127)</u>	<u>(535,282)</u>	<u>114,952</u>
Non-Operating Revenues (Expenses):				
State appropriations - unrestricted	15,634,393	14,829,146	-	-
Investment income, net	41,473	15,185	589,572	538,873
Interest expense	<u>(14,010)</u>	<u>(15,567)</u>	-	-
Net Non-Operating Revenues (Expenses)	<u>15,661,856</u>	<u>14,828,764</u>	<u>589,572</u>	<u>538,873</u>
Change in Net Position Before Capital Appropriation	(311,382)	(1,301,363)	54,290	653,825
Capital appropriation	<u>1,390,938</u>	<u>4,998,911</u>	-	-
Change in Net Position	1,079,556	3,697,548	54,290	653,825
Net Position, Beginning of Year	<u>43,203,023</u>	<u>39,505,475</u>	<u>10,885,222</u>	<u>10,231,397</u>
Net Position, End of Year	<u>\$ 44,282,579</u>	<u>\$ 43,203,023</u>	<u>\$ 10,939,512</u>	<u>\$ 10,885,222</u>

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

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

Statements of Cash Flows

For the Years Ended June 30,

	2019	2018
	<u>College</u>	<u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 4,480,106	\$ 4,769,424
Grants and contracts	7,539,668	5,103,767
Payments to suppliers	(6,319,713)	(5,544,150)
Payments to employees	(15,116,356)	(14,890,661)
Payments to students	(1,854,754)	(1,888,405)
Other auxiliary operations	410,707	416,536
Other sources	<u>489,410</u>	<u>534,560</u>
Net Cash Applied to Operating Activities	<u>(10,370,932)</u>	<u>(11,498,929)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	11,786,062	11,188,165
Tuition remitted to State	<u>(153,741)</u>	<u>(149,988)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,632,321</u>	<u>11,038,177</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(1,106,476)	(326,687)
Principal paid on capital lease obligations	(168,681)	(168,682)
Principal paid on bond payable	(43,867)	(43,868)
Interest paid on bond payable	<u>(14,010)</u>	<u>(15,567)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(1,333,034)</u>	<u>(554,804)</u>
Cash Flow from Investing Activity:		
Interest income	<u>41,473</u>	<u>15,185</u>
Net Decrease in Cash and Equivalents	(30,172)	(1,000,371)
Cash and Equivalents, Beginning of Year	<u>6,988,823</u>	<u>7,989,194</u>
Cash and Equivalents, End of Year	<u>\$ 6,958,651</u>	<u>\$ 6,988,823</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2019</u> <u>College</u>	<u>2018</u> <u>College</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (15,973,238)	\$ (16,130,127)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	1,951,779	1,806,854
Service concession arrangement	(10,191)	(10,190)
Net pension activity	(127,008)	(143,274)
Net OPEB activity	58,970	134,050
Bad debts	115,601	99,896
Unrealized investment loss	(7,105)	7,075
Fringe benefits provided by State	4,002,072	3,790,969
Changes in assets and liabilities:		
Accounts receivable	(115,971)	(206,746)
Other current assets	(57,056)	102,499
Accounts payable and accrued liabilities	76,651	294,990
Accrued employee compensation and benefits	(120,685)	(9,330)
Student deposits and unearned revenues	43,842	(156,528)
Other deferred revenues	<u>(208,593)</u>	<u>(1,079,067)</u>
Net Cash Applied to Operating Activities	<u>\$ (10,370,932)</u>	<u>\$ (11,498,929)</u>
Reconciliation of Cash and Equivalents to Statements of Net Position, End of Year:		
Cash and equivalents	\$ 5,554,899	\$ 5,683,735
Cash held by State Treasurer	1,162,501	1,246,883
Restricted cash and equivalents	<u>241,251</u>	<u>58,205</u>
	<u>\$ 6,958,651</u>	<u>\$ 6,988,823</u>
Non-Cash Transactions:		
Fringe benefits provided by State appropriations	<u>\$ 4,002,072</u>	<u>\$ 3,790,969</u>
Capital improvements provided by capital appropriations	<u>\$ 1,390,938</u>	<u>\$ 4,998,911</u>
Dividends reinvested	<u>\$ 4,008</u>	<u>\$ 3,704</u>

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

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2019 and 2018

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

Organization

Berkshire Community College (the “College”) is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees and various certificate programs. From its primary campus located in Pittsfield, Massachusetts, along with other satellite campuses, 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, through the Division of Continuing Education, credit and non-credit courses as well as community education 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 accounting principles generally accepted in the United States of America 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, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

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

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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, expenses and changes in net assets, 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 (loss) and interest expense.

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

Berkshire Community College Foundation (the "Foundation") is a legally separate tax-exempt organization. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College. 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. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2019 and 2018 and is therefore discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from Berkshire Community College Foundation, Inc. at 1350 West Street, Pittsfield, Massachusetts, 01201.

Net Position

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

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

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Net Position - Continued

Restricted - nonexpendable: Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

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

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

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

Trust Funds

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

Cash and Equivalents

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

Restricted Cash and Equivalents

Restricted cash and equivalents consists of grant and capital funds designated for specific projects.

Investments

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

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks, 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 market value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

The College does not hold collections of historical treasures, works of art or other items requiring capitalization or depreciation.

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

Deposits and Unearned Revenue

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

Fringe Benefits

The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, workers' compensation, and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave, along with compensatory time. 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, 2019 and 2018. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Workers' Compensation

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

Pensions

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

Postemployment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT"), and additions to or 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.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Student 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 an agency of the Commonwealth and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

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

New Governmental Accounting Pronouncements

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds, would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

New Governmental Accounting Pronouncements - Continued

Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management does not believe that the implementation of this standard will have a material effect on the financial statements.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. 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. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issues conduit debt, but is not the obligor, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation, however, there was no change to the net position.

Note 2 - **Cash and Equivalents**

The College periodically maintains cash balances in excess of Federal Deposit Insurance Corporation (“FDIC”) insurable limits. The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured depository institution. The College’s deposit policy for custodial credit risk requires the depository institution to purchase additional insurance to cover deposits in excess of FDIC insured amounts. Management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum.

As of June 30, 2019 and 2018, the College’s bank balances were approximately \$6,064,000 and \$5,876,000, respectively. In addition, approximately \$5,564,000 and \$5,376,000, respectively, were in excess of FIDC insurance, that were collateralized by security and custodial agreements.

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled approximately \$1,163,000 and \$1,247,000 at June 30, 2019 and 2018, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Note 4 - **Investments**

Fair Value Measurements

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active or inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Investments - Continued**

Fair Value Measurements - Continued

Level 3 inputs are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Corporate Equity Securities: Valued at quoted market value of the shares held at fiscal year-end.

Investments of the College

All investments of the College consist of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Corporate equity securities	<u>\$ 69,775</u>	<u>\$ 62,670</u>

The College categorizes investments according to the level of risk assumed. At June 30, 2019 and 2018, all investments are insured, registered, or held by the College's agent in the College's name. The entire investment balance is stated at fair market value. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal College investment policies.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Investments - Continued**

Investments of the Foundation

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

	<u>2019</u>	<u>2018</u>
Corporate equity securities	\$ 5,515,679	\$ 5,334,030
Government bonds	1,326,631	1,014,671
Corporate bonds	872,082	1,016,332
Certificates of deposit	753,738	752,097
Mutual funds	664,435	644,078
Money market funds	<u>356,845</u>	<u>288,843</u>
	<u>\$ 9,489,410</u>	<u>\$ 9,050,051</u>

Note 5 - **Accounts Receivable**

Accounts receivable is expected to be collected within one year and is comprised of the following at June 30,:

	<u>2019</u>	<u>2018</u>
Student accounts receivable	\$ 1,195,156	\$ 1,198,186
Grants receivable	99,259	176,372
Other receivables	<u>179,871</u>	<u>140,115</u>
	1,474,286	1,514,673
Less: allowance for doubtful accounts	<u>(573,452)</u>	<u>(614,209)</u>
Accounts receivable, net	<u>\$ 900,834</u>	<u>\$ 900,464</u>

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 6 - **Capital Assets**

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

2019						
	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		\$ 3,467,747	\$ 2,218,586	\$ -	\$ (5,517,617)	\$ 168,716
Land		474,888	-	-	-	474,888
Total not depreciated		<u>3,942,635</u>	<u>2,218,586</u>	<u>-</u>	<u>(5,517,617)</u>	<u>643,604</u>
Capital assets depreciated:						
Buildings and improvements	20 - 40	64,670,194	278,828	-	5,517,617	70,466,639
Furnishings and equipment (including cost of capital leases)	5 - 10	3,234,636	-	-	-	3,234,636
Total depreciated		<u>67,904,830</u>	<u>278,828</u>	<u>-</u>	<u>5,517,617</u>	<u>73,701,275</u>
Less: accumulated depreciation:						
Buildings and improvements		(24,123,497)	(1,676,883)	-	-	(25,800,380)
Furnishings and equipment		(2,436,337)	(274,896)	-	-	(2,711,233)
Total accumulated depreciation		<u>(26,559,834)</u>	<u>(1,951,779)</u>	<u>-</u>	<u>-</u>	<u>(28,511,613)</u>
Capital assets, net		<u>\$ 45,287,631</u>	<u>\$ 545,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,833,266</u>
2018						
	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		\$ 28,968,843	\$ 5,223,234	\$ -	\$ (30,724,330)	\$ 3,467,747
Land		474,888	-	-	-	474,888
Total not depreciated		<u>29,443,731</u>	<u>5,223,234</u>	<u>-</u>	<u>(30,724,330)</u>	<u>3,942,635</u>
Capital assets depreciated:						
Buildings and improvements	20 - 40	33,945,864	-	-	30,724,330	64,670,194
Furnishings and equipment (including cost of capital leases)	5 - 10	3,132,272	102,364	-	-	3,234,636
Total depreciated		<u>37,078,136</u>	<u>102,364</u>	<u>-</u>	<u>30,724,330</u>	<u>67,904,830</u>
Less: accumulated depreciation:						
Buildings and improvements		(22,740,856)	(1,382,641)	-	-	(24,123,497)
Furnishings and equipment		(2,012,124)	(424,213)	-	-	(2,436,337)
Total accumulated depreciation		<u>(24,752,980)</u>	<u>(1,806,854)</u>	<u>-</u>	<u>-</u>	<u>(26,559,834)</u>
Capital assets, net		<u>\$ 41,768,887</u>	<u>\$ 3,518,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,287,631</u>

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Long-Term Liabilities - Continued**

Bond Payable

The College has a New Clean Renewable Energy Bond outstanding with Century Bank and Trust Company. Principal is payable annually, and interest is payable semi-annually at a rate of 3.5%. Maturities of the bond payable subsequent to June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 43,867	\$ 12,488	\$ 56,355
2021	43,867	10,897	54,764
2022	43,867	9,340	53,207
2023	43,867	7,784	51,651
2024	43,867	6,244	50,111
2025 - 2027	131,601	9,340	140,941
	<u>\$ 350,936</u>	<u>\$ 56,093</u>	<u>\$ 407,029</u>

Capital Lease Obligations

The College entered into two capital lease agreements under which the related networking and telephone system equipment will become property of the College when all terms of the lease agreements are satisfied. Both capital lease arrangements are for five-year terms and are interest-free obligations. Interest has not been imputed due to a lack of materiality. During the year ending June 30, 2020, the minimum payments due under the capital leases are \$168,681.

The following reports the cost and accumulated depreciation for equipment under capital leases at June 30,:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 843,401	\$ 843,404
Less: accumulated depreciation	<u>(674,720)</u>	<u>(506,042)</u>
Total	<u>\$ 168,681</u>	<u>\$ 337,362</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 7 - **Long-Term Liabilities - Continued**

Foundation Line of Credit

The Foundation has available a \$175,000 revolving line of credit expiring in December 2049. The line of credit is collateralized by real estate owned by the Foundation. There were no draws on the line of credit during the fiscal years ended June 30, 2019 and 2018.

Note 8 - **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 – administered by the Massachusetts State Board of Retirement (the “Board”), which is a public employee retirement system (“PERS”). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers’ payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

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

Benefit Provisions

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

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **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 cannot retire 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>Percentage of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 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 \$1,383,347, \$1,281,056, and \$1,068,948 for the years ended June 30, 2019, 2018, and 2017, respectively.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **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 12.06%, 11.78%, and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. The College contributed \$48,114, \$94,717, and \$87,674 for the fiscal years ended June 30, 2019, 2018, and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 81%, 81%, and 81% of total related payroll for fiscal years ended 2019, 2018, and 2017, respectively.

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

At June 30, 2019 and 2018, the College reported a liability of \$1,370,318 and \$1,438,196 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, 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, 2018 rolled forward to June 30, 2018.

The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, 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, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.010% and 0.011%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized pension benefits of \$78,891 and \$48,561, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **Pensions - Continued**

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

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources</u>		
Changes in plan actuarial assumptions	\$ 138,873	\$ 149,666
Contributions subsequent to the measurement date	48,114	94,717
Changes in proportion due to internal allocation	42,902	60,777
Differences between expected and actual experience	43,455	55,606
Changes in proportion from the Commonwealth	<u>3,696</u>	<u>4,926</u>
Total	<u>\$ 277,040</u>	<u>\$ 365,692</u>
 <u>Deferred Inflows of Resources</u>		
Changes in proportion due to internal allocation	\$ 307,810	\$ 474,630
Differences between expected and actual experience	27,927	39,130
Differences between projected and actual investment earnings on plan investments	47,631	17,136
Changes in proportion from the Commonwealth	<u>260</u>	<u>514</u>
Total	<u>\$ 383,628</u>	<u>\$ 531,410</u>

The College's contributions of \$48,114 and \$94,717 made during the fiscal years ending 2019 and 2018, 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 increases (decreases) in pension expense as follows:

Year Ending June 30,	
2020	\$ 23,751
2021	(22,862)
2022	(82,024)
2023	(59,568)
2024	<u>(13,999)</u>
	<u>\$ (154,702)</u>

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **Pensions - Continued**

Actuarial Assumptions

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

	<u>2019</u>	<u>2018</u>
	June 30, 2018	June 30, 2017
Measurement date		
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	7.35%	7.50%
Investment rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2018 and 2017, 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-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct).

The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018. The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017.

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **Pensions - Continued**

Actuarial Assumptions - Continued

Asset Class	2019		2018	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%	13.0%	3.6%
Core Fixed Income	12.0%	0.9%	12.0%	1.1%
Private Equity	12.0%	6.6%	11.0%	6.6%
Real Estate	10.0%	3.8%	10.0%	3.6%
Value Added Fixed Income	10.0%	3.8%	10.0%	3.8%
Timberland / Natural Resources	4.0%	3.4%	4.0%	3.2%
Hedge Funds	0.0%	0.0%	0.0%	3.6%
Total	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35% and 7.50%, respectively, at June 30, 2018 and 2017, 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 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.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 8 - **Pensions - 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 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,.

<u>2019</u>		
1.00% Decrease (6.35%)	Current Discount Rate (7.35%)	1.00% Increase (8.35%)
\$ 1,846,960	\$ 1,370,318	\$ 963,046
<u>2018</u>		
1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 1,958,763	\$ 1,438,196	\$ 1,018,867

Note 9 - **OPEB**

Plan Description

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

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

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

Plan Description - Continued

Management of the SRBT is vested with the Board of Trustees, which consists of seven members, including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or their designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect 1 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, 2019 and 2018, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% 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.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

Contributions - Continued

Effective beginning in fiscal year 2014, by statute, the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal years 2018 and 2017, 30% and 10%, respectively, of tobacco settlement proceeds or approximately \$73 million and \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal years 2018 and 2017 was set at 30% and 10%, respectively, overriding existing statute.

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 among 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 8.79% and 8.92% of annual covered payroll for the fiscal year ended June 30, 2019 and 2018, respectively. The College contributed \$35,084 and \$71,712 for the fiscal year ended June 30, 2019, and 2018, respectively, which is 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, 2019 and 2018, the College reported a liability of \$2,406,916 and \$2,797,285, 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, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

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

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 among the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2018 and 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019, and 2018, the College's proportion was 0.016% and 0.017%, respectively.

For the year ended June 30, 2019 and 2018, the College recognized OPEB expense of \$109,806 and \$210,146, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2019</u>	<u>2018</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Changes in proportion due to internal allocation	\$ 175,439	\$ 196,966
Differences between expected and actual experience	29,234	-
Contributions subsequent to the measurement date	35,084	71,712
Changes in proportion from the Commonwealth	<u>7,735</u>	<u>5,854</u>
Total	<u>\$ 247,492</u>	<u>\$ 274,532</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Changes in OPEB plan actuarial assumptions	\$ 739,508	\$ 316,821
Differences between expected and actual experience	5,137	6,431
Net differences between projected and actual investment earnings on OPEB plan investments	<u>6,010</u>	<u>5,104</u>
Total	<u>\$ 750,655</u>	<u>\$ 328,356</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

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

The College's contribution of \$35,084 and \$71,712 made during the fiscal year 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Year Ending <u>June 30,</u>	
2020	\$ (122,798)
2021	(122,798)
2022	(122,798)
2023	(107,206)
2024	<u>(62,647)</u>
	<u>\$ (538,247)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.5% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

Actuarial Assumptions - Continued

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

The participation rates are actuarially assumed as below:

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

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2016 and 2015 through December 31, 2017 and 2016, depending upon the criteria being evaluated.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

Actuarial Assumptions - Continued

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 and 2016 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").

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, 2019 and 2018, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2019 and 2018 was 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.87% and 3.58%) 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 2025 and 2023 for the fiscal years 2019 and 2018, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.35% and 7.50%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 9 - **OPEB - Continued**

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

<u>2019</u>		
1.00% Decrease (2.95%)	Current Discount Rate (3.95%)	1.00% Increase (4.95%)
\$ 2,842,155	\$ 2,406,916	\$ 2,058,949
<u>2018</u>		
1.00% Decrease (2.63%)	Current Discount Rate (3.63%)	1.00% Increase (4.63%)
\$ 3,320,601	\$ 2,797,285	\$ 2,381,208

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

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

<u>2019</u>		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 1,999,732	\$ 2,406,916	\$ 2,938,477
<u>2018</u>		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 2,314,398	\$ 2,797,285	\$ 3,432,736

- (A) - The current healthcare cost trend rates, as disclosed on page 44
- (B) - 1 percent decrease in current healthcare cost trend rate, as disclosed on page 43
- (C) - 1 percent increase in current healthcare cost trend rate, as disclosed on page 43

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 10 - **Net Position**

Restricted Net Position

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

The Foundation's restricted nonexpendable net position consists of endowment funds to be held in perpetuity, whose income is primarily utilized for scholarships and grants and academic technology.

Note 11 - **Operating Leases**

The College leases classrooms and office space for its Great Barrington and Conte Federal Building locations. It also leases copiers and a vehicle under operating leases. Rental expense for operating leases was approximately \$293,000 and \$323,000 for the year ended June 30, 2019 and 2018, respectively. The following schedule summarizes future minimum payments due under non-cancelable operating leases as of June 30, 2019:

<u>Years Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payments</u>
2020	\$ 36,440
2021	18,182
2022	<u>3,528</u>
Total	\$ <u>58,150</u>

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 12 - **Operating Expenses**

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

	<u>2019</u>	<u>2018</u>
Compensation and benefits	\$ 18,929,705	\$ 18,663,076
Supplies and services	6,339,308	5,941,639
Scholarships and fellowships	1,854,754	1,888,405
Depreciation and amortization	<u>1,951,779</u>	<u>1,806,854</u>
 Total	 <u>\$ 29,075,546</u>	 <u>\$ 28,299,974</u>

Note 13 - **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, as well as 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.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 13 - **Fringe Benefits**

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 as well as their survivors and dependents. During the fiscal year ended June 30, 2019 and 2018, 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 pre-tax 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 Internal Revenue Code (“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 obligations for any future pay-outs.

Note 14 - **Service Concession Arrangement**

Deferred inflows of resources include a one-time payment received by the College that is subject to amortization over the life of the agreement. The College’s bookstore operations are managed under an agreement by an outside party. The arrangement was effective July 1, 2015 and expires June 30, 2020. At June 30, 2019 and 2018, the unamortized portion of the payment was \$10,190 and \$20,381, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 15 - **Massachusetts Management Accounting and Reporting System**

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

	<u>2019</u>	<u>2018</u>
Directed unrestricted appropriations	\$ 11,786,062	\$ 11,188,165
Fringe benefits for benefited employees on the state payroll	4,002,072	3,790,969
Less:		
Day school tuition remitted to the state and included in tuition and fee revenues	<u>(153,741)</u>	<u>(149,988)</u>
Total unrestricted appropriations	15,634,393	14,829,146
Capital appropriations	<u>1,390,938</u>	<u>4,998,911</u>
Total appropriations	<u>\$ 17,025,331</u>	<u>\$ 19,828,057</u>

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 15 - **Massachusetts Management Accounting and Reporting System - Continued**

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

	<u>2019</u>	<u>2018</u>
Revenue per MMARS	<u>\$ 12,547,952</u>	<u>\$ 14,325,989</u>
Revenue per College	<u>\$ 12,547,952</u>	<u>\$ 14,325,989</u>

Note 16 - **Pass-Through Loans**

The College distributed approximately \$2,174,000 and \$2,447,000 for the fiscal year ended June 30, 2019 and 2018, respectively, for student loans through the U.S. Department of Education's Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 17 - **Contingencies, Risks, and Uncertainties**

Various lawsuits are pending or threatened against the College that arose in the ordinary course of operations. In the opinion of management, no litigation is 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.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 17 - **Contingencies, Risks, and Uncertainties - Continued**

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). Individuals pay into the Program in advance for future tuition at the cost of tuition at the time of election to participate, which is increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept from the Program as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individuals 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 is continuing the process of replacing exterior caulking in many of its buildings due to the presence of polychlorinated biphenyls ("PCBs"). The cost of the remediation project is the responsibility of the Commonwealth, and all liabilities required in accordance with GASB 40, *Accounting and Financial Reporting for Pollution Remediation Obligations*, will be reported by the Commonwealth.

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**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.010%	0.011%	0.012%	0.010%	0.018%
Proportionate share of the collective net pension liability	\$ 1,370,318	\$ 1,438,196	\$ 1,566,671	\$ 1,172,795	\$ 1,201,187
College's covered payroll	\$ 804,052	\$ 881,145	\$ 863,051	\$ 620,818	\$ 1,200,107
College's proportionate share of the net pension liability as a percentage of its covered payroll	170.43%	163.22%	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 48,114	\$ 94,717	\$ 87,674	\$ 81,586	\$ 64,503
Contributions in relation to the statutorily required contribution	<u>(48,114)</u>	<u>(94,717)</u>	<u>(87,674)</u>	<u>(81,586)</u>	<u>(64,503)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 398,955	\$ 804,052	\$ 881,145	\$ 863,051	\$ 620,818
Contribution as a percentage of covered payroll	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.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2019

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

Measurement Date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement Date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2016

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

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

See Independent Auditor’s Report.

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

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

June 30, 2019

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

Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

See Independent Auditor’s Report.

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.016%	0.017%
Proportionate share of the collective net OPEB liability	\$ 2,406,916	\$ 2,797,285
College's covered payroll	\$ 804,052	\$ 881,145
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 35,084	\$ 71,712
Contributions in relation to the statutorily required contribution	<u>(35,084)</u>	<u>(71,712)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 398,955	\$ 804,052
Contribution as a percentage of covered payroll	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2019

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

See Independent Auditor's Report.

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



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

To the Board of Trustees of
Berkshire Community College
Pittsfield, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Berkshire Community College (the "College"), which comprise the statements of net position as of June 30, 2019 and 2018, and the statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Berkshire Community College's basic financial statements and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Berkshire Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 Berkshire Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2019