

**MASSACHUSETTS COLLEGE OF ART AND DESIGN**  
**(An agency of the Commonwealth of Massachusetts)**  
**Financial Statements and**  
**Management's Discussion and Analysis**  
**June 30, 2024 and 2023**

**Massachusetts College of Art and Design**  
**(An agency of the Commonwealth of Massachusetts)**  
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**June 30, 2024 and 2023**

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## 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 years ended June 30, 2024 and 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, 2024 and 2023, and the respective changes in financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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 29, 2024, 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

October 29, 2024

**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Management's Discussion and Analysis  
June 30, 2024 and 2023**

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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, 2024. This discussion and analysis have 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 151st 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 consistent with our Strategic Partnership plan.
- 100% occupancy in Residence Halls.
- Revenue increase of \$2.3 million reflects stabilized enrollment and a full return to on-campus operations and activities along with increased program support through grants.
- Expense increases of \$9.1 million including filling critical positions, supporting facilities and introduction of new technologies.
- A change in net position of \$1.8 million signifies continued strong fiscal management and controls.
- Capital Projects- Kennedy Roof and Starbucks were completed; investments were made in updated academic spaces - along with ongoing planning for the study phase of the Tower Project continuing into FY 25.
- 3rd Year of full operations for the Mass Art SOWA gallery.
- Strategic initiatives including MASS ART brand refresh, updated website and internal communications platform launched.
- Strategic plan was updated building on MassArt's strengths, reaffirming our mission, leveraging and extending work already in progress on key initiatives. The plans respond to the changes in the environment since the plans were developed and aligns the Strategic Partnership Plan and BHE racial equity plan.

The Massachusetts College of Art and Design Foundation, Inc., which is a legally separate 501(c) (3) corporation, provides financial support to the College's programs and activities. The Foundation's relationship with the College is highlighted in Massachusetts General Laws Chapter 15a Section 37. In accordance with GASB, Statement No. 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.

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**USING THE FINANCIAL STATEMENTS**

The Massachusetts College of Art and Design's financial statements are comprised of two parts: (1) the financial statements and (2) the notes to the financial statements. These financial statements are presented on a consolidated basis to focus on the College as a whole. These financial statements are prepared in accordance with Government Accounting Standards Board principles. The financial statements include the Statement of Net Position; the Statement of Revenues and Expenses; the Statement of Changes in Net Position and the Statement of Cash Flows. This year's statements reflect the implementation of GASB 87 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 University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. Assets and liabilities are measured using current values, except capital assets, which are stated at historical cost less a depreciation allowance.

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

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

**FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE**

- In FY2024, 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 FY2024 state appropriation (non-operating revenue) of \$25,862,582 including \$681,129 in formula funds.
- Overall non-operating revenue in FY2024 increased by approximately \$4.97 million to \$36.7 million from FY2023 total of \$31.7 million. This is directly attributable to an increase in investment income of \$1.2 million and an increase in interest expense.
- The College's operating expenses for FY2024 totaled \$92,769,634, an increase from the prior year of approximately \$9.1 million or 11%. The increase is across every category of expense including payroll, plant, teaching and operational supplies and auxiliary services and reflects full on campus operations as well as the impact of inflation across all spending categories.

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**FINANCIAL HIGHLIGHTS**

	<b>FY24</b>	<b>FY23</b>	<b>FY22 restated</b>
Operating revenues (tuition and fees)	\$57,610,772	\$55,247,537	\$45,890,830
Operating Expenses	\$92,769,634	\$83,631,395	\$78,708,984
<b>Net operating Loss</b>	<b>(\$35,158,892)</b>	<b>(\$28,383,858)</b>	<b>(\$32,818,154)</b>
Non-Operating Revenues (state appropriation)	\$36,692,589	\$31,715,489	\$33,779,662
Change in net Position before Capital	\$1,533,697	\$3,331,631	\$961,508
Total Capital Improvements	\$278,173	\$644,166	\$1,391,927
<b>Change in net Position</b>	<b>\$1,811,870</b>	<b>\$3,975,797</b>	<b>\$2,353,435</b>

- Change in Net Position for FY 2024 is \$1.5 million before capital improvements and due in part to an increase in overall expenses with a full return to campus and increase in non-operating revenue combined with an increase in state appropriation and investment income as compared to FY2023 and FY 2022.

**STATEMENT OF NET POSITION**

The College’s assets total \$222,359,512 of which non-current assets represents 78.2%, and \$47,899,793 or 21.8% 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. Additional information on the College’s capital assets can be found in Note 7 of this report. 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. Additional information on the College’s long term debt activity can be found in Note 9 of this report.

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 SBITA’s (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 SBITA’s.

The College’s liabilities total \$124,799,976 of which 87% 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 \$16,221,203 represent 13% of the total and consist of accounts payable, deferred revenue and the current portion of long-term obligations.



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The College also has deferred outflows of resources of \$2,461,590 and deferred inflows of resources of \$6,715,790 at year-end. These account for other changes in the net pension and OPEB valuations, gains and losses related to debt refinancing and the treatment of concession contract revenues over the life of the contract.

The College closed FY2024 in a positive financial position and has sufficient current assets to cover current liabilities, a current ratio of (2.9). The current assets are \$47,899,793 and the current liabilities are \$16,221,202.

<b>STATEMENT OF REVENUES AND EXPENSES AND OF CHANGES IN NET POSITION</b>			
	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022 restated</u>
<b>Current Assets</b>	\$ 47,899,793	\$ 43,670,674	\$ 38,403,389
<b>Non-Current Assets</b>	\$ 171,998,129	\$ 178,155,924	\$ 184,117,632
<b>Total Assets</b>	\$ 219,897,922	\$ 221,826,598	\$ 222,521,021
<b>Deferred Outflows of Resources</b>	\$ 2,461,590	\$ 3,314,453	\$ 3,381,921
<b>Total Assets &amp; Deferred Outflows of Resources</b>	\$ 222,359,512	\$ 225,141,051	\$ 225,902,942
<b>Current Liabilities</b>	\$ 16,221,202	\$ 14,827,578	\$ 15,197,090
<b>Non-Current Liabilities</b>	\$ 108,558,774	\$ 115,478,924	\$ 120,895,114
<b>Total Liabilities</b>	\$ 124,779,976	\$ 130,306,502	\$ 136,092,204
<b>Deferred Inflows of Resources</b>	\$ 6,715,790	\$ 5,782,673	\$ 4,734,659
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	\$ 131,495,766	\$ 136,089,175	\$ 140,826,863
<b>Total Net Position</b>	\$ 90,863,746	\$ 89,051,876	\$ 85,076,079

The difference between total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources (net position) is \$90,863,746. The net position is detailed as follows:

	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022 restated</u>
<b>Restricted</b>	\$ 2,737,472	\$ 1,336,498	\$ 1,938,352
<b>Unrestricted</b>	\$ 23,670,828	\$ 21,317,674	\$ 15,437,064
<b>Investments in Capital Assets, Net</b>	\$ 64,455,446	\$ 66,397,704	\$ 67,700,663
<b>Total Net Position</b>	\$ 90,863,746	\$ 89,051,876	\$ 85,076,079

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**STATEMENT OF NET POSITION cont.**

The College has positive balances in all net position categories at the end of FY 2022, FY2023 and FY2024. In FY 2024, Capital assets, representing land, buildings, construction in progress, equipment and educational resource materials, account for 71% of the College’s total net position with restricted funds totaling 3.0% and unrestricted funds totaling 26%. Restricted funds are for specialized program activities and financial aid loan programs, which are subject to external restrictions on use. Although the land and buildings are included within the College’s financial statements, they are allocated from the State which holds title to those assets.



The College, at year-end, has a local unrestricted fund balance of \$37,537,659. We also have unfunded liabilities with the Commonwealth of Massachusetts Unrestricted Fund Balance totaling (\$13,866,831). The Commonwealth Unrestricted Fund Balance includes liabilities for employee’s accumulated sick and vacation leave, net pension activity and OPEB. (see note 20).

Note 20 of the Financial Statements, Title to Various Assets and Liabilities, explains the unrestricted fund balance in more detail.

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

The statement of revenues and expenses and statement of changes in net position presents the College's results of operations. A summary of the FY2024-FY2022 operating and non-operating revenue, expenses and net position is as follows:

		<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022 restated</b>
<b>I.</b>	NET POSITION, BEGINNING OF YEAR	<b>\$ 89,051,876</b>	<b>\$ 85,076,079</b>	<b>\$ 82,722,644</b>
<b>II.</b>	OPERATING REVENUE TUITION, FEES, & OTHER REVENUE	\$ 57,610,742	\$ 55,247,537	\$ 45,890,830
<b>III.</b>	OPERATIONAL EXPENSES	<u>\$ 92,769,634</u>	<u>\$ 83,631,395</u>	<u>\$ 78,708,984</u>
<b>IV.</b>	<b>OPERATING LOSS (II-III)</b>	<b>\$ (35,158,892)</b>	<b>\$ (28,383,858)</b>	<b>\$ (32,818,154)</b>
<b>V.</b>	NON-OPERATING: COMMONWEALTH APPROPRIATIONS	\$ 39,677,928	\$ 34,857,751	\$ 33,868,481
	INVESTMENT INCOME	\$ 2,445,740	\$ 1,244,048	\$ 25,679
	CARES ACT	\$ 0	\$ 740,493	\$ 4,965,492
	& INTEREST EXPENSE	<u>\$ (5,431,079)</u>	<u>\$ (5,126,803)</u>	<u>\$ (5,079,990)</u>
	<b>TOTAL NON-OPERATING ACTIVITY</b>	<b><u>\$ 36,692,589</u></b>	<b><u>\$ 31,715,489</u></b>	<b><u>\$ 33,779,662</u></b>
<b>VI.</b>	NET INCOME /LOSS BEFORE CAPITAL IMPROVEMENTS (IV+V)	\$ 1,533,697	\$ 3,331,631	\$ 961,508
<b>VII</b>	CAPITAL IMPROVEMENTS TO BUILDINGS	<u>\$ 278,173</u>	<u>\$ 644,166</u>	<u>\$ 1,391,927</u>
<b>VIII.</b>	<b>CHANGE IN NET POSITION (VI+VII)</b>	<b><u>\$ 1,811,870</u></b>	<b><u>\$ 3,975,797</u></b>	<b><u>\$ 2,353,435</u></b>
<b>IX.</b>	<b>NET POSITION, END OF YEAR (I+VIII)</b>	<b>\$ 90,863,746</b>	<b>\$ 89,051,876</b>	<b>\$ 85,076,079</b>

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

The College develops its budgets based on local revenue and the Commonwealth's appropriation. The Commonwealth's appropriation is a critical component of the College's funding structure. In FY2024, non-operating revenue sources decreased to 40% of the total annual income compared to a FY2023 level of 46%. The FY2022 share was 43%.

<b>Non-operating revenue (Expenses)</b>	<b>FY2024</b>	<b>FY2023</b>	<b>FY2022 restated</b>
Commonwealth Appropriation	\$ 39,677,928	\$ 34,857,751	\$ 33,868,481
Federal Grants	\$ 0	\$ 740,493	\$ 4,965,492
Investment income	\$ 2,445,740	\$ 1,244,048	\$ 25,679
Interest Expense	\$ (5,431,079)	\$ (5,126,803)	\$ (5,079,990)
<b>Total Non-Operating Revenue</b>	<b>\$ 36,692,589</b>	<b>\$ 31,715,489</b>	<b>\$ 33,779,662</b>

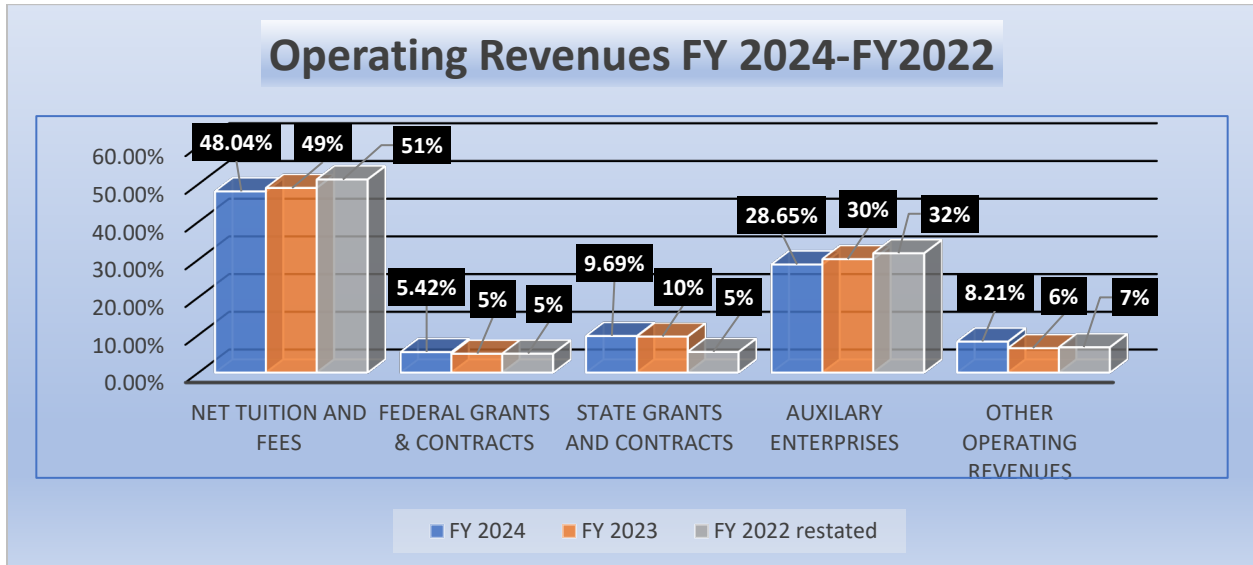
As of June 30, 2024, the College realized an operating loss of \$35.1 million due primarily to the nature of the Massachusetts public higher education funding system. This is offset by the Commonwealth's FY2024 appropriation and fringe support to the College. It acts as a subsidy and is considered non-operating 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.

<b>Net Tuition and Fees Revenue</b>	<b>FY2024</b>	<b>FY2023</b>	<b>FY2022 restated</b>
Undergraduate Day Program Student Charges	\$ 36,000,779	\$ 33,769,797	\$ 31,489,322
Graduate and Program of Continuing Education Tuition and Fees	\$ 4,729,208	\$ 4,495,448	\$ 4,457,650
Total Tuition and Fee Revenue	\$ 40,729,987	\$ 38,265,245	\$ 35,946,972
Less: Scholarships	\$ (13,092,604)	\$ (11,217,848)	\$ (12,449,752)
Net Tuition and Fees Revenue	\$ 27,637,383	\$ 27,047,397	\$ 23,497,220

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Operating revenues are displayed below:



- Tuition and fees are the largest source of operating revenue, accounting for 48% of total operating resources.
- The College’s auxiliary enterprises, consisting of the residence halls and dormitory dining, account for 28.6% of operating revenue.
- Income from federal and state grants total 15.1% of operating income
- 8.3% 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 FY2024, funds from the foundation coupled with Emergency fund grants from the state helped to provide targeted support for students, 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:

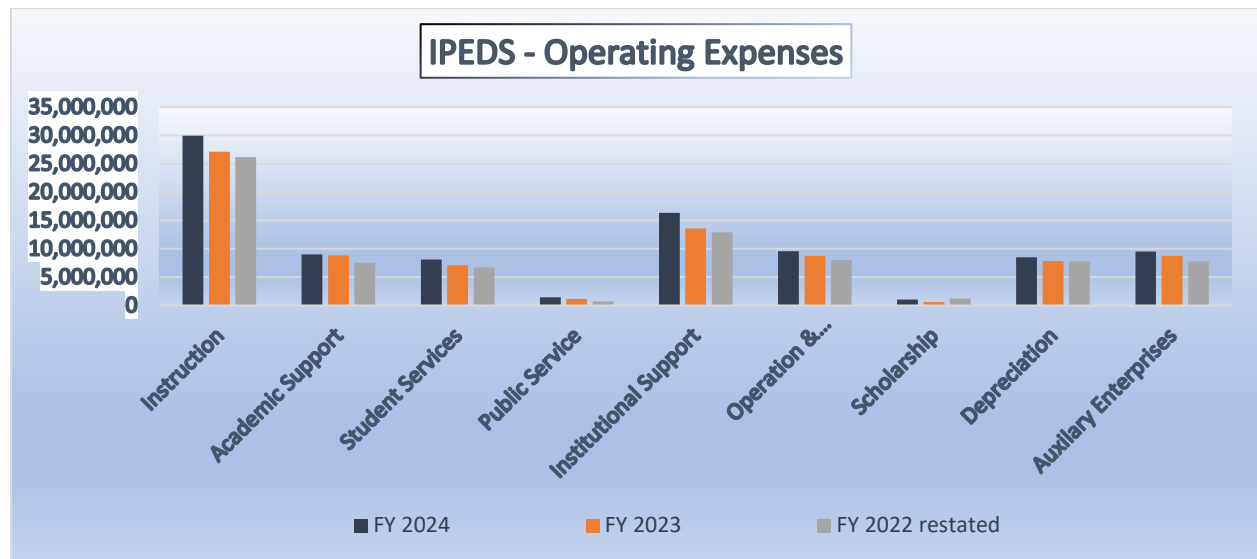
- After School and dual enrollment support for Artward Bound (DESE and Rappaport and Cummings Foundation)
- Commonwealth Endowment Incentive
- DHE Mental Health grant and Food Insecurity grant
- MAICEI grant
- City of Boston - Boston Bridge Program and UnMonument Program
- Board of Library Commissioners - Youth Arts Workshop Program

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

Operating expenditures totaled \$ 93,377,995

- Consistent with the College’s efforts to maintain competitive advantage, our instructional and academic and student support expenses account for 50.7% (32.3%, 9.7% and 8.7%) of total operating expenses.
- Auxiliary enterprises are 10.2% of the total, institutional spending (i.e., administrative expenditures) account for 17.6% of operational costs, which is in line with peer institution spending rates.
- Plant (10.3%) and depreciation (8.5%) expenses account for 18.8% 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 2024 was \$46,877,575 which reflects an increase of \$4.5 million over FY 2023 and \$ 10.6 million over FY 2022.

<b>STATEMENT OF CASH FLOWS</b>			
	<b><u>FY2024</u></b>	<b><u>FY2023</u></b>	<b><u>FY 2022</u></b>
<b>Cash, Beginning of Year</b>	<b>\$ 42,370,757</b>	<b>\$36,247,628</b>	<b>\$30,453,493</b>
<b>Cash, End of Year</b>	<b>\$ 46,877,575</b>	<b>\$42,370,757</b>	<b>\$36,247,628</b>

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Capital Expenses

In FY2024 and FY2023, capital funding of \$278,173 and \$644,166 supported key investments in campus-wide projects. Studies were also performed to review the Kennedy Building loading dock, South building link and the tower generator. The Kennedy roof project was completed in the summer of 24. For FY 2024-2028 the college has developed a plan to address critical repairs with DCAMM including the emergency repairs to Tower Building soffit, studies to install classroom air conditioning across the campus along with various ADA, safety system, roof and repair projects. 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. Other functionality includes an ongoing internal payment plan to provide students and families with a more flexible option to pay for college. Coming in FY 25 are electronic refunds for students and end to end electronic payment and Purchase order processes for day-to-day operational expenses.

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 FY2024, internal business processes were updated to enhance efficiencies and include industry best practices including ACH payments for vendors. FY 25 will introduce electronic payment vouchers, requisitions and purchase orders. Administration and Finance working with business partners across the college updated its internal control documents to comply with an updated internal control certification process mandated by the State Comptroller. This work is in addition to ongoing risk assessment and compliance review conducted by the College's General Counsel.

Student scholarships are a critical component to student success and to recruiting and enrolling qualified students. The activity in the General Scholarship Account has risen from \$5.4 million in FY2024 to \$5.6 million in FY2025. State Support for the Mass Grant and Mass Grant Plus programs is growing and able to meet more unmet needs for Massachusetts Residents.

The entering class for FY 24 was 542 students - an increase of 9%. The Admissions team continues to evaluate and adjust their approach to achieving 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 FY2025 and beyond.

The College continues 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.

**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Management's Discussion and Analysis  
June 30, 2024 and 2023**

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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 building conditions assessment and updated pricing for the renovation of the Tower Building. This is the first step in securing legislative approval and authorization needed to complete the project estimated at \$300 million.

In FY24 the college expended \$1,102 million to fund the roof for the Kennedy Building that was completed in August of 2024. Other projects totaling \$311K included repairs to the Tower soffit, repairs to the Collins ramp, a study for the classroom ac project and ADA repairs.

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 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 24 include the hiring of a Vice President for Institutional Advancement, a Chief Human Resource Officer, an Assistant Vice President for Marketing, an Assistant Vice President of Fiscal Affairs, and other key positions. The College has seen growth in hiring during the last quarter of FY24, including 40 new faculty and staff, we have planned for the annualized cost of these expenses in FY25. 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. An interdisciplinary task force of faculty and staff to focus on advising, transfer pathways, developing a student-ready framework and integrating strategies to the State's Equity Agenda. 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 move the institution forward.



**Massachusetts College of Art and Design**  
**(An agency of the Commonwealth of Massachusetts)**  
**Statements of Net Position**  
**June 30, 2024 and 2023**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2024</u> <u>College</u>	<u>2023</u> <u>College</u>	<u>2024</u> <u>Foundation</u>	<u>2023</u> <u>Foundation</u>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and equivalents	\$ 45,376,283	\$ 38,540,212	\$ 3,254,232	\$ 4,273,056
Deposits held by State Treasurer	1,257,738	3,588,867	-	-
Cash held by MSCBA - debt service reserve	335,652	734,530	-	-
Accounts receivable, net	643,419	421,130	-	-
Contributions receivable	-	-	16,713	88,781
Loans receivable	117,113	187,696	-	-
Other receivables	1,572	4,985	-	-
Prepaid expenses	28,543	24,506	-	-
Investments	-	-	17,036,999	14,178,251
Other assets	139,473	168,748	-	-
Due from Massachusetts College of Art and Design	-	-	1,709	3,540
Total current assets	<u>47,899,793</u>	<u>43,670,674</u>	<u>20,309,653</u>	<u>18,543,628</u>
Noncurrent assets				
Restricted cash and equivalents	207,146	207,035	-	-
Restricted deposits held by State Treasurer	36,408	34,643	-	-
Capital assets, net	<u>171,754,575</u>	<u>177,914,246</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>171,998,129</u>	<u>178,155,924</u>	<u>-</u>	<u>-</u>
Total assets	<u>219,897,922</u>	<u>221,826,598</u>	<u>20,309,653</u>	<u>18,543,628</u>
Deferred outflows of resources				
Loss on refunding of bonds and leases	1,235,257	1,894,123	-	-
Other post-employment benefit related	769,320	990,323	-	-
Pension related	<u>457,013</u>	<u>430,007</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,461,590</u>	<u>3,314,453</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 222,359,512</u>	<u>\$ 225,141,051</u>	<u>\$ 20,309,653</u>	<u>\$ 18,543,628</u>

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, 2024 and 2023**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2024</u> <u>College</u>	<u>2023</u> <u>College</u>	<u>2024</u> <u>Foundation</u>	<u>2023</u> <u>Foundation</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
Current liabilities				
Accounts payable and accrued expenses	3,208,451	2,326,427.0	\$ 191,156	\$ 254,698
Accrued salaries and wages	2,000,875	1,893,959	-	-
Current portion accrued compensated absences and benefits	3,740,274	3,548,733	-	-
Annuity payable	-	-	10,688	11,178
Current portion of lease liability	3,592,892	3,465,839	-	-
Current portion of SBITA liability	246,498	173,130	-	-
Current portion bonds payable	2,406,777	2,513,938	-	-
Unearned revenues and deposits	1,025,435	905,552	-	-
Total current liabilities	<u>16,221,202</u>	<u>14,827,578</u>	<u>201,844</u>	<u>265,876</u>
Noncurrent liabilities				
Accrued compensated absences and benefits, net of current portion	2,877,569	2,651,976	-	-
Lease liability, net of current portion	75,085,812	78,878,970	-	-
SBITA liability	364,386	333,330	-	-
Bonds payable, net of current portion	25,989,439	28,779,988	-	-
Net other post-employment benefit liability	2,186,129	2,694,000	-	-
Net pension liability	2,055,439	2,140,660	-	-
Total noncurrent liabilities	<u>108,558,774</u>	<u>115,478,924</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>124,779,976</u>	<u>130,306,502</u>	<u>201,844</u>	<u>265,876</u>
Deferred inflows of resources				
Public-private partnership	3,450,309	3,743,210	-	-
Gain on Refunding of bonds and leases	1,184,234	-	-	-
Other post-employment benefit related	1,867,303	1,918,291	-	-
Pension related	213,944	121,172	-	-
Total deferred inflows of resources	<u>6,715,790</u>	<u>5,782,673</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	64,455,446	66,397,704	-	-
Restricted				
Nonexpendable	59,789	58,806	9,651,236	9,219,002
Expendable	2,677,683	1,277,692	9,435,244	8,323,468
Unrestricted	<u>23,670,828</u>	<u>21,317,674</u>	<u>1,021,329</u>	<u>735,282</u>
Total net position	<u>90,863,746</u>	<u>89,051,876</u>	<u>20,107,809</u>	<u>18,277,752</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 222,359,512</u>	<u>\$ 225,141,051</u>	<u>\$ 20,309,653</u>	<u>\$ 18,543,628</u>

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, 2024 and 2023**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2024</u> <u>College</u>	<u>2023</u> <u>College</u>	<u>2024</u> <u>Foundation</u>	<u>2023</u> <u>Foundation</u>
<b>Operating revenues</b>				
Tuition and fees	\$ 40,729,987	\$ 38,265,245	\$ -	\$ -
Less: Scholarships and fellowships	<u>(13,092,604)</u>	<u>(11,217,848)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	27,637,383	27,047,397	-	-
Gifts and contributions	-	-	2,150,063	2,680,106
Federal grants and contracts	3,117,838	2,748,399	-	-
State grants and contracts	5,575,735	5,269,182	-	-
Auxiliary enterprises	16,482,408	16,615,238	-	-
In-kind revenue	-	-	738,939	357,294
Other operating revenues	<u>4,797,378</u>	<u>3,567,321</u>	<u>1,272,133</u>	<u>1,270,553</u>
Total operating revenues	<u>57,610,742</u>	<u>55,247,537</u>	<u>4,161,135</u>	<u>4,307,953</u>
<b>Operating expenses</b>				
Educational and general				
Instruction	29,940,915	27,113,952	-	-
Gifts and contributions	-	-	2,903,442	2,388,820
Public service	1,414,493	1,137,328	-	-
Academic support	8,995,015	8,854,120	-	-
Student services	8,077,902	7,074,492	-	-
Fundraising	-	-	991,598	1,007,836
Institutional support	16,369,644	13,573,256	278,119	210,610
Operation and maintenance of plant	9,553,179	8,722,453	-	-
Scholarships and fellowships	1,034,147	593,091	-	-
Depreciation and amortization	7,886,228	7,843,298	-	-
Auxiliary enterprises	<u>9,498,111</u>	<u>8,719,405</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>92,769,634</u>	<u>83,631,395</u>	<u>4,173,159</u>	<u>3,607,266</u>
Net operating (loss) revenue	<u>(35,158,892)</u>	<u>(28,383,858)</u>	<u>(12,024)</u>	<u>700,687</u>
<b>Nonoperating revenues (expenses)</b>				
Commonwealth operating appropriations, net	39,677,928	34,857,751	-	-
Federal grants	-	740,493	-	-
Investment income	2,445,740	1,244,048	1,842,081	965,247
Interest expense	<u>(5,431,079)</u>	<u>(5,126,803)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>36,692,589</u>	<u>31,715,489</u>	<u>1,842,081</u>	<u>965,247</u>
<b>Changes in net position before capital improvements</b>	<u>1,533,697</u>	<u>3,331,631</u>	<u>1,830,057</u>	<u>1,665,934</u>
Commonwealth capital appropriations	<u>278,173</u>	<u>644,166</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>\$ 1,811,870</u>	<u>\$ 3,975,797</u>	<u>\$ 1,830,057</u>	<u>\$ 1,665,934</u>

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, 2024 and 2023**

	<b>College</b>				
	<b>Net Investment in Capital Assets</b>	<b>Restricted Nonexpendable</b>	<b>Restricted Expendable</b>	<b>Unrestricted</b>	<b>Total</b>
<b>Balance, June 30, 2022, restated</b>	\$ 67,700,663	\$ 58,728	\$ 1,879,624	\$ 15,437,064	\$ 85,076,079
Change in net position for 2023	<u>(1,302,959)</u>	<u>78</u>	<u>(601,932)</u>	<u>5,880,610</u>	<u>3,975,797</u>
<b>Balance, June 30, 2023</b>	66,397,704	58,806	1,277,692	21,317,674	89,051,876
Change in net position for 2024	<u>(1,942,258)</u>	<u>983</u>	<u>1,399,991</u>	<u>2,353,154</u>	<u>1,811,870</u>
<b>Balance, June 30, 2024</b>	<u>\$ 64,455,446</u>	<u>\$ 59,789</u>	<u>\$ 2,677,683</u>	<u>\$ 23,670,828</u>	<u>\$ 90,863,746</u>
	<b>Foundation</b>				
	<b>Net Investment in Capital Assets</b>	<b>Restricted Nonexpendable</b>	<b>Restricted Expendable</b>	<b>Unrestricted</b>	<b>Total</b>
<b>Balance, June 30, 2022</b>	\$ -	\$ 7,910,682	\$ 7,852,195	\$ 848,941	\$ 16,611,818
Change in net position for 2023	<u>-</u>	<u>1,308,320</u>	<u>471,273</u>	<u>(113,659)</u>	<u>1,665,934</u>
<b>Balance, June 30, 2023</b>	-	9,219,002	8,323,468	735,282	18,277,752
Change in net position for 2024	<u>-</u>	<u>432,234</u>	<u>1,111,776</u>	<u>286,047</u>	<u>1,830,057</u>
<b>Balance, June 30, 2024</b>	<u>\$ -</u>	<u>\$ 9,651,236</u>	<u>\$ 9,435,244</u>	<u>\$ 1,021,329</u>	<u>\$ 20,107,809</u>

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, 2024 and 2023**

	<b>Primary Government</b>	
	<b>2024</b>	<b>2023</b>
	<b>College</b>	<b>College</b>
<b>Operating activities</b>		
Tuition and fees	\$ 27,538,391	\$ 26,119,454
Grants and contracts	8,693,573	8,017,581
Payments to employees	(34,446,240)	(32,635,139)
Payments to suppliers and vendors	(25,130,355)	(22,454,228)
Collections on loans	70,583	330,947
Scholarships and fellowships	(1,034,147)	(593,091)
Auxiliary enterprises expenses	(9,498,111)	(8,719,405)
Auxiliary enterprises revenues	16,482,408	16,615,238
Other operating revenues	4,304,477	3,099,420
Net cash used in operating activities	<u>(13,019,421)</u>	<u>(10,219,223)</u>
<b>Noncapital financing activities</b>		
Federal grants	-	740,493
Commonwealth appropriations	25,862,582	23,163,073
Net cash provided by noncapital financing activities	<u>25,862,582</u>	<u>23,903,566</u>
<b>Capital financing activities</b>		
Purchases of capital assets	(1,135,213)	(925,838)
Commission advance from public-private partnership	200,000	2,039,261
Principal paid on lease and SBITA liabilities	(3,597,464)	(3,129,410)
Principal paid on bonds payable	(1,681,007)	(2,003,052)
Cash held by MSCBA - debt service reserve	150,000	200,001
Interest paid on bonds payable	(4,718,399)	(4,986,224)
Net cash used in capital financing activities	<u>(10,782,083)</u>	<u>(8,805,262)</u>
<b>Investing activity</b>		
Dividends and interest income	<u>2,445,740</u>	<u>1,244,048</u>
<b>Net change in cash and equivalents</b>	4,506,818	6,123,129
<b>Cash and equivalents</b>		
Beginning of year	<u>42,370,757</u>	<u>36,247,628</u>
End of year	<u>\$ 46,877,575</u>	<u>\$ 42,370,757</u>

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, 2024 and 2023**

	<b>Primary Government</b>	
	<b>2024</b>	<b>2023</b>
	<b>College</b>	<b>College</b>
<b>Reconciliation of net operating loss to net cash used in operating activities</b>		
Net operating loss	\$ (35,158,892)	\$ (28,383,858)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation and amortization	7,886,229	7,843,298
Fringe benefits provided by State appropriations	13,815,346	11,694,678
Deferred inflows and outflows of resources	(492,901)	(467,901)
Changes in assets and liabilities		
Accounts and loans receivables	(151,706)	699,750
Prepaid expenses	(4,037)	884
Other receivables	3,414	(4,985)
Other assets	29,275	(10,731)
Accounts payable and accrued expenses	767,229	(148,672)
Accrued salaries and wages	106,916	(91,632)
Accrued compensated absences and benefits	417,134	202,750
Unearned revenues and deposits	119,883	(1,291,761)
Net other post-employment benefit liability	(337,856)	(231,503)
Net pension activity	(19,455)	(29,540)
Net cash used in operating activities	<u>\$ (13,019,421)</u>	<u>\$ (10,219,223)</u>
<b>Summary of restricted cash and equivalents and cash and equivalents, end of year</b>		
Cash and equivalents	\$ 45,376,283	\$ 38,540,212
Deposits held by State Treasurer	1,257,738	3,588,867
Restricted cash and equivalents	207,146	207,035
Restricted deposits held by State Treasurer	<u>36,408</u>	<u>34,643</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 46,877,575</u>	<u>\$ 42,370,757</u>

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, 2024 and 2023**

	<b>Primary Government</b>	
	<b>2024 College</b>	<b>2023 College</b>
<b>Noncash transactions</b>		
Fringe benefits provided by Commonwealth appropriations	\$ 13,815,346	\$ 11,694,678
Capital improvements provided by Commonwealth capital appropriations	\$ 278,173	\$ 644,166
Change in Bonds Payable due to 2024A Refunding	\$ (925,393)	\$ -
Deferred inflow from gain on bond refunding related to bonds payable	\$ 925,393	\$ -
Amortization of deferred inflow from gain on bond refunding	\$ (123,670)	\$ -
Change in Leases due to 2024A Refunding	\$ (277,388)	\$ -
Deferred inflow from gain on bond refunding related to lease modifications	\$ 277,388	\$ -
Addition of SBITA asset	\$ (313,171)	\$ (340,661)
SBITA lease liability	\$ 313,171	\$ 340,661
Deferred inflows of resources - public-private partnership	\$ 492,901	\$ 467,901
Deferred inflows of resources - service concession agreement - building imp	\$ -	\$ -
Deferred outflow loss on 2020A bond refunding	\$ 763,989	\$ 172,193
Lease liability	\$ -	\$ -
Amortization of bond premium	\$ 42,432	\$ 210,067

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)**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**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, 2024:

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

The College has recognized the following as nonoperating federal grants for the years ended June 30, 2024 and 2023:

	<u>For the Year Ended June 30, 2024</u>			<u>For the Year Ended June 30, 2023</u>		
	<u>Student Aid Award</u>	<u>Institutional Award</u>	<u>Total</u>	<u>Student Aid Award</u>	<u>Institutional Award</u>	<u>Total</u>
CRRSAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ARPA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,493</u>	<u>740,493</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,493</u>	<u>\$ 740,493</u>

As of June 30, 2024, the College had \$1,199 of unspent ARPA funds. All CRRSAA funds awarded have been spent at June 30, 2023.



**Massachusetts College of Art and Design**  
**(An agency of the Commonwealth of Massachusetts)**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**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.

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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.

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**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.

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

GASB Statement No. 102, *Certain Risk Disclosures* is effective for reporting periods beginning after June 15, 2024. The objective of this statement is to update the required disclosures for risks that could negatively impact state and local governments.

GASB Statement No. 103, *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this statement is to improve the financial reporting model to enhance decision making by the organization and assessing a government's accountability.

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

Implementation of Newly Effective Accounting Standard

As of July 1, 2022, the College implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB 62. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors. The adoption of this statement did not have a material impact to the financial statements.

**2. CASH AND EQUIVALENTS**

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

The Treasurer of the Commonwealth 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, 2024 and 2023, the College has \$24,416,702 and \$23,100,196, 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.

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Of the bank balances of \$22,990,759 and \$17,716,900 at June 30, 2024 and 2023, \$509,517 and \$520,074 were covered by federal depository insurance and collateralization agreements covered \$6,847,461 and 7,291,142, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2024 and 2023. Uninsured bank balances (not including MMDT) were \$15,633,781 and \$9,905,684 at June 30, 2024 and 2023, respectively.

**Deposits Held by State Treasurer**

Accounts payable and accrued salaries to be funded from College funds totaled approximately \$1,258,000 and \$3,589,000 at June 30, 2024 and 2023, 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.

**3. INVESTMENTS**

**Foundation**

Investments of the Foundation are stated at fair market value and classified as Level 1 investments and consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Equity mutual funds	\$ 12,457,430	\$ 10,210,839
Fixed income mutual funds	2,464,642	2,498,976
Hedge Funds	<u>2,114,927</u>	<u>1,468,436</u>
	<u>\$ 17,036,999</u>	<u>\$ 14,178,251</u>

**4. ACCOUNTS RECEIVABLE**

Accounts receivable of the College comprise the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Student accounts receivable	\$ 793,519	\$ 572,155
Less: Allowance for doubtful accounts	<u>150,100</u>	<u>151,025</u>
	<u>\$ 643,419</u>	<u>\$ 421,130</u>

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**5. CONTRIBUTIONS RECEIVABLE**

**Foundation**

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of approximately 5%. Contributions receivable of the Foundation comprise the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 13,270	\$ 86,769
Due within one to five years	<u>5,000</u>	<u>10,000</u>
Gross contributions receivable	18,270	96,769
Unamortized discount and allowance	<u>(1,557)</u>	<u>(7,988)</u>
Total contributions receivable	<u>\$ 16,713</u>	<u>\$ 88,781</u>

**6. 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, 2024 and 2023, 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Perkins Loans receivable	\$ 45,604	\$ 116,187
Joslin Loans receivable	<u>71,509</u>	<u>71,509</u>
	<u>\$ 117,113</u>	<u>\$ 187,696</u>

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 2023-2024 academic year.

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**7. CAPITAL ASSETS**

Capital asset activity for the College for the year ended June 30, 2024, is as follows:

	<b>Estimated Lives (In Years)</b>	<b>(Restated) Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance</b>
<b>Nondepreciable</b>						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		3,142,989	1,461,899	(76,218)	(1,431,895)	3,096,775
Total nondepreciable		<u>3,148,666</u>	<u>1,461,899</u>	<u>(76,218)</u>	<u>(1,431,895)</u>	<u>3,102,452</u>
<b>Depreciable</b>						
Buildings, including improvements	40	190,339,169	27,705	-	1,431,895	191,798,769
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3-10	2,133,202	-	(31,992)	-	2,101,210
Software arrangements	3	691,851	313,171	(43,316)	-	961,706
Leased equipment	5	146,022	-	(146,022)	-	-
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		<u>282,178,191</u>	<u>340,876</u>	<u>(221,330)</u>	<u>1,431,895</u>	<u>283,729,632</u>
<b>Less: Accumulated depreciation</b>						
Buildings, including improvements		89,429,834	3,206,306	-	-	92,636,140
Leased buildings		13,375,524	4,451,870	-	-	17,827,394
Furnishings and equipment		2,219,460	-	(31,992)	-	2,187,468
Software arrangements		192,354	219,940	(43,316)	-	368,978
Leased equipment		137,910	8,112	(146,022)	-	-
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		<u>107,412,611</u>	<u>7,886,228</u>	<u>(221,330)</u>	<u>-</u>	<u>115,077,509</u>
Capital assets, net		<u>\$ 177,914,246</u>	<u>\$ (6,083,453)</u>	<u>\$ (76,218)</u>	<u>\$ -</u>	<u>\$ 171,754,575</u>

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

	<b>Estimated Lives (In Years)</b>	<b>(Restated) Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance</b>
<b>Nondepreciable</b>						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		2,018,506	1,244,943	-	(120,460)	3,142,989
Total nondepreciable		<u>2,024,183</u>	<u>1,244,943</u>	<u>-</u>	<u>(120,460)</u>	<u>3,148,666</u>
<b>Depreciable</b>						
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		<u>281,420,108</u>	<u>665,722</u>	<u>(28,099)</u>	<u>120,460</u>	<u>282,178,191</u>
<b>Less: Accumulated depreciation</b>						
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		<u>99,597,412</u>	<u>7,843,298</u>	<u>(28,099)</u>	<u>-</u>	<u>107,412,611</u>
Capital assets, net		<u>\$ 183,846,879</u>	<u>\$ (5,932,633)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,914,246</u>

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**8. LONG-TERM LIABILITIES**

Activity in long-term liabilities for the College for the year ended June 30, 2024, consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 31,293,926	\$ 460,964	\$ 3,358,674	\$ 28,396,216	\$ 2,406,777
SBITAs liability	506,460	313,171	208,747	610,884	246,498
Lease payable	82,344,809	-	3,666,105	78,678,704	3,592,892
Compensated absences	5,249,398	295,724	-	5,545,122	3,606,906
Workers' compensation	951,311	121,410	-	1,072,721	133,368
Other post-employment benefit liability	2,694,000	-	507,871	2,186,129	-
Net pension liability	2,140,660	-	85,221	2,055,439	-
	<u>\$ 125,180,564</u>	<u>\$ 1,191,269</u>	<u>\$ 7,826,618</u>	<u>\$ 118,545,215</u>	<u>\$ 9,986,441</u>

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

	<u>(Restated) Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
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	-
	<u>\$ 129,612,654</u>	<u>\$ 1,078,181</u>	<u>\$ 5,510,271</u>	<u>\$ 125,180,564</u>	<u>\$ 9,701,640</u>

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, 2024 and 2023, the debt outstanding was \$5,185,769 and \$5,406,024, respectively.

On February 1, 2024, the College's MSCBA Series 2003B, 2016A, 2012A, 2019C, 2014A, 2014B, and 2020A bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2024A. The purpose of the issuance was to provide budgetary relief to the College. The refunding resulted in an economic benefit of approximately \$926,000 and a deferred gain of approximately \$925,000. The first principal payment was due on May 1, 2024, and the final payment is due on May 1, 2034, with an interest rate of 5%. At June 30, 2024 and 2023, the debt outstanding was \$17,031,815 and \$19,384,270, respectively.



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On July 1, 2020, the College's MSCBA Series 2003B, 2016A, 2012A, 2019C, 2014A, 2014B, and 2017C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the College. The refunding resulted in an economic loss of approximately \$2,335,000 and a deferred loss of approximately \$2,411,000. 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, 2024 and 2023, the debt outstanding was \$6,178,632 and \$6,503,632, respectively.

Maturities of bond principal and interest subsequent to June 30, 2024, are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,406,777	\$ 936,264
2026	2,489,361	848,966
2027	2,590,254	757,455
2028	2,679,737	666,441
2029	2,769,481	577,959
2030 - 2034	10,992,160	1,705,851
2035 - 2039	3,688,748	503,898
2040-2041	779,698	41,404
	<u>\$ 28,396,216</u>	<u>\$ 6,038,238</u>

**9. LEASES**

A summary of the College's leases at June 30, 2024, is as follows:

<u>Description</u>	<u>Rate Type</u>	<u>Interest Rate</u>	<u>Lease Liability 6/30/2024</u>
MSCBA - Residence hall	Implicit Rate	5.54%	\$ 20,192,536
MSCBA - Treehouse	Implicit Rate	4.23%	57,894,124
MSCBA - 2006 renewal	Implicit Rate	4.00%	172,775
MSCBA - 20 renewal	Implicit Rate	3.58%	212,965
MSCBA - System debt	Implicit Rate	30.70%	206,304
MSCBA total			<u>\$ 78,678,704</u>

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, 2024 and 2023, the remaining unamortized right-of-use asset related to lease obligations was \$73,443,006 and \$68,983,024, 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.

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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. For the year ended June 30, 2024, \$21 million of the bonds were refunded. The difference in the lease liability due to the refunding was recognized as deferred inflow of resources.

Payments to MSCBA are due in semiannual installments that coincide with the fall and spring academic semesters. For the years ended June 30, 2024 and 2023, debt service payments related to leases paid by the College were \$7,197,304 and \$6,911,301, respectively, and insurance and other payments were \$397,968 and \$529,895, respectively.

Lease interest expense for the years ended June 30, 2024 and 2023, was \$3,826,434 and \$3,945,231, 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, 2024 and 2023. The lease was fully paid off in fiscal year 2023.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2024, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,592,892	\$ 3,659,881	\$ 7,252,773
2026	3,768,298	3,487,641	7,255,939
2027	3,943,939	3,303,228	7,247,167
2028	4,149,935	3,107,750	7,257,685
2029	4,354,265	2,887,782	7,242,047
2030 - 2034	25,104,839	11,211,313	36,316,152
2035 - 2039	29,055,150	5,052,750	34,107,900
2040	4,709,386	183,819	4,893,205
	<u>\$ 78,678,704</u>	<u>\$ 32,894,164</u>	<u>\$ 111,572,868</u>

**NOTE 9A - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The College has entered into subscription-based information technology arrangements (“SBITAs”) for various software products which were initiated in fiscal years ended ranging from June 30, 2022 to 2024. These agreements have expiration dates ranging from April 2026 to August 2028 and have annual payments ranging from \$15,750 to \$120,000. IBR’s of 1%, 3.36%, 3.42% and 3.83% were used to discount all SBITA arrangement payments to recognize the intangible right to use this asset and the associated SBITA liability for all SBITA. There were no payments made for additional services not included in the annual SBITA payments. The College has no options to renew these agreements and there is no option to purchase the software products.

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At June 30, 2024 and 2023, total SBITA right of use assets were \$961,700 and \$691,900, respectively. At June 30, 2024 and 2023, total SBITA accumulated amortization was approximately \$369,000 and \$192,400, respectively.

A summary of the College's SBITAs is as followed at June 30, 2024 and 2023:

<u>Description</u>	<u>Expiration Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>2024 SBITA Liability</u>	<u>2023 SBITA Liability</u>
Ellucian - CRM Advise	6/30/2026	60 months	\$4,955 - \$5,577	1.00%	\$ 130,525	191,969
LinkedIn	7/31/2023	25 months	\$1,750	1.00%	-	1,749
Rapid7	4/25/2026	37 months	\$10,000	3.83%	202,804	312,742
Ellucian - Insights	6/30/2027	48 months	\$1,250 - \$1,447	3.36%	47,117	-
Team Dynamix	8/31/2028	60 months	\$2,412 - \$3,589	3.36%	153,306	-
Pantheon	6/30/2027	37 months	\$2,221 - \$2,258	3.42%	77,132	-
					<u>\$ 610,884</u>	<u>\$ 506,460</u>

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

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 246,498	\$ 95,914	\$ 342,412
2026	232,521	72,525	305,046
2027	82,865	51,153	134,018
2028	41,851	30,622	72,473
2029	7,149	9,635	16,784
	<u>\$ 610,884</u>	<u>\$ 259,849</u>	<u>\$ 870,733</u>

**10. PENSIONS**

Defined Benefit Plan Description

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

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

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**Benefit Provisions**

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:

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
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 16.69%, 16.70%, and 16.11% of annual covered payroll for the fiscal years ended June 30, 2024, 2023, and 2022, respectively. The College contributed \$231,148, \$206,906, and \$216,605 for the fiscal years ended June 30, 2024, 2023, and 2022, respectively, equal to 100% of the required contributions for the years.

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

At June 30, 2024 and 2023, the College reported a liability of \$2,055,439 and \$2,140,660, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2024, the reporting date, was measured as of June 30, 2023, 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, 2023, rolled forward to June 30, 2023. 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 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 2024 and 2023. The College's proportionate share was based on actual employer contributions to SERS for fiscal years 2024 and 2023 relative to total contributions of all participating employers for the fiscal years. At June 30, 2024 and 2023, the College's proportion was 0.014% and 0.015%, respectively.

For the years ended June 30, 2024 and 2023, the College recognized pension expense of \$211,693 and \$177,366, respectively.

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Deferred outflows of resources related to pensions		
Contributions subsequent to the measurement date	\$ 231,148	\$ 206,906
Differences between expected and actual experience	73,015	53,250
Differences between projected and actual investment earnings on pension plan investments	55,318	-
Changes in proportion from the Commonwealth	17	146
Changes in plan actuarial assumptions	34,545	58,936
Changes in proportion due to internal allocation	<u>62,970</u>	<u>110,769</u>
Total deferred outflows related to pensions	<u>\$ 457,013</u>	<u>\$ 430,007</u>
Deferred inflows of resources related to pensions		
Differences between expected and actual experience	\$ 50,790	\$ 83,551
Differences between projected and actual investment earnings on pension plan investments	-	11,412
Changes in proportion from the Commonwealth	15,703	5,790
Changes in proportion due to internal allocation	<u>147,451</u>	<u>20,419</u>
Total deferred inflows related to pensions	<u>\$ 213,944</u>	<u>\$ 121,172</u>

The College's contributions of \$231,148 and \$206,906 made during fiscal years ending June 30, 2024 and 2023, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the succeeding years.

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

2025	\$	572
2026		(5,953)
2027		14,680
2028		2,622
	<u>\$</u>	<u>11,921</u>

**Actuarial Assumptions**

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

	<u>2024</u>	<u>2023</u>
Measurement date	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Salary increases	4.00% to 9.00%	4.50% 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, 2023 and 2022, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 and set forward one year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 and set forward one year for females
- Disability - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, set forward one year.

The 2024 pension liability for the June 30, 2023, measurement date was determined by an actuarial valuation as of January 1, 2022, rolled forward to June 30, 2023. The 2023 pension liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of January 1, 2022, and rolled forward to June 30, 2022.

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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, 2024 and 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2024</u>		<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	38.0%	4.90%	38.0%	4.20%
Core fixed income	15.0%	1.90%	15.0%	0.50%
Portfolio completion strategies	10.0%	3.80%	10.0%	2.70%
Private equity	16.0%	7.40%	15.0%	7.30%
Real estate	10.0%	3.00%	10.0%	3.30%
Value added fixed income	8.0%	5.10%	8.0%	3.70%
Timber/natural resources	4.0%	4.30%	4.0%	3.90%
	<u>101%</u>		<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% at June 30, 2024 and 2023. 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, 2024 and 2023:

<u>2024</u>			<u>2023</u>		
<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
\$ 2,824,924	\$ 2,055,439	\$ 1,404,253	\$ 2,952,457	\$ 2,140,660	\$ 1,453,761

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**11. 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, 2024 and 2023, and as of the valuation date (January 1, 2023 and 2022), 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, 2024 and 2023, respectively. The College contributed \$108,434 and \$90,168 for the fiscal years ended June 30, 2024 and 2023, respectively, equal to 100% of the required contribution for both years.



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

At June 30, 2024 and 2023, the College reported a liability of \$2,186,129 and \$2,694,000, 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, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 and 2022, 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 2023 and 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal years. At June 30, 2024 and 2023, the College's proportion was 0.015% and 0.020%, respectively.

For the years ended June 30, 2024 and 2023, the College recognized OPEB income of \$218,435 and \$109,242, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Deferred outflows of resources related to OPEB		
Contributions subsequent to the measurement date	\$ 108,434	\$ 90,168
Differences between expected and actual experience	88,916	49,592
Changes in OPEB plan actuarial assumptions	96,038	198,422
Changes in proportion from the Commonwealth	200	1,238
Net differences between projected and actual earnings on OPEB plan investments	7,144	4,095
Changes in proportion due to internal allocation	<u>468,588</u>	<u>646,808</u>
Total deferred outflows related to OPEB	<u>\$ 769,320</u>	<u>\$ 990,323</u>
Deferred inflows of resources related to OPEB		
Changes in proportion due to internal allocation	\$ 1,036,946	\$ 483,950
Differences between expected and actual experience	245,557	446,021
Changes in proportion from the Commonwealth	20,919	13,304
Changes in OPEB plan actuarial assumptions	<u>563,881</u>	<u>975,016</u>
Total deferred inflows related to OPEB	<u>\$ 1,867,303</u>	<u>\$ 1,918,291</u>

**Contributions**

The College's contributions of \$108,434 and \$90,168 made during fiscal years ended June 30, 2024 and 2023, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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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:

2025	\$ (339,622)
2026	(327,763)
2027	(313,911)
2028	(191,028)
2029	<u>(34,093)</u>
	<u>\$ (1,206,417)</u>

**Actuarial Assumptions**

The total OPEB liability for 2024 and 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified is as follows:

Measurement date	June 30, 2023	June 30, 2022
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 2023_1f. Medicare and non-Medicare benefits range from 5.79% to 7.50%.	Developed based on the most recent published GAO-Getzen trend rate model, version 2022_f4. Medicare and non-Medicare benefits range from 5.00% to 7.60%.

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2021 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.

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

	2024		2023	
	Retirement Age		Retirement Age	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	27.0%	96.0%	28.0%	96.0%
POS/PPO	63.0%	0.0%	60.0%	0.0%
HMO	10.0%	4.0%	12.0%	4.0%

The actuarial assumptions used in the January 1, 2023 and 2022, valuations were based on the results of an actuarial experience study for the periods ranging from July 1, 2021 and 2020 through December 31, 2022 and 2021, 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, 2024 and 2023, is the same as discussed in the pension footnote.

**Discount Rate**

The discount rate used to measure the total OPEB liability for 2024 and 2023 was 4.34% and 4.30%, respectively. These rates were based on a blend of the Bond Buyer Index Rate (3.65% and 3.54%) 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 2024 and 2023, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% 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, 2024 and 2023:

2024			2023		
1.00% Decrease (3.34%)	Current Discount Rate (4.34%)	1.00% Increase (5.34%)	1.00% Decrease (3.30%)	Current Discount Rate (4.30%)	1.00% Increase (5.30%)
\$ 2,554,281	\$ 2,186,132	\$ 1,884,045	\$ 3,142,842	\$ 2,694,000	\$ 2,325,309

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**Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates**

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

2024			2023		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 1,831,813	\$ 2,186,132	\$ 2,634,324	\$ 2,258,343	\$ 2,694,000	\$ 3,245,489

- (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.

**12. OTHER FRINGE BENEFITS**

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

**Group Insurance Commission**

The Commonwealth’s 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, 2024 and 2023, 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).

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**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.

**13. 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 \$200,000 and \$2,039,261, 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, 2024 and 2023, approximately \$493,000 and \$468,000 were recognized as revenue, respectively.

**14. 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Restricted - nonexpendable, categorized by allowable income usage		
Scholarships	\$ 54,881	\$ 53,898
Loans	<u>4,908</u>	<u>4,908</u>
	<u>\$ 59,789</u>	<u>\$ 58,806</u>
Restricted - expendable		
Program activities	\$ 2,468,470	\$ 987,728
Loans	<u>209,213</u>	<u>289,964</u>
	<u>\$ 2,677,683</u>	<u>\$ 1,277,692</u>

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.

**15. 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.

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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 accepts 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.

**16. OPERATING EXPENSES**

The College’s operating expenses, on a natural classification basis, are comprised of the following for the years ended at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Compensation and benefits	\$ 53,954,090	\$ 48,621,763
Supplies and services	29,895,169	26,573,243
Depreciation	7,886,228	7,843,298
Scholarships and fellowships	<u>1,034,147</u>	<u>593,091</u>
	<u>\$ 92,769,634</u>	<u>\$ 83,631,395</u>

**17. 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 \$2,158,000 and \$2,103,000, which are included within other operating revenues, for the years ended June 30, 2024 and 2023, respectively.

**18. PASS-THROUGH STUDENT FEDERAL LOANS**

The College distributed \$21,609,094 and \$10,457,570 for student loans through the United States Department of Education federal direct lending program for the years ended June 30, 2024 and 2023, 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.

**Massachusetts College of Art and Design**  
**(An agency of the Commonwealth of Massachusetts)**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

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**19. MASSACHUSETTS MANAGEMENT ACCOUNTING AND REPORTING SYSTEM**

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

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

The College's State appropriations are comprised of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Direct unrestricted appropriations	\$ 25,862,582	\$ 23,163,073
Fringe benefits for benefited employees on the State payroll	<u>13,815,346</u>	<u>11,694,678</u>
Total unrestricted appropriations	39,677,928	34,857,751
Capital appropriations	<u>278,173</u>	<u>644,166</u>
Total appropriations	<u>\$ 39,956,101</u>	<u>\$ 35,501,917</u>

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

A reconciliation of revenue between the College and MMARS as of June 30, 2024 and 2023, is as follows (unaudited):

	<u>2024</u>	<u>2023</u>
Revenue per MMARS	\$ 94,709,375	\$ 91,183,870
Revenue per College	<u>94,709,375</u>	<u>91,183,870</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of expenditures between the College and MMARS as of June 30, 2024 and 2023, is as follows (unaudited):

	<u>2024</u>	<u>2023</u>
Expenditures per MMARS	\$ 90,321,143	\$ 84,166,059
Expenditures per College	<u>90,321,143</u>	<u>84,166,059</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

**Massachusetts College of Art and Design**  
**(An agency of the Commonwealth of Massachusetts)**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**20. 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.

Massachusetts College of Art and Design's preliminary unrestricted net position at June 30, 2024				\$ 41,130,645
	<u>Local</u>	<u>State</u>	<u>Total</u>	
Reconciling items				
Inventories	\$ 139,473	\$ -	\$ 139,473	
Deferred outflows of resources	-	1,226,333	1,226,333	
Deferred inflows of resources	(3,450,309)	(2,081,247)	(5,531,556)	
Accrued interest	-	(433,781)	(433,781)	
Accrued salaries and wages	-	(2,000,875)	(2,000,875)	
Accrued compensated absences and benefits	(282,150)	(6,335,693)	(6,617,843)	
Other post-employment benefit liability	-	(2,186,129)	(2,186,129)	
Net pension liability	-	(2,055,439)	(2,055,439)	
Total				<u>(17,459,817)</u>
Massachusetts College of Art and Design's audited unrestricted net position at June 30, 2024				<u>\$ 23,670,828</u>
Distribution of unrestricted net position				
Local funds				\$ 37,537,659
State funds				<u>(13,866,831)</u>
				<u>\$ 23,670,828</u>
Massachusetts College of Art and Design's preliminary unrestricted net position at June 30, 2023				\$ 38,759,583
	<u>Local</u>	<u>State</u>	<u>Total</u>	
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				<u>(17,441,909)</u>
Massachusetts College of Art and Design's audited unrestricted net position at June 30, 2023				<u>\$ 21,317,674</u>
Distribution of unrestricted net position				
Local funds				\$ 34,911,124
State funds				<u>(13,593,450)</u>
				<u>\$ 21,317,674</u>



**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, 2024	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, 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	June 30, 2014
Valuation date	January 1, 2023	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	0.014%	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	\$ 2,055,439	\$ 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	\$ 1,238,958	\$ 1,344,538	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572	\$ 1,114,968	\$ 1,159,256	\$ 1,286,662	\$ 1,180,782
College's proportionate share of the net pension liability as a percentage of its covered payroll	165.90%	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	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 231,148	\$ 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	<u>(231,148)</u>	<u>(206,906)</u>	<u>(216,605)</u>	<u>(184,791)</u>	<u>(165,328)</u>	<u>(137,212)</u>	<u>(127,527)</u>	<u>(110,939)</u>	<u>(109,550)</u>	<u>(133,684)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,384,949	\$ 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	16.69%	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 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, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.015%	0.020%	0.018%	0.016%	0.021%	0.022%	0.020%
Proportionate share of the collective net OPEB liability	\$ 2,186,132	\$ 2,694,000	\$ 2,846,439	\$ 3,377,693	\$ 3,801,775	\$ 4,037,200	\$ 4,003,270
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
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	176.45%	200.37%	225.82%	287.66%	334.11%	372.93%	359.05%
Plan fiduciary net position as a percentage of the total OPEB liability	13.80%	13.00%	10.70%	6.40%	6.96%	6.01%	4.80%

**Notes**

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

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**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 108,434	\$ 90,168	\$ 102,868	\$ 97,036	\$ 85,644	\$ 100,067	\$ 96,553
Contributions in relation to the statutorily required contribution	<u>(108,434)</u>	<u>(90,168)</u>	<u>(102,868)</u>	<u>(97,036)</u>	<u>(85,644)</u>	<u>(100,067)</u>	<u>(96,553)</u>
Contribution (excess) deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,384,949	\$ 1,238,958	\$ 1,344,538	\$ 1,260,509	\$ 1,174,204	\$ 1,137,883	\$ 1,082,572
Contribution as a percentage of covered payroll	7.83%	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%

**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.

**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2024 and 2023**

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**1. CHANGE IN PLAN ACTUARIAL AND ASSUMPTIONS - PENSION**

Measurement date - June 30, 2023

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement Date - June 30, 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.

**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2024 and 2023**

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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, 2024**

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 2023\_1f. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth’s historical trend rates.

**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2024 and 2023**

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*Change in Discount Rate*

The discount rate was increased to 4.34% based upon a blend of the Bond Buyer Index Rate (3.65%) as of the measurement date as required by GASB Statement No. 74.

**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.



**Massachusetts College of Art and Design  
(An agency of the Commonwealth of Massachusetts)  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2024 and 2023**

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*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, 2024 and 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 29, 2024.

#### Report on Internal Control over Financial Reporting

In planning and performing our audits 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.

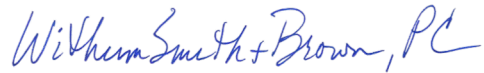
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

### 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

October 29, 2024

## **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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash and equivalents	\$ 1,107,433	\$ 2,402,422
Total Residence Hall Trust Fund assets	<u>\$ 1,107,433</u>	<u>\$ 2,402,422</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Compensated absences	\$ 49,445	\$ 45,923
Workers' compensation	<u>9,565</u>	<u>8,322</u>
Total Residence Hall Trust Fund liabilities	<u>59,010</u>	<u>54,245</u>
<b>Net position (deficit)</b>		
Residence Hall Trust Fund net (deficit) position - Smith Hall	(2,951,003)	(2,379,404)
Residence Hall Trust Fund net position - Artist Residence	3,018,923	2,151,465
Residence Hall Trust Fund net position - Treehouse	<u>980,503</u>	<u>2,576,116</u>
Total net position	<u>1,048,423</u>	<u>2,348,177</u>
Total Residence Hall Trust Fund liabilities and net position	<u>\$ 1,107,433</u>	<u>\$ 2,402,422</u>

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Revenues</b>		
Student rents	\$ 9,106,787	\$ 9,229,178
Contract rents	3,374,603	3,592,400
Other	<u>856,609</u>	<u>940,467</u>
Total revenues	<u>13,337,999</u>	<u>13,762,045</u>
<b>Expenses</b>		
Loans and special payments	7,595,272	7,329,916
Operational services	6,514,242	5,610,593
Regular employee compensation	302,423	278,837
Information technology	6,582	3,296
Pension and insurance related	138,886	105,971
Administrative	46,673	16,141
Regular employee related	3,243	5,392
Special employee compensation	19,535	9,668
Facility operational	<u>1,712</u>	<u>4,420</u>
Total expenses	<u>14,628,568</u>	<u>13,364,234</u>
<b>Revenues over (expenses)</b>	<u>(1,290,569)</u>	<u>397,811</u>
<b>Nonoperating revenues (expenses) and transfers</b>		
Transfers	<u>(9,185)</u>	<u>22,117</u>
Total nonoperating revenues (expenses) and transfers	<u>(9,185)</u>	<u>22,117</u>
<b>Total increase in net position</b>	(1,299,754)	419,928
<b>Net position</b>		
Beginning of year	<u>2,348,177</u>	<u>1,928,249</u>
End of year	<u>\$ 1,048,423</u>	<u>\$ 2,348,177</u>

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