MASSACHUSETTS COLLEGE OF ART AND DESIGN
(An agency of the Commonwealth of Massachusetts)
Financial Statements
and
Management's Discussion and Analysis
June 30, 2023 and 2022

ADVISORY TAX AUDIT

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
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June 30, 2023 and 2022

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Massachusetts College of Art and Design:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Massachusetts College of Art and Design (An agency of the Commonwealth of Massachusetts) (the "College") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College as of June 30, 2023, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other Matter

The financial statements of the College as of and for the year ended June 30, 2022, were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated June 30, 2022.

As more fully described in Note 2 to the financial statements, the College has adjusted its 2022 financial statements to retrospectively apply the change in accounting principle to adopt GASB Statement No. 96. O'Connor & Drew, P.C. reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2023 financial statements, we also audited the adjustments to the 2022 financial statements to retrospectively adopt the change in accounting principle as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the College's 2022 financial statements other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

October 17, 2023

This document is intended to provide an overview of the financial position and activities of Massachusetts College of Art and Design (the "College") for the year ended June 30, 2023. This discussion and analysis has been prepared by management and should be read in conjunction with the enclosed financial statements and footnotes. Responsibility for the fairness and completeness of this narrative rests with the College.

Massachusetts College of Art and Design is a member of the Commonwealth's Public Higher Education System. The College serves over 2100 students, offering baccalaureate, graduate degrees and certificate programs as well as continuing education programs and campus housing. The institution, in its 150th year, is the only publicly funded, freestanding college of art and design in the United States. The College offers 18 programs leading to a Bachelor of Fine Arts, Master programs in 9 disciplines as well as non-credit programs. The College employs approximately 389 employees of which 121 full-time faculty and 268 staff. Our urban campus is located on the Avenue of the Arts (Huntington Avenue) in Boston, Massachusetts.

The College reports its financial activity as a business type activity under the Governmental Accounting Standards Board ("GASB"). The College is a department of the Commonwealth of Massachusetts. The results of the institution's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financials.

Highlights of College Operations include:

- Enrollment remains steady and is growing after a small decline during COVID
- 100% occupancy in Residence Halls
- Revenue increase of $6.5 Million reflects stabilized enrollment and a full return to on-campus operations and activities along with increased program support through grants.
- Expense increases of $4.9 Million in part of supporting new technologies and filling critical positions.
- A change in net position of $3.9 M signifies strong fiscal management and controls.
- Capital Projects– Kennedy Roof, Collins Ramp, Starbucks and updated academic spaces – along with ongoing planning for the study phase of the Tower Project.
- 2nd Year of full operations for the Mass Art SOWA gallery
- Official 150th anniversary events starting with the Inauguration of President Grant as the 13th President of Mass Art, an exhibit at Mass Historical Society, the unveiling of the "NORMAL" sign and much more continuing through this calendar year.
- Brand refresh and updated website
- The Center for Student Success
- Strategic Plan refresh

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

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

USING THE FINANCIAL STATEMENTS

The Massachusetts College of Art and Design's financial statements are comprised of two parts: (1) the financial statements and (2) the notes to the financial statements. These financial statements are presented on a consolidated basis to focus on the College as a whole. These financial statements are prepared in accordance with Government Accounting Standards Board principles. The financial statements include the Statement of Net Position; the Statement of Revenues and Expenses; the Statement of Changes in Net Position and the Statement of Cash Flows. This year's statements reflect the implementation of GASB 87 and GASB 96 that requires accounting for leases and SBITA obligations. The notes to the financials provide additional information that is essential to a full understanding of the data provided in the separately attached financial statements.

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

The *Statement of Net Position* presents the financial position of the College, showing information on all of the College's assets and liabilities, with the difference reported as *net position*. The difference between these amounts – net position- is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved during the year. Assets and liabilities are measured using current values, except capital assets, which are stated at historical cost less a depreciation allowance.

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

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

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

- In FY2023, the College was funded by both operating revenue (local tuition and fees, state, federal and private grants, auxiliary enterprises and other operating revenue), and non-operating revenue (state appropriations).

- The College received an FY2023 state appropriation (non-operating revenue) of $23,163,212 including $22,482,084 in initial funds, $681,128 in formula funds.

- Overall non-operating revenue in FY2023 decreased by approximately $2.06 million from FY2022 total of $33,779,662 to FY2023 total of $31,715,489. This is directly attributable to a reduction of $4.2 M Federal Cares ACT funds, an increase in investment income of $1.2 M and an increase in $1.0 M in state appropriation.

- In FY '23 CARES Act funds in the amount of $740,493 were distributed through non-operating revenue as direct support to the College. The funds were used to provide emergency grants to students as well as operating support for a safe environment for teaching and learning.

- The College's operating expenses for FY2023 totaled $83,631,417, an increase from the prior year of approximately $4.9 million or 6%. The increase is across every category of expense including payroll, plant, teaching and operational supplies and auxiliary services.

FINANCIAL HIGHLIGHTS

	FY23	FY22 restated	FY21
Operating revenues (tuition and fees)	$55,247,537	$45,890,830	$43,040,223
Operating Expenses	$83,631,395	$78,708,984	$75,231,808
Net operating Loss	**($28,383,858)**	**($32,818,154)**	**($32,191,585)**
Non-Operating Revenues (state appropriation)	$31,715,489	$33,779,662	$30,329,357
Change in net Position before Capital	$3,331,631	$961,508	($1,862,228)
Total Capital Improvements	$644,166	$1,391,927	$2,364,906
Change in net Position	**$3,975,797**	**$2,353,435**	**$502,678**

- Change in Net Position for FY 2023 is $3.3 M before capital improvements and due in part to an increase in overall expenses with a full return to campus and decrease in non-operating revenue combined with an increase in state appropriation and investment income as compared to FY2022 and FY 2021.

STATEMENT OF NET POSITION

In FY2023, the College recorded a small decrease of $695 K in total assets and a decrease of approximately $5.7M in total liabilities, along with accounting changes to deferred inflows and outflows of resources, resulting in an overall change in net position from $502,678 in FY2021 to $2.3M in FY2022 to $3.9M in FY2023.

The College's assets total $221,826,598 of which non-current assets represents 80.3%, and $43,670,674 or 19.7% represents current assets. It is important to note the primary assets of the College are non-current and represent the value of fixed plant and equipment. The ongoing presentation under GASB 87, which eliminated the distinction between operating and capital leases, has resulted in some material changes to the presentation of assets and liabilities on the statement of net position. Most of the lease obligations will be reflected as liabilities and assets on the statement of financial position. Lease payments will now have a portion that reduces the lease liability and a portion that flows through the statement of activities as an interest expense. A corresponding lease asset will be recorded and amortized over the lease term or the useful life of the underlying asset whichever is shorter.

For the College this is primarily due to the treatment of the debt associated with the residence halls built and financed through the Massachusetts State College Building Authority.

In FY 23, the College implemented GASB 96 which establishes a uniform accounting and financial reporting for SBITAs (contracts that convey control of the right, for a period of time, to use another party's IT software, alone or in combination with tangible assets). This standard aims at improving the comparability of governmental financial statements and consistency of information about SBITAs. See Note 2 for additional information.

The College's liabilities total $130,306,502 of which 88.6% represent long-term (non-current) obligations related to accrued employee compensation, debt service costs and the accounting for the net pension liability and the OPEB liability. Current liabilities totaling $14,827,578 represent 11.4% of the total and consist of accounts payable, deferred revenue and the current portion of long-term obligations.

The College also has deferred outflows of resources of $3,314,453 and deferred inflows of resources of $5,782,673 at year-end. These account for other changes in the net pension and OPEB valuations, losses related to debt refinancing and the treatment of concession contract revenues over the life of the contract.

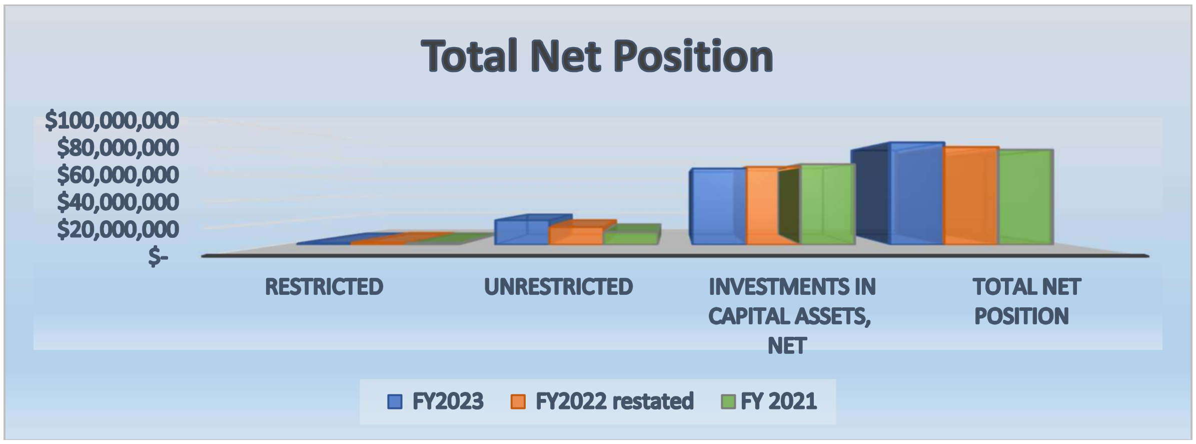
The College closed FY2023 in a positive financial position and has sufficient current assets to cover current liabilities, a current ratio of (2.9). The current assets are $43,670,674 and the current liabilities are $14,827,578.

STATEMENT OF REVENUES AND EXPENSES AND OF CHANGES IN NET POSITION	FY2023	FY2022 restated	FY2021
Current Assets	$ 43,670,674	$ 38,403,389	$ 32,632,734
Non-Current Assets	$ 178,155,924	$ 184,117,632	$ 188,844,376
Total Assets	$ 221,826,598	$ 222,521,021	$ 221,477,110
Deferred Outflows of Resources	$ 3,314,453	$ 3,381,921	$ 3,620,173
Total Assets & Deferred Outflows of Resources	$ 225,141,051	$ 225,902,942	$ 225,097,283
Current Liabilities	$ 14,827,578	$ 15,197,090	$ 13,177,027
Non-Current Liabilities	$ 115,478,924	$ 120,895,114	$ 127,793,283
Total Liabilities	$ 130,306,502	$ 136,092,204	$ 140,970,310
Deferred Inflows of Resources	$ 5,782,673	$ 4,734,659	$ 1,404,330
Total Liabilities & Deferred Inflows of Resources	$ 136,089,175	$ 140,826,863	$ 142,374,640
Total Net Position	$ 89,051,876	$ 85,076,079	$ 82,722,643

The difference between total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources (net position) is $89,051,876. The net position is detailed as follows:

	FY2023	FY2022 restated	FY2021
Restricted	$ 1,336,498	$ 1,938,352	$ 1,604,898
Unrestricted	$ 21,317,674	$ 15,437,064	$ 11,023,168
Investments in Capital Assets, Net	$ 66,397,704	$ 67,700,663	$ 70,094,577
Total Net Position	$ 89,051,876	$ 85,076,079	$ 82,722,643

The College has positive balances in all net position categories at the end of FY 2021, FY2022 and FY2023. In FY 2023, Capital assets, representing land, buildings, construction in progress, equipment and educational resource materials, account for 74.5% of the College's total net position with restricted funds totaling 1.5% and unrestricted funds totaling 24%. Restricted funds are for specialized program activities and financial aid loan programs, which are subject to external restrictions on use.



The College, at year-end, has a local unrestricted fund balance of $34,911,124. We also have unfunded liabilities with the Commonwealth of Massachusetts Unrestricted Fund Balance totaling ($13,593,450). The Commonwealth Unrestricted Fund Balance includes liabilities for employee's accumulated sick and vacation leave, net pension activity and OPEB.

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

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

The statement of revenues and expenses and statement of changes in net position present the College's results of operations. A summary of the FY2023-FY 2021 operating and non-operating revenue, expenses and net position is as follows:

		FY 2023	FY 2022 restated	FY 2021
I.	NET POSITION, BEGINNING OF YEAR	**$ 85,076,079**	**$ 82,722,644**	**$ 82,219,966**
II.	OPERATING REVENUE			
	TUITION, FEES, & OTHER REVENUE	$ 55,247,537	$ 45,890,830	$ 43,040,223
III.	OPERATIONAL EXPENSES	$ 83,631,395	$ 78,708,984	$ 75,231,808
IV.	**OPERATING LOSS (II-III)**	***$ (28,383,858)***	***$ (32,818,154)***	***$ (32,191,585)***
V.	NON-OPERATING:			
	COMMONWEALTH APPROPRIATIONS	$ 34,857,751	$ 33,868,481	$ 30,857,673
	INVESTMENT INCOME	$ 1,244,048	$ 25,679	$ 24,896
	CARES ACT	$ 740,493	$ 4,965,492	$ 1,926,885
	& INTEREST EXPENSE	$ (5,126,803)	$ (5,079,990)	$ (2,480,097)
	TOTAL NON-OPERATING ACTIVITY	**$ 31,715,489**	**$ 33,779,662**	**$ 30,329,357**
VI.	NET INCOME /LOSS BEFORE CAPITAL IMPROVEMENTS (IV+V)	$ 3,331,631	$ 961,508	$ (1,862,228)
VII	CAPITAL IMPROVEMENTS TO BUILDINGS	$ 644,166	$ 1,391,927	$ 2,364,906
VIII.	***CHANGE IN NET POSITION (VI+VII)***	**$ 3,975,797**	**$ 2,353,435**	**$ 502,678**
IX.	**NET POSITION, END OF YEAR (I+VIII)**	**$ 89,051,876**	**$ 85,076,079**	**$ 82,722,644**

The College develops its budgets based on local revenue and the Commonwealth's appropriation. The Commonwealth's appropriation is a critical component of the College's funding structure. In FY2023, non-operating revenue sources decreased to 40% of the total annual income compared to a FY2022 level of 46%. The FY2021 share was 43%.

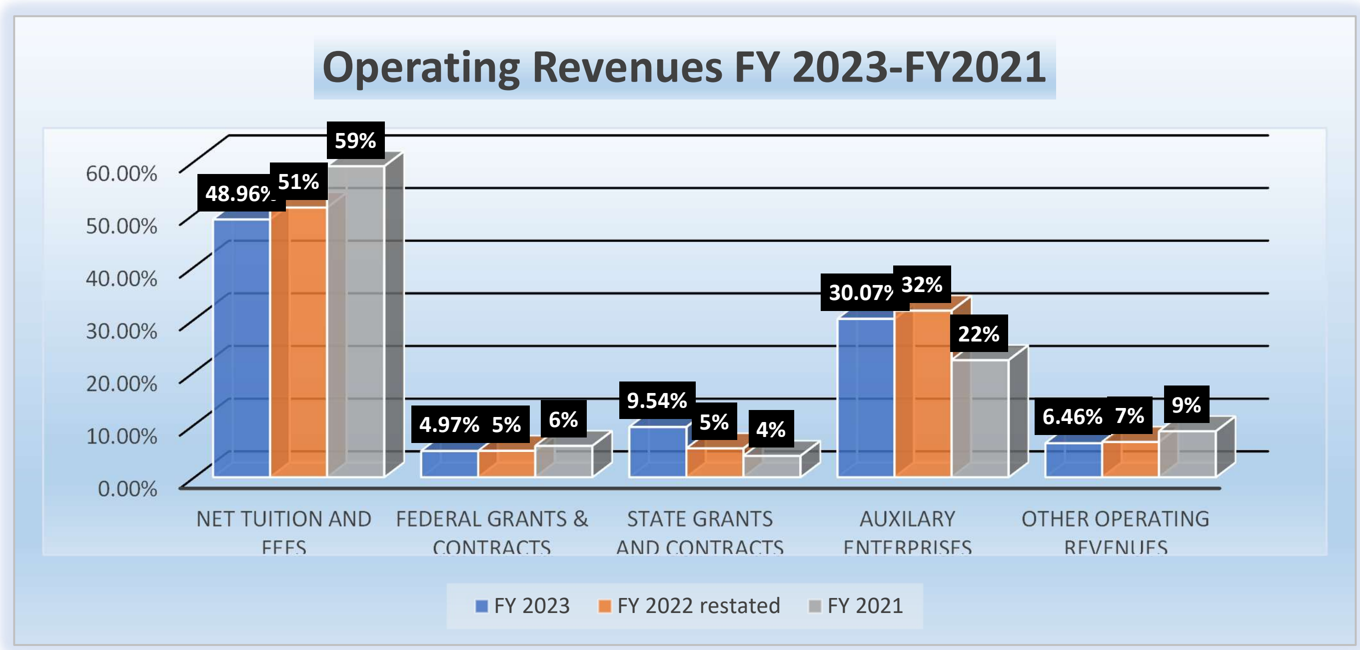
Non-operating revenue (Expenses)	**FY2023**	**FY2022 restated**	**FY2021**
Commonwealth Appropriation	$ 34,857,751	$ 33,868,481	$ 30,857,673
Federal Grants	$ 740,493	$ 4,965,492	$ 1,926,885
Investment income	$ 1,244,048	$ 25,679	$ 24,896
Interest Expense	$ (5,126,803)	$ (5,079,990)	$ (2,480,097)
Total Non-Operating Revenue	**$ 31,715,489**	**$ 33,779,662**	**$ 30,329,357**

As of June 30, 2023, the College realized an operating loss of $28.3M due primarily to the nature of the Massachusetts public higher education funding system. This is offset by the Commonwealth's FY2023 appropriation and fringe support to the College. It acts as a subsidy and is considered non-operating income, which assists in making up the accounting operating loss not covered by tuition, fees and other operating revenue.

Tuition and Fees include charges for undergraduate, graduate and continuing education students. The College combines tuition and fees into a consolidated student charge. These revenues are considered operating income.

Net Tuition and Fees Revenue	**FY2023**	**FY2022**	**FY2021**
Undergraduate Day Program Student Charges	**$ 33,769,797**	**$ 31,489,322**	**$ 30,337,280**
Graduate and Program of Continuing Education Tuition and Fees	**$ 4,495,448**	**$ 4,457,650**	**$ 4,618,261**
Total Tuition and Fee Revenue	**$ 38,265,245**	**$ 35,946,972**	**$ 34,955,541**
Less: Scholarships	$ (11,217,848)	$ (12,449,752)	$ (9,543,061)
Net Tuition and Fees Revenue	**$ 27,047,397**	**$ 23,497,220**	**$ 25,412,480**

Operating revenues are displayed below:



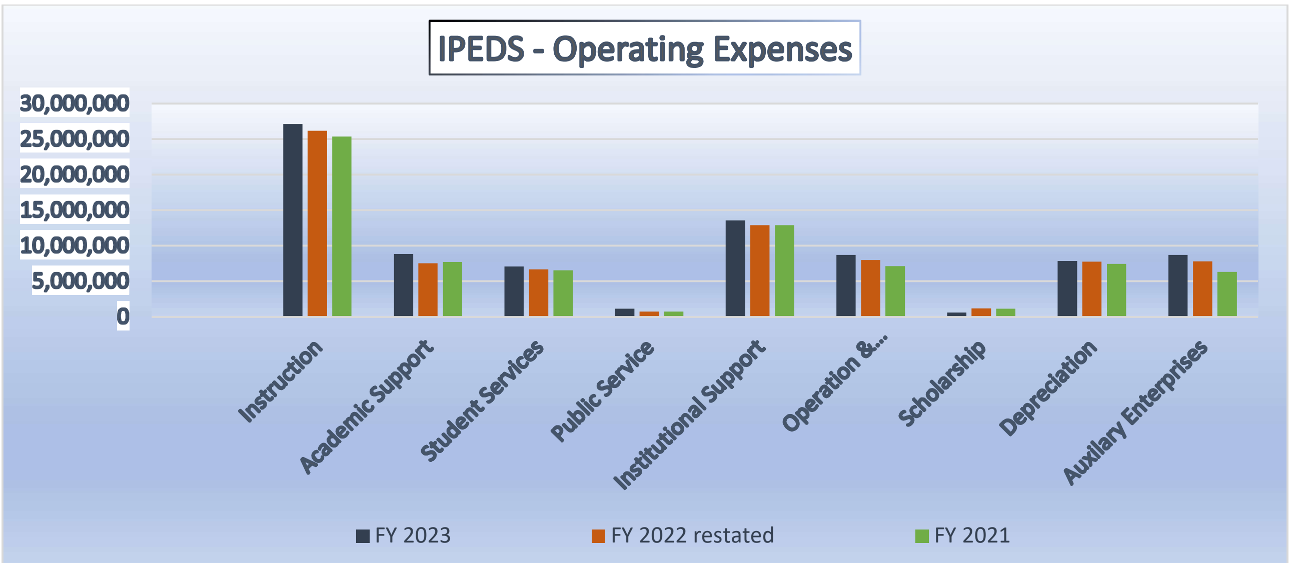
- Tuition and fees are the largest source of operating revenue, accounting for 49% of total operating resources.
- The College's auxiliary enterprises, consisting of the residence halls and dormitory dining, account for 30% of operating revenue.
- Income from federal and state grants total 14.5% of operating income
- 6.5% is classified as other operating revenues, derived from a variety of sources. In this category is $2,388,820 in support from the Massachusetts College of Art and Design Foundation, Inc. utilized for direct program support through grants, scholarships and facilities projects. In FY2023, funds from the foundation also helped to provide targeted support for students, not eligible for CARES ACT, to help with emergencies.

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

- State Skills Capital Grants
- After School and dual enrollment support for Artward Bound (DESE and Rappaport)
- Commonwealth Internship Incentive
- Fidelity Foundation
- DHE Mental Health grant
- DHE Food Insecurity Grant
- MAICEI grant
- Community Jameel (Documentary Film Project)
- City of Boston – Boston Bridge Program

Operating expenditures totaled $83,631,395.

- Consistent with the College's efforts to maintain competitive advantage, our instructional and academic and student support expenses account for 51.5% (32.4%, 10.6% and 8.5%) of total operating expenses.
- Auxiliary enterprises are 10.4% of the total, institutional spending (i.e. administrative expenditures) account for 16.2% of operational costs, which is in line with peer institution spending rates.
- Plant (10.4%) and depreciation (9.4%) expenses account for 19.8% of the operating costs.



Cash Position

Revenues for the College are recorded when earned and expenses are incurred when a liability is incurred (accrual basis). The statements included here reflect the degree to which the direct expenses of a given function are offset by program revenues. The cash at the end of FY 2023 was $42,370,784 which reflects an increase of $6.12 M over FY 2022 and $ 11.9M over FY 2021.

STATEMENT OF CASH FLOWS

	FY2023	FY 2022	FY2021
Cash, Beginning of Year	**$36,247,628**	**$30,453,493**	**$21,000,670**
Cash, End of Year	**$42,370,757**	**$36,247,628**	**$30,453,493**

Capital Expenses

In FY2023 and FY2022, capital funding of $644,166 and $1.391M supported key investments in campus-wide projects including the Kennedy Building Roof, the retrofit of the former PEETS coffee shop into a full service Starbucks, and the Collins Building Ramp. Studies were also performed to review the Kennedy Building roof and loading dock, South building link and the tower generator. For FY 2024-2028, the College is developing a plan to address critical repairs with DCAMM. Funding provided by the state will have a matching component.

SUMMARY ANALYSIS AND COMMENT

The Board of Trustees of the College approves the operating budget and reviews financial reports on a quarterly basis. Management advises the Board of Trustees of any significant variances or material changes in the budget as necessary. At year-end, an audit is conducted on all components of the financial operations of the College, and these financial statements are produced.

As part of the updates to our Enterprise Resource Planning ("ERP") system, which is cloud based, the College has been able to fully utilize many self-service functions in areas of financial management, financial aid, and registration. The College will roll out additional functionality including CRM Advise which is designed to help advisors and faculty track students' academic performance, identify at-risk students, and connect them with support services. In FY2022, Budget custodians realized the added functionality of proposing budget transfers directly in the finance system and students can pay online. In FY 2023, the College also launched an internal payment plan for students and family's convenience. This gives the College more flexibility to work with families as needed to adjust plans when financial circumstances arise. In academic year 23-24, students and families will also have access to a new tuition insurance program.

For Academic Year 23-24, we begin the year at 100% capacity in our residential facilities. We also entered into a lease with New England Conservatory of Music to secure an additional 31 rooms. We have the ongoing celebrations of the 150th anniversary of MassArt, continued work to rebrand the College, an update of the website, and a refresh of the strategic plan, to name a few.

Management continues to strive to maintain and increase the quality of our academic programs and enhance supports for our students. In addition, the College will continue its commitment to efficient and transparent operations. In FY2023, internal business processes were updated to enhance efficiencies and include industry best practices including ACH payments for vendors. Administration and Finance working in partnership with the General Counsel continue to coordinate the College-wide risk assessments and incorporate the results into the budget and business processes.

Student scholarships are a critical component to student success and to recruiting and enrolling qualified students. The activity in the General Scholarship Account over the years has risen from $800 thousand in FY2008 to over $6M in FY2023. State Support for the Mass Grant and Mass Grant Plus programs is growing and able to meet more unmet needs for Massachusetts Residents.

In addition to established state and federal aid/direct long programs, a final round of student support was provided through the form of emergency grants through the Mastodon Fund, the College's fund to support student emergencies. The College adjusted its awarding to make more money available to need-based aid and Massachusetts resident categories. The entering classes for 2021/2022 and the 2022/2023 academic year were smaller due in part to continuing COVID impacts as well as changing demographics of college age students and an increase in competition for those students. The entering class for FY 24 was 542 students – an increase of 9%. The Admissions team continues to evaluate and adjust their approach to achieve enrollment goals. The College will continue to assess its institutional financial aid levels and growth as part of an overall assessment of our enrollment management strategies during FY2024 and beyond.

The College, along with our state partners at DCAMM, continue to study the most cost effective and efficient strategy to refurbish the Tower Building at Mass Art. The building has well documented significant deferred maintenance needs that must be addressed. These issues include obsolete air handling systems, water leakage from a poorly designed façade, accessibility and building infrastructure. The State has committed in FY2024 to fund a pre-certified study to advance the project to certification and funding.

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

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

The Tower Building at Mass Art contains 64% of all instructional spaces on campus. The 318,300 GSF building houses our four largest and in demand majors. These issues when addressed will ensure the College will continue to recruit and retain the region's best designers, educators, innovators, and artists. Preliminary work evaluating prior studies and surveying spaces within the building have resulted in approval of funds for a full study of the renovation of the Tower Building. This is the first step in securing legislative approval and authorization needed to complete the project estimated at $300M.

In FY23 the College expended $664,166 from DCAMM to fund in part the roof for the Kennedy Building that has an estimated completion time in FY24. In addition, with ongoing support from the Skills Capital Grant the College completed a fabrication lab in the Fenway room in the Design Media Center. Other projects included building a new Starbucks on campus and replacement of the Collins Ramp.

The College continues to strengthen its financial position and fund balance allowing the College to reinvest in our faculty and staff, academic programs, and campus infrastructure in order to enhance the learning and student experience. We have begun strategic exploration of our community engagement initiatives to determine ways to better support, promote and determine the impact of these important college programs.

Other Highlights for FY 23-24 include the hiring of an Assistant Vice President of Institutional Research and Strategic Effectiveness and an Assistant Vice President of Facilities. The College has seen growth in hiring during the last quarter of FY23, including 40 new faculty and staff, we have planned for the annualized cost of these expenses in FY24. We are currently awaiting financial support from the state for the implementation of the 1-year extensions of all of our collective bargaining agreements for faculty and staff. The College is engaged in enrollment and financial planning including monitoring current and trending national economic factors such as inflation, utilities and financial markets and national trends in demographics for potential future impacts on revenue and expenses.

We will continue our efforts to increase support for entrepreneurial coursework and partnerships. We will be working on Centering Student Success and creating a Center for Teaching and Learning. There is ongoing work during the fall semester to complete a Strategic Plan refresh. The College is also preparing for our NECHE Self Study and campus visit which will take place in Spring 2025. These efforts along with planning for financial and economic trends are critical to continue to move the institution forward.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2023 and 2022

	Primary Government		Component Unit	
		(restated)		
	2023 College	2022 College	2023 Foundation	2022 Foundation
Assets and Deferred Outflows of Resources				
Current assets				
Cash and equivalents	$ 38,540,212	$ 33,317,663	$ 4,273,056	$ 2,567,419
Deposits held by State Treasurer	3,588,867	2,659,212	-	-
Cash held by MSCBA - debt service reserve	734,530	934,531	-	-
Accounts receivable, net	421,130	789,933	-	-
Contributions receivable	-	-	88,781	1,128,610
Loans receivable	187,696	518,643	-	-
Other receivables	4,985	-	-	-
Prepaid expenses	24,506	25,390	-	-
Investments	-	-	14,178,251	12,971,641
Other assets	168,748	158,017	-	-
Due from Massachusetts College of Art and Design	-	-	3,540	-
Total current assets	43,670,674	38,403,389	18,543,628	16,667,670
Noncurrent assets				
Restricted cash and equivalents	207,035	237,376	-	-
Restricted deposits held by State Treasurer	34,643	33,377	-	-
Capital assets, net	177,914,246	183,846,879	-	-
Total noncurrent assets	178,155,924	184,117,632	-	-
Total assets	221,826,598	222,521,021	18,543,628	16,667,670
Deferred outflows of resources				
Loss on refunding of bonds	1,894,123	2,066,316	-	-
Other post-employment benefit related	990,323	773,319	-	-
Pension related	430,007	542,286	-	-
Total deferred outflows of resources	3,314,453	3,381,921	-	-
Total assets and deferred outflows of resources	$ 225,141,051	$ 225,902,942	$ 18,543,628	$ 16,667,670

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2023 and 2022

	Primary Government		Component Unit	
	2023 College	(restated) 2022 College	2023 Foundation	2022 Foundation
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable and accrued expenses	$ 2,326,427	$ 2,296,646	$ 254,698	$ 44,179
Accrued salaries and wages	1,893,959	1,985,591	-	-
Current portion accrued compensated absences and benefits	3,548,733	3,402,927	-	-
Annuity payable	-	-	11,178	11,673
Current portion of lease liability	3,465,839	3,021,617	-	-
Current portion of SBITA liability	173,130	79,875		
Current portion bonds payable	2,513,938	2,213,121	-	-
Unearned revenues and deposits	905,552	2,197,313	-	-
Total current liabilities	14,827,578	15,197,090	265,876	55,852
Noncurrent liabilities				
Accrued compensated absences and benefits, net of current portion	2,651,976	2,595,032	-	-
Lease liability, net of current portion	78,878,970	82,344,809		
SBITA liability	333,330	193,717		
Bonds payable, net of current portion	28,779,988	31,293,924	-	-
Net other post-employment benefit liability	2,694,000	2,846,439	-	-
Net pension liability	2,140,660	1,621,193	-	-
Total noncurrent liabilities	115,478,924	120,895,114	-	-
Total liabilities	130,306,502	136,092,204	265,876	55,852
Deferred inflows of resources				
Public-private partnership	3,743,210	2,171,850	-	-
Other post-employment benefit related	1,918,291	1,780,351	-	-
Pension related	121,172	782,458	-	-
Total deferred inflows of resources	5,782,673	4,734,659	-	-
Net position				
Net investment in capital assets	66,397,704	67,700,663	-	-
Restricted				
Nonexpendable	58,806	58,728	9,219,002	7,910,682
Expendable	1,277,692	1,879,624	8,323,468	7,852,195
Unrestricted	21,317,674	15,437,064	735,282	848,941
Total net position	89,051,876	85,076,079	18,277,752	16,611,818
Total liabilities, deferred inflows of resources and net position	$ 225,141,051	$ 225,902,942	$ 18,543,628	$ 16,667,670

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Revenues and Expenses
Years Ended June 30, 2023 and 2022

	Primary Government		Component Unit	
		(restated)		
	2023 College	2022 College	2023 Foundation	2022 Foundation
Operating revenues				
Tuition and fees	$ 38,265,245	$ 35,946,972	$ -	$ -
Less: Scholarships and fellowships	(11,217,848)	(12,449,752)	-	-
Net tuition and fees	27,047,397	23,497,220	-	-
Gifts and contributions	-	-	2,680,106	2,756,232
Federal grants and contracts	2,748,399	2,295,030	-	-
State grants and contracts	5,269,182	2,509,670	-	-
Auxiliary enterprises	16,615,238	14,513,306	-	-
In-kind revenue	-	-	357,294	241,349
Other operating revenues	3,567,321	3,075,604	1,270,553	1,156,670
Total operating revenues	55,247,537	45,890,830	4,307,953	4,154,251
Operating expenses				
Educational and general				
Instruction	27,113,952	26,183,447	-	-
Gifts and contributions	-	-	2,388,820	2,512,002
Public service	1,137,328	714,571	-	-
Academic support	8,854,120	7,519,481	-	-
Student services	7,074,492	6,668,012	-	-
Fundraising	-	-	1,007,836	834,564
Institutional support	13,573,256	12,909,703	210,610	205,997
Operation and maintenance of plant	8,722,453	7,961,079	-	-
Scholarships and fellowships	593,091	1,195,071	-	-
Amortization	-	-		
Depreciation	7,843,298	7,776,384	-	-
Auxiliary enterprises	8,719,405	7,781,236	-	-
Total operating expenses	83,631,395	78,708,984	3,607,266	3,552,563
Net operating (loss) revenue	(28,383,858)	(32,818,154)	700,687	601,688
Nonoperating revenues (expenses)				
Commonwealth operating appropriations, net	34,857,751	33,868,481	-	-
Federal grants	740,493	4,965,492	-	-
Investment income	1,244,048	25,679	965,247	(2,303,013)
Interest expense	(5,126,803)	(5,079,990)	-	-
Total nonoperating revenues (expenses)	31,715,489	33,779,662	965,247	(2,303,013)
Changes in net position before capital improvements	3,331,631	961,508	1,665,934	(1,701,325)
Commonwealth capital appropriations	644,166	146,859	-	-
Capital improvements, DCAMM	-	1,245,068	-	-
Total capital improvements	644,166	1,391,927	-	-
Change in net position	$ 3,975,797	$ 2,353,435	$ 1,665,934	$ (1,701,325)

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Changes in Net Position
Years Ended June 30, 2023 and 2022

	College				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance at June 30, 2021	$ 70,094,578	$ 58,622	$ 1,546,276	$ 11,023,168	$ 82,722,644
Change in net position for 2022, restated	(2,393,915)	106	333,348	4,413,896	2,353,435
Balance, June 30, 2022, restated	67,700,663	58,728	1,879,624	15,437,064	85,076,079
Change in net position for 2023	(1,302,959)	78	(601,932)	5,880,610	3,975,797
Balance, June 30, 2023	$ 66,397,704	$ 58,806	$ 1,277,692	$ 21,317,674	$ 89,051,876

	Foundation				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2021	$ -	$ 7,398,794	$ 10,125,761	$ 788,588	$ 18,313,143
Change in net position for 2022	-	511,888	(2,273,566)	60,353	(1,701,325)
Balance, June 30, 2022	-	7,910,682	7,852,195	848,941	16,611,818
Change in net position for 2023	-	1,308,320	471,273	(113,659)	1,665,934
Balance, June 30, 2023	$ -	$ 9,219,002	$ 8,323,468	$ 735,282	$ 18,277,752

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	Primary Government	
		(restated)
	2023 College	2022 College
Operating activities		
Tuition and fees	$ 26,119,454	$ 23,808,544
Grants and contracts	8,017,581	4,804,700
Payments to employees	(32,635,139)	(30,241,449)
Payments to suppliers and vendors	(22,454,228)	(22,364,652)
Collections on loans	330,947	55,333
Scholarships and fellowships	(593,091)	(1,195,071)
Auxiliary enterprises expenses	(8,719,405)	(7,781,236)
Auxiliary enterprises revenues	16,615,238	14,513,306
Other operating revenues	3,099,420	2,834,287
Net cash used in operating activities	(10,219,223)	(15,566,238)
Noncapital financing activities		
Federal grants	740,493	4,965,492
Commonwealth appropriations	23,163,073	23,032,561
Net cash provided by noncapital financing activities	23,903,566	27,998,053
Capital financing activities		
Purchases of capital assets	(925,838)	(1,311,068)
Commission advance from public-private partnership	2,039,261	2,413,167
Principal paid on capital lease payable	(3,129,410)	(1,559,164)
Principal paid on bonds payable	(2,003,052)	(1,064,439)
Cash held by MSCBA - debt service reserve	200,001	-
Interest paid on bonds payable	(4,986,224)	(5,141,855)
Net cash used in capital financing activities	(8,805,262)	(6,663,359)
Investing activity		
Dividends and interest income	1,244,048	25,679
Net change in cash and equivalents	6,123,129	5,794,135
Cash and equivalents		
Beginning of year	36,247,628	30,453,493
End of year	$ 42,370,757	$ 36,247,628

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	Primary Government	
		(restated)
	2023 College	2022 College
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	$ (28,383,858)	$ (32,818,154)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation	7,843,298	7,776,384
Fringe benefits provided by State appropriations	11,694,678	10,835,920
Service concession funds	-	-
Deferred inflows and outflows of resources	(467,901)	(241,317)
Changes in assets and liabilities		
Accounts and loans receivables	699,750	(37,777)
Prepaid expenses	884	(25,390)
Other receivables	(4,985)	55,333
Other assets	(10,731)	35,859
Accounts payable and accrued expenses	(148,672)	(1,504,339)
Accrued salaries and wages	(91,632)	153,471
Accrued compensated absences and benefits	202,750	165,138
Unearned revenues and deposits	(1,291,761)	349,101
Net other post-employment benefit liability	(231,503)	(159,411)
Net pension activity	(29,540)	(151,056)
Net cash used in operating activities	$ (10,219,223)	$ (15,566,238)
Summary of restricted cash and equivalents and cash and equivalents, end of year		
Cash and equivalents	$ 38,540,212	$ 33,317,663
Deposits held by State Treasurer	3,588,867	2,659,212
Restricted cash and equivalents	207,035	237,376
Restricted deposits held by State Treasurer	34,643	33,377
Cash and equivalents, end of year	$ 42,370,757	$ 36,247,628

The Notes to Financial Statements are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	Primary Government	
		(restated)
	2023 College	2022 College
Noncash transactions		
Fringe benefits provided by Commonwealth appropriations	$ 11,694,678	$ 10,835,920
Capital improvements provided by Commonwealth capital appropriations	$ 644,166	$ 146,859
Capital improvements provided by DCAMM	$ -	$ 1,245,068
Addition of SBITA asset	$ (340,661)	$ (351,190)
SBITA lease liability	$ 340,661	$ 351,190
Deferred inflows of resources - public-private partnership	$ 467,901	$ 241,317
Deferred outflow loss on bond refunding	$ 172,193	$ 172,193
Lease liability	$ -	$ 86,956,440
Amortization of bond premium	$ 210,067	$ 228,064

The Notes to Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

COVID-19

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

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

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

	Student Aid Award	Institutional Award	Total
CRRSAA	$ 755,133	$ 1,677,331	$ 2,432,464
ARPA	2,152,866	2,152,866	4,305,732
	$ 2,907,999	$ 3,830,197	$ 6,738,196

The College has recognized the following as nonoperating federal grants for the years ended June 30, 2023 and 2022:

	For the Year Ended June 30, 2023			For the Year Ended June 30, 2022		
	Student Aid Award	Institutional Award	Total	Student Aid Award	Institutional Award	Total
CRRSAA	$ -	$ -	$ -	$ 435,066	$ 966,386	$ 1,401,452
ARPA	-	740,493	740,493	2,410,384	1,153,656	3,564,040
	$ -	$ 740,493	$ 740,493	$ 2,845,450	$ 2,120,042	$ 4,965,492

As of June 30, 2023, the College had $1,199 of unspent ARPA funds. All CRRSAA funds awarded have been spent at June 30, 2023.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. The GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

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

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

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

Net Position

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

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

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

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

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

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

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

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

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

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

Inventories
Inventories consisting of books, publications, and supplies are stated at the lower of cost or market and are included within other assets on the statements of net position. Cost is determined using the first-in, first-out method.

Capital Assets
Real estate assets, including improvements, are generally stated at cost at date of acquisition. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the State’s capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/subscription term or useful life of the underlying asset.

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

Pensions

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

Post-employment Benefits Other Than Pensions

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

Fringe Benefits

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

Workers' Compensation

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

Compensated Absences

Employees with 10 or more years of service are entitled to carry forward 20% of unused sick time. Upon retirement, the employees are entitled to receive payment for their unused balance.

Unearned Revenues and Deposits

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

Student Tuition and Fees

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

Tax Status

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

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

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

Upcoming Governmental Accounting Pronouncements
GASB Statement No. 99, *Omnibus 2022,* has multiple effective dates. The objective of this statement is to clarify differences among leases and PPP and SBITA (both term as defined below) (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB 62,* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement No. 101, C*ompensated Absences,* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

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

2. IMPLEMENTATION OF NEWLY EFFECTIVE ACCOUNTING STANDARDS

GASB 94 Implementation
As of July 1, 2020, the College implemented GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements ("PPP").* GASB 94 provides accounting and financial reporting guidance for arrangements in which the governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. The implementation of this standard did not have a material impact on the financial statements.

GASB 96 Implementation
As of July 1, 2021, the College implemented GASB 96, *Subscription-Based Information Technology Arrangements* ("SBITAs"). GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right-of-use asset and liability for SBITAs.

There was no change to net position as of July 1, 2021, upon the implementation of GASB 96, since the adjustment for the right-of-use asset SBITAs of $351,190 was completely offset by the adjustment for the SBITA liabilities. Adjustments to captions in the statements of financial position are as follows:

The prior period adjustment due to the implementation of GASB 96 as of June 30, 2022 is as follows:

	As Previously Reported	Adjustment	As Restated
Statement of net position			
Capital assets, net	$ 183,578,056	$ 268,823	$ 183,846,879
SBITA lease liability	-	(273,592)	(273,592)
Net investment in capital assets			
Restricted	$ 67,705,432	$ (4,769)	$ 67,700,663
Nonexpendable	58,728	-	58,728
Expendable	1,879,624	-	1,879,624
Unrestricted	15,437,064	-	15,437,064
Total net position	$ 85,080,848	$ (4,769)	$ 85,076,079
Statements of revenues and expenses			
Depreciation expense	$ 7,694,017	$ 82,367	$ 7,776,384
Auxiliary enterprises expenses	7,861,925	(80,689)	7,781,236
Interest expense	5,076,899	3,091	5,079,990

3. CASH AND EQUIVALENTS

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The College does not have a formal deposit policy for custodial credit risk.

The Treasurer of the Commonwealth oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns, and other State and local agencies within the Commonwealth. MMDT operates as a Rule 2a-7-like pool and is valued by MMDT's management on amortized cost where the net asset value is $1 per share. At June 30, 2023 and 2022, the College has $23,100,196 and $12,363,912, respectively, invested with MMDT; these amounts are included in cash and equivalents. MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore is not covered by FDIC insurance and its political subdivisions. It is designed as a legal means to temporarily invest available cash in safe, liquid, and high yield investment vehicles by offering participation in a diversified portfolio of high-quality money market instruments. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

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

Of the bank balances of $17,716,900 and $22,056,913 at June 30, 2023 and 2022, $520,074 and $307,705 were covered by federal depository insurance and collateralization agreements covered $7,291,142 and $21,749,208, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2023 and 2022. Uninsured bank balances (not including MMDT) were $9,905,684 and $0 at June 30, 2023 and 2022, respectively.

Deposits Held by State Treasurer

Accounts payable and accrued salaries to be funded from College funds totaled approximately $3,589,000 and $2,659,000 at June 30, 2023 and 2022, respectively. The College has recorded an equivalent dollar amount of deposits held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Cash Held by MSCBA - Debt Service Reserve

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

4. INVESTMENTS

Foundation

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

	2023	2022
Equity mutual funds	$ 10,210,839	$ 9,493,468
Fixed income mutual funds	3,967,412	3,478,173
	$ 14,178,251	$ 12,971,641

5. ACCOUNTS RECEIVABLE

Accounts receivable of the College comprise the following at June 30:

	2023	2022
Student accounts receivable	$ 572,155	$ 940,010
Less: Allowance for doubtful accounts	151,025	150,077
	$ 421,130	$ 789,933

6. CONTRIBUTIONS RECEIVABLE

Foundation

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

	2023	2022
Due within one year	$ 86,769	$ 1,146,024
Due within one to five years	10,000	37,500
Gross contributions receivable	96,769	1,183,524
Unamortized discount and allowance	(7,988)	(54,914)
Total contributions receivable	$ 88,781	$ 1,128,610

7. LOANS RECEIVABLE

The College participates in the Federal Perkins Loan Program (the loans of which are referred to as "Perkins Loans"). This program is funded through a combination of federal and College resources. The portion of this program that has been funded with federal funds is ultimately due to the U.S. Government upon the termination of the College's participation in the program. The Joslin Loans receivable represent monies provided to students as a form of financial aid. Students are required to pay 5% interest on these loans. Management has reviewed loans receivable as of June 30, 2023 and 2022 and considers the balance to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

Loans receivable comprise the following at June 30:

	2023	2022
Perkins Loans receivable	$ 116,187	$ 447,134
Joslin Loans receivable	71,509	71,509
	$ 187,696	$ 518,643

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Federal Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. The College is reviewing the ongoing updates to the Federal Perkins Loan Program and is working with families affected by the Extension Act for the 2022-2023 academic year.

8. CAPITAL ASSETS

Capital asset activity for the College for the year ended June 30, 2023 is as follows:

	Estimated Lives (In Years)	(Restated) Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Nondepreciable						
Land		$ 5,677	$ -	$ -	$ -	$ 5,677
Construction in progress		2,018,506	1,244,943	-	(120,460)	3,142,989
Total nondepreciable		2,024,183	1,244,943	-	(120,460)	3,148,666
Depreciable						
Buildings, including improvements	40	189,893,648	325,061	-	120,460	190,339,169
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3-10	2,161,301	-	(28,099)	-	2,133,202
Software arrangements	3	351,190	340,661	-	-	691,851
Leased equipment	5	146,022	-	-	-	146,022
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		281,420,108	665,722	(28,099)	120,460	282,178,191
Less: Accumulated depreciation						
Buildings, including improvements		86,203,705	3,226,129	-	-	89,429,834
Leased buildings		8,917,016	4,458,508	-	-	13,375,524
Furnishings and equipment		2,247,559	-	(28,099)	-	2,219,460
Software arrangements		82,367	109,987	-	-	192,354
Leased equipment		89,236	48,674	-	-	137,910
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		99,597,412	7,843,298	(28,099)	-	107,412,611
Capital assets, net		$ 183,846,879	$ (5,932,633)	$ -	$ -	$ 177,914,246

Capital asset activity for the College for the year ended June 30, 2022 (restated) is as follows:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Nondepreciable						
Land		$ 5,677	$ -	$ -	$ -	$ 5,677
Construction in progress		9,673,035	-	-	(7,654,529)	2,018,506
Total nondepreciable		9,678,712	-	-	(7,654,529)	2,024,183
Depreciable						
Buildings, including improvements	40	179,536,124	2,702,995	-	7,654,529	189,893,648
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3-10	2,247,559	-	(86,258)	-	2,161,301
Software arrangements	3	-	351,190	-	-	351,190
Leased equipment	5	146,022	-	-	-	146,022
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		270,797,652	3,054,185	(86,258)	7,654,529	281,420,108
Less: Accumulated depreciation						
Buildings, including improvements		83,103,128	3,186,835	(86,258)	-	86,203,705
Leased buildings		4,458,508	4,458,508	-	-	8,917,016
Furnishings and equipment		2,247,559	-	-	-	2,247,559
Software arrangements		-	82,367	-	-	82,367
Leased equipment		40,562	48,674	-	-	89,236
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		91,907,286	7,776,384	(86,258)	-	99,597,412
Capital assets, net		$ 188,569,078	$ (4,722,199)	$ -	$ -	$ 183,846,879

9. LONG-TERM LIABILITIES

Activity in long-term liabilities for the College for the year ended June 30, 2023 consists of the following:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 33,507,045	$ -	$ 2,213,119	$ 31,293,926	$ 2,513,938
SBITAs liability	273,592	340,661	107,793	506,460	173,130
Lease payable	85,366,426	-	3,021,617	82,344,809	3,465,839
Compensated absences	5,031,345	218,053	-	5,249,398	3,434,051
Workers' compensation	966,614	-	15,303	951,311	114,682
Other post-employment benefit liability	2,846,439	-	152,439	2,694,000	-
Net pension liability	1,621,193	519,467	-	2,140,660	-
	$ 129,612,654	$ 1,078,181	$ 5,510,271	$ 125,180,564	$ 9,701,640

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

	(Restated) Beginning Balance	(Restated) Additions	(Restated) Reductions	(Restated) Ending Balance	(Restated) Current Portion
Bonds payable	$ 34,799,548	$ -	$ 1,292,503	$ 33,507,045	$ 2,213,121
SBITAs liability	-	351,190	77,598	273,592	79,875
Lease payable	86,847,992	-	1,481,566	85,366,426	3,021,617
Compensated absences	4,938,934	92,411	-	5,031,345	3,286,400
Workers' compensation	893,887	72,727	-	966,614	116,527
Other post-employment benefit liability	3,377,693	-	531,254	2,846,439	-
Net pension liability	2,624,944	-	1,003,751	1,621,193	-
	$ 133,482,998	$ 516,328	$ 4,386,672	$ 129,612,654	$ 8,717,540

The College entered into a financing agreement with Division of Capital Asset Management and Maintenance for a water retrofit and energy efficiency project. The payment terms are over 15 years with an annual interest rate of 3.52%, and annual debt service payments of $410,547 began in June 2022. The maximum funds to be repaid are $5,824,321. At June 30, 2023 and 2022, the debt outstanding was $5,406,024 and $5,618,790, respectively.

On July 1, 2020, the College's MSCBA Series 2003B, 2016A, 2012A, 2019C, 2014A, 2014B, and 2017C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the College. The refunding resulted in an economic loss of approximately $2,335,000 and a deferred loss of approximately $2,410,702. The first principal payment was due on May 1, 2022, and the final payment is due on May 1, 2038 with an interest rate that ranges from 1.044% to 5.50%. At June 30, 2023 and 2022, the debt outstanding was $25,887,902 and $27,888,255, respectively.

Maturities of bond principal and interest subsequent to June 30, 2023 are as follows:

Fiscal Years Ending June 30	Principal	Interest
2024	$ 2,513,938	$ 962,331
2025	2,570,044	877,384
2026	2,621,161	787,784
2027	2,685,842	703,105
2028	2,742,846	613,874
2029 - 2033	11,820,630	1,915,413
2034 - 2038	5,189,696	674,013
2039 - 2042	1,149,769	81,875
	$ 31,293,926	$ 6,615,779

10. LEASES

A summary of the College's leases at June 30, 2023 is as follows:

Description	Rate Type	Interest Rate	Lease Liability 6/30/2023
MSCBA - Residence hall	Implicit Rate	5.83%	$ 21,317,387
MSCBA - Treehouse	Implicit Rate	4.23%	60,385,539
MSCBA - 2006 renewal	Implicit Rate	2.14%	206,537
MSCBA - 20 renewal	Implicit Rate	4.08%	210,870
MSCBA - System debt	Implicit Rate	30.70%	224,476
MSCBA total			$ 82,344,809

There are no renewal options included in the above lease agreements. The amortization of the right-of-use asset was amortized on a straight-line basis over the lease term for each lease. At June 30, 2023 and 2022, the remaining unamortized right-of-use asset related to lease obligations was $73,443,006 and $77,950,188, respectively.

Massachusetts State College Building Authority

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

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

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

Payments to MSCBA are due in semiannual installments that coincide with the fall and spring academic semesters. For the years ended June 30, 2023 and 2022, debt service payments related to leases paid by the College were $6,911,301 and $5,430,101, respectively, and insurance and other payments were $529,895 and $876,447, respectively.

Lease interest expense for the years ended June 30, 2023 and 2022 was $3,945,231 and $3,998,698, respectively.

Equipment Leases
In July 2020, the College entered into a three-year lease agreement for equipment. Payments of $50,163 are due annually. There are no options to renew the lease or purchase the leased equipment. The College did not make payments for the lease other than the monthly payments for the years ended June 30, 2023 and 2022. The lease was fully paid off in fiscal year 2023.

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

Years Ended June 30	Principal	Interest	Total
2024	$ 3,465,839	$ 3,798,861	$ 7,264,700
2025	3,623,170	3,635,831	7,259,001
2026	3,798,568	3,463,558	7,262,126
2027	3,972,835	3,280,564	7,253,399
2028	4,170,499	3,084,999	7,255,498
2029 - 2033	24,044,543	12,238,556	36,283,099
2034 - 2038	28,208,173	6,313,940	34,522,113
2039 - 2040	11,061,182	651,672	11,712,854
	$ 82,344,809	$ 36,467,981	$ 118,812,790

NOTE 10A – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College has entered into SBITAs involving its financial management software and cybersecurity management software.

The LinkedIn Learning software arrangement is a three-year agreement, initiated in fiscal year 2022 with a monthly payment of $1,750. The College has used a 1% discount rate for this arrangement based on correspondence with one of the College's banks who provided the interest rate used by their institution during the same fiscal year to determine the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this arrangement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

The financial management software arrangement is a five-year agreement, initiated in fiscal year 2022 with a monthly payment of $5,104. The College has used a 1% discount rate for this arrangement based on correspondence with one of the College's banks who provided the interest rate used by their institution during the same fiscal year to determine the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this arrangement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

The cybersecurity management software arrangement is a three-year agreement, initiated in fiscal year 2023 with a monthly payment of $10,000. The College has used a 3.83% discount rate for this arrangement based on correspondence with one of the College's banks who provided the interest rate used by their institution during the same fiscal year to determine the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this arrangement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

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

Years Ended June 30	Principal	Interest	Total
2024	$ 173,130	$ 11,298	$ 184,428
2025	178,186	6,371	184,557
2026	155,144	1,443	156,587
	$ 506,460	$ 19,112	$ 525,572

11. PENSIONS

Defined Benefit Plan Description

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

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

Benefit Provisions

SERS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws establish 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").

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

Contributions

The SERS's funding policies have been established by Chapter 32 of the Massachusetts General Laws. 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:

Hire Date	Percent of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.70%, 16.11%, and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed $206,906, $216,605, and $184,791 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100% of the required contributions for the years.

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

At June 30, 2023 and 2022, the College reported a liability of $2,140,660 and $1,621,193, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2023 and 2022. The College's proportionate share was based on actual employer contributions to SERS for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal years. At June 30, 2023 and 2022, the College's proportion was 0.015% and 0.014%, respectively.

For the years ended June 30, 2023 and 2022, the College recognized pension expense of $177,366 and $65,545, respectively.

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

	2023	2022
Deferred outflows of resources related to pensions		
Contributions subsequent to the measurement date	$ 206,906	$ 216,605
Differences between expected and actual experience	53,250	55,941
Changes in proportion from the Commonwealth	146	648
Changes in plan actuarial assumptions	58,936	110,523
Changes in proportion due to internal allocation	110,769	158,569
Total deferred outflows related to pensions	$ 430,007	$ 542,286
Deferred inflows of resources related to pensions		
Differences between expected and actual experience	$ 83,551	$ 117,373
Differences between projected and actual investment earnings on pension plan investments	11,412	635,602
Changes in proportion from the Commonwealth	5,790	5,122
Changes in plan actuarial assumptions	-	-
Changes in proportion due to internal allocation	20,419	24,361
Total deferred inflows related to pensions	$ 121,172	$ 782,458

The College's contributions of $206,906 and $216,605 made during fiscal years ending June 30, 2023 and 2022, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the succeeding years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows for years ending June 30:

2024	$ 32,440
2025	(4,875)
2026	(72,153)
2027	140,606
2028	5,911
	$ 101,929

Actuarial Assumptions

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

	2023	2022
Measurement date	June 30, 2022	June 30, 2021
Inflation	2.50%	3.00%
Salary increases	4.50% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2022 and 2021, mortality rates were based on:

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

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2022. The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021.

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

	2023		2022	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity	38.0%	4.20%	39.0%	4.80%
Core fixed income	15.0%	5.00%	15.0%	0.30%
Portfolio completion strategies	15.0%	7.30%	11.0%	2.90%
Private equity	10.0%	2.70%	13.0%	7.80%
Real estate	10.0%	3.30%	10.0%	3.70%
Value added fixed income	8.0%	3.70%	8.0%	3.90%
Timber/natural resources	4.0%	3.90%	4.0%	4.30%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023 and 2022. 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 that the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

2023			2022		
1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
$ 2,952,457	$ 2,140,660	$ 1,453,761	$ 2,481,475	$ 1,621,193	$ 914,108

12. OTHER POST-EMPLOYMENT BENEFITS

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 SRBT. Benefits are managed by the Group Insurance Commission ("GIC"), and investments are managed by the Pension Reserves Investment Management 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 healthcare and other nonpension benefits, current and future, have been paid or deceased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

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

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

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain healthcare 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 healthcare / 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 Massachusetts General Laws. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2023 and 2022, and as of the valuation date (January 1, 2022 and 2021), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.65% and 7.65% of annual covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The College contributed $90,168 and $102,868 for the fiscal years ended June 30, 2023 and 2022, respectively, equal to 100% of the required contribution for both years.

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

At June 30, 2023 and 2022, the College reported a liability of $2,694,000 and $2,846,439, 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, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 and 2021, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2022 and 2021. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal years. At June 30, 2023 and 2022, the College's proportion was 0.020% and 0.018%, respectively.

For the years ended June 30, 2023 and 2022, the College recognized OPEB income of $109,242 and $56,544, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2023	2022
Deferred outflows of resources related to OPEB		
Contributions subsequent to the measurement date	$ 90,168	$ 102,868
Differences between expected and actual experience	49,592	72,661
Changes in OPEB plan actuarial assumptions	198,422	239,055
Changes in proportion from the Commonwealth	1,238	3,191
Net differences between projected and actual earnings on OPEB plan investments	4,095	-
Changes in proportion due to internal allocation	646,808	355,544
Total deferred outflows related to OPEB	$ 990,323	$ 773,319
Deferred inflows of resources related to OPEB		
Differences between projected and actual earnings on OPEB plan investments	$ -	$ 34,591
Changes in proportion due to internal allocation	483,950	672,395
Differences between expected and actual experience	446,021	501,064
Changes in proportion from the Commonwealth	13,304	12,363
Changes in OPEB plan actuarial assumptions	975,016	559,938
Total deferred inflows related to OPEB	$ 1,918,291	$ 1,780,351

Contributions

The College's contributions of $90,168 and $102,868 made during fiscal years ended June 30, 2023 and 2022, 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 for years ending June 30:

2024	$ (250,802)
2025	(246,705)
2026	(231,159)
2027	(213,001)
2028	(76,469)
	$ (1,018,136)

Actuarial Assumptions
The total OPEB liability for 2023 and 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified is as follows:

Measurement date	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS.	Rates vary by years of service and group classification, consistent with SERS.
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation.	7.00%, net of OPEB plan investment expense, including inflation.
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-Medicare benefits range from 5.00% to 7.60%.	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-Medicare benefits range from 4.04% to 7.30%.

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

The participation rates are actuarially assumed as follows:

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

- Actives, upon retirement, take coverage and are assumed to have the following coverage:

	2023		2022	
	Retirement Age		Retirement Age	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	28.0%	96.0%
POS/PPO	62.0%	0.0%	60.0%	0.0%
HMO	10.0%	4.0%	12.0%	4.0%

The actuarial assumptions used in the January 1, 2022 and 2021 valuations were based on the results of an actuarial experience study for the periods ranging from July 1, 2020 and 2019 through December 31, 2021 and 2020, depending upon the criteria being evaluated.

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2023 and 2022 is the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 and 2022 was 4.30% and 2.77%, respectively. These rates were based on a blend of the Bond Buyer Index Rate (3.54% and 2.16%) 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 2043 and 2041 for the fiscal years 2023 and 2022, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% and 7.00%, 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 at June 30:

2023			2022		
1.00% Decrease (3.30%)	Current Discount Rate (4.30%)	1.00% Increase (5.30%)	1.00% Decrease (1.77%)	Current Discount Rate (2.77%)	1.00% Increase (3.77%)
$ 3,142,842	$ 2,694,000	$ 2,325,309	$ 3,381,547	$ 2,846,439	$ 2,415,420

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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates at June 30:

1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase	1.00% Decrease (B)	Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 2,258,343	$ 2,694,000	$ 3,245,489	$ 2,330,648	$ 2,846,439	$ 3,518,688

(A) Current healthcare cost trend rate, as disclosed in the actuarial assumptions.
(B) One percentage decrease in current healthcare cost trend rate, as disclosed in the actuarial assumptions.
(C) One percentage increase in current healthcare cost trend rate, as disclosed in the actuarial assumptions.

13. OTHER FRINGE BENEFITS

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

Group Insurance Commission

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

The GIC is a quasi independent State agency governed by a seventeen-member body appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2023 and 2022, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax healthcare spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

14. DEFERRED INFLOWS OF RESOURCES

Campus Dining Facilities Agreement

The College has entered into a joint public-private partnership for dining and related services with Sodexo Operations, LLC ("Sodexo"), Wentworth Institution of Technology, Inc., and Massachusetts College of Pharmacy and Health Sciences. In exchange for this agreement, Sodexo has provided the College with funds to augment the cost of improvements to the College's dining and kitchen facilities. The College's share of the funds received in fiscal year 2023 and 2022 was $2,039,261 and $2,413,167, respectively, which is amortized into revenue ratably over the life of the agreement through June 2031. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. For the years ended June 30, 2023 and 2022, approximately $467,901 and $241,000 were recognized as revenue, respectively.

15. RESTRICTED NET POSITION

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

	2023	2022
Restricted - nonexpendable, categorized by allowable income usage		
Scholarships	$ 53,898	$ 53,820
Loans	4,908	4,908
	$ 58,806	$ 58,728
Restricted - expendable		
Program activities	$ 987,728	$ 1,221,357
Loans	289,964	658,267
	$ 1,277,692	$ 1,879,624

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

16. CONTINGENCIES

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

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

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

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

17. OPERATING EXPENSES

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

	2023	(Restated) 2022
Compensation and benefits	$ 48,621,763	$ 51,044,663
Supplies and services	26,573,243	18,692,866
Depreciation	7,843,298	7,776,384
Scholarships and fellowships	593,091	1,195,071
	$ 83,631,395	$ 78,708,984

18. RELATED PARTY TRANSACTIONS

The Foundation is a separate tax-exempt corporation organized for the purpose of fundraising through private donations for the ultimate benefit of the College. The College received contributions from the Foundation totaling approximately $2,103,000 and $2,122,000, which are included within other operating revenues, for the years ended June 30, 2023 and 2022, respectively.

19. PASS-THROUGH STUDENT FEDERAL LOANS

The College distributed $10,457,570 and $10,076,448 for student loans through the United States Department of Education federal direct lending program for the years ended June 30, 2023 and 2022, respectively. These distributions and related funding sources are not included as revenues and expenses or as cash receipts and cash disbursements in the accompanying financial statements.

20. MASSACHUSETTS MANAGEMENT ACCOUNTING AND REPORTING SYSTEM

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

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

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

	2023	2022
Direct unrestricted appropriations	$ 23,163,073	$ 23,032,561
Fringe benefits for benefited employees on the State payroll	11,694,678	10,835,920
Total unrestricted appropriations	34,857,751	33,868,481
Capital appropriations	644,166	146,859
Total appropriations	$ 35,501,917	$ 34,015,340

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

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

	2023	2022
Revenue per MMARS	$ 91,183,870	$ 86,830,672
Revenue per College	91,183,870	86,830,672
Difference	$ -	$ -

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

	2023	2022
Expenditures per MMARS	$ 84,166,059	$ 79,965,716
Expenditures per College	84,166,059	79,965,716
Difference	$ -	$ -

21. TITLE TO VARIOUS ASSETS AND LIABILITIES

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

	Local	State	Total	
Massachusetts College of Art and Design's preliminary unrestricted net position at June 30, 2023				$ 38,759,583
Reconciling items				
Inventories	$ 168,748	$ -	$ 168,748	
Deferred outflows of resources	-	1,420,330	1,420,330	
Deferred inflows of resources	(3,743,210)	(2,039,463)	(5,782,673)	
Accrued interest	-	(318,986)	(318,986)	
Accrued salaries and wages	-	(1,893,959)	(1,893,959)	
Accrued compensated absences and benefits	(273,997)	(5,926,712)	(6,200,709)	
Other post-employment benefit liability	-	(2,694,000)	(2,694,000)	
Net pension liability	-	(2,140,660)	(2,140,660)	
Total				(17,441,909)
Massachusetts College of Art and Design's audited unrestricted net position at June 30, 2023				$ 21,317,674
Distribution of unrestricted net position				
Local funds				$ 34,911,124
State funds				(13,593,450)
				$ 21,317,674

	Local	State	Total	
Massachusetts College of Art and Design's preliminary unrestricted net position at June 30, 2022				$ 31,289,816
Reconciling items				
Inventories	$ 158,017	$ -	$ 158,017	
Deferred outflows of resources	-	1,315,605	1,315,605	
Deferred inflows of resources	(2,171,850)	(2,562,809)	(4,734,659)	
Accrued interest	-	(140,533)	(140,533)	
Accrued salaries and wages	-	(1,985,591)	(1,985,591)	
Accrued compensated absences and benefits	(265,038)	(5,732,921)	(5,997,959)	
Other post-employment benefit liability	-	(2,846,439)	(2,846,439)	
Net pension liability	-	(1,621,193)	(1,621,193)	
Total				(15,852,752)
Massachusetts College of Art and Design's audited unrestricted net position at June 30, 2022				$ 15,437,064
Distribution of unrestricted net position				
Local funds				$ 29,010,945
State funds				(13,573,881)
				$ 15,437,064

REQUIRED SUPPLEMENTARY INFORMATION

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Massachusetts State Employees' Retirement System
Schedules of Proportionate Share of the Net Pension Liability (Unaudited)

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.015%	0.014%	0.015%	0.014%	0.015%	0.014%	0.015%	0.021%	0.170%
Proportionate share of the collective net pension liability	$ 2,140,660	$ 1,621,193	$ 2,624,944	$ 2,016,666	$ 1,844,997	$ 1,819,832	$ 2,103,656	$ 2,430,633	$ 1,181,800
College's covered payroll	$ 1,344,538	$ 1,260,509	$ 1,174,204	$ 1,137,883	$ 1,082,572	$ 1,114,968	$ 1,159,256	$ 1,286,662	$ 1,180,782
College's proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the plan's total pension liability	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes

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

The Notes to Required Supplementary Information are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Massachusetts State Employees' Retirement System
Schedules of Contributions – Pensions (Unaudited)
Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 206,906	$ 216,605	$ 184,791	$ 165,328	$ 137,212	$ 127,527	$ 110,939	$ 109,550	$ 133,684
Contributions in relation to the statutorily required contribution	(206,906)	(216,605)	(184,791)	(165,328)	(137,212)	(127,527)	(110,939)	(109,550)	(133,684)
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 1,238,958	$ 1,344,538	$ 1,260,509	$ 1,174,204	$ 1,137,883	$ 1,082,572	$ 1,114,968	$ 1,159,256	$ 1,286,662
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Massachusetts State Retirees' Benefit Trust
Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
Proportion of the collective net OPEB liability	0.020%	0.018%	0.016%	0.021%	0.022%
Proportionate share of the collective net OPEB liability	$ 2,694,000	$ 2,846,439	$ 3,377,693	$ 3,801,775	$ 4,037,200
College's covered payroll	$ 1,344,538	$ 1,260,509	$ 1,174,204	$ 1,137,883	$ 1,082,572
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.11%	372.93%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	7.38%

Notes

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

The Notes to Required Supplementary Information are an integral part of these statements.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Massachusetts State Retirees' Benefit Trust
Schedules of Contributions – OPEB (Unaudited)
Years Ended June 30

	2023	2022	2021	2020	2019
Statutorily required contribution	$ 90,168	$ 102,868	$ 97,036	$ 85,644	$ 100,067
Contributions in relation to the statutorily required contribution	(90,168)	(102,868)	(97,036)	(85,644)	(100,067)
Contribution (excess) deficit	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 1,238,958	$ 1,344,538	$ 1,260,509	$ 1,174,204	$ 1,137,883
Contribution as a percentage of covered payroll	7.28%	7.65%	7.70%	7.29%	8.79%

Notes

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

1. CHANGE IN PLAN ACTUARIAL AND ASSUMPTIONS - PENSION

Measurement Date – June 30, 2021
The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changes as follows:

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

Measurement Date – June 30, 2020
The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement Date – June 30, 2019
The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement Date – June 30, 2018
The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

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

Measurement Date – June 30, 2017
The mortality rates were changed as follows:

- Pre-retirement –changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 and set forward one year for females.

- Post-retirement –changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 and set forward one year for females.

- Disability – did not change.

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

Measurement Date – June 30, 2015
The discount rate to calculate the pension liability decreased from 8.0% to 7.5%.

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

The mortality rates were changed as follows:

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

2. CHANGE IN PLAN ASSUMPTIONS – OPEB

Fiscal year June 30, 2023
Assumptions:
Change in per Capita Claims Costs
Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in Medical Trend Rates
The medical trend rates were updated based on the SOA-Getzen trend rate model version 2022_f4. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate
The discount rate was increased to 4.00% based upon a blend of the Bond Buyer Index Rate (3.54%) as of the measurement date as required by GASB Statement No. 74.

Fiscal year June 30, 2022
Assumptions:
Change in per Capita Claims Costs
Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

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

Change in Investments Rate
The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates
The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate
The discount rate was decreased to 2.77% based upon a blend of the Bond Buyer Index Rate (2.16%) as of the measurement date as required by GASB Statement No. 74.

Fiscal year June 30, 2021
Assumptions:
Change in per Capita Claims Costs
Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

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

Change in Investment Rate
The investment rate of return decreased from 7.25% to 7.15%.

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

Change in Discount Rate
The discount rate was decreased to 2.28% based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement No. 74.

Fiscal year June 30, 2020
Assumptions:
Change in Inflation
The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions
Salary decreased from 4.5% to 4.0%.

Change in Investment Rate
The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs
The original healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate
The discount rate was decreased to 3.63% based upon a blend of the Bond Buyer Index Rate (3.51%) as of the measurement date as required by GASB Statement No. 74.

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Actuarial Valuation:

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

Change in Discount Rate

The discount rate was increased to 3.92% based upon a blend of the Bond Buyer Index Rate (3.87%) as of the measurement date as required by GASB Statement No. 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 No. 74. The June 30, 2016 discount rate was calculated to be 2.80%.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Massachusetts College of Art and Design:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Massachusetts College of Art and Design (An agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues and expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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Purpose of This Report

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

WithumSmith+Brown, PC

October 17, 2023

SUPPLEMENTARY INFORMATION

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Schedules of Net Position – Residence Hall Trust Fund Report (Unaudited)
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and equivalents	$ 2,402,422	$ 1,971,032
Total Residence Hall Trust Fund assets	$ 2,402,422	$ 1,971,032
Liabilities and Net Position		
Liabilities		
Compensated absences	$ 45,923	$ 35,888
Workers' compensation	8,322	6,895
Total Residence Hall Trust Fund liabilities	54,245	42,783
Net position (deficit)		
Residence Hall Trust Fund net (deficit) position - Smith Hall	(2,379,404)	(1,970,678)
Residence Hall Trust Fund net position - Artist Residence	2,151,465	1,321,427
Residence Hall Trust Fund net position - Treehouse	2,576,116	2,577,500
Total net position	2,348,177	1,928,249
Total Residence Hall Trust Fund liabilities and net position	$ 2,402,422	$ 1,971,032

See Independent Auditor’s Report.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Schedules of Revenues, Expenses, and Changes in Net Position – Residence Hall Trust Fund Report (Unaudited)
Years Ended June 30, 2023 and 2022

	2023	2022
Revenues		
Student rents	$ 9,229,178	$ 8,699,462
Contract rents	3,592,400	2,880,180
Other	940,467	504,057
Total revenues	13,762,045	12,083,699
Expenses		
Loans and special payments	7,329,916	6,306,459
Operational services	5,610,593	5,154,422
Regular employee compensation	278,837	219,652
Information technology	3,296	4,584
Pension and insurance related	105,971	81,216
Administrative	16,141	585
Regular employee related	5,392	-
Special employee compensation	9,668	6,356
Facility operational	4,420	5,992
Total expenses	13,364,234	11,779,266
Revenues over (expenses)	397,811	304,433
Nonoperating revenues (expenses) and transfers		
Transfers	22,117	(71,380)
Total nonoperating revenues (expenses) and transfers	22,117	(71,380)
Total increase in net position	419,928	233,053
Net position		
Beginning of year	1,928,249	1,695,196
End of year	$ 2,348,177	$ 1,928,249

See Independent Auditor’s Report.