

MASSACHUSETTS COLLEGE OF ART AND DESIGN
(An agency of the Commonwealth of Massachusetts)
Financial Statements
and
Management's Discussion and Analysis
June 30, 2025 and 2024

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
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June 30, 2025 and 2024

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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, 2025 and 2024 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, 2025 and 2024, 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 31, 2025 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 31, 2025

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Management’s Discussion and Analysis
June 30, 2025 and 2024**

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 fiscal year ended June 30, 2025. This discussion and analysis has been prepared by management and should be read in conjunction with the enclosed financial statements and footnotes. Responsibility for the fairness and completeness of this narrative rests with the College.

Massachusetts College of Art and Design is a member of the Commonwealth’s Public Higher Education System. The College serves over 2100 students, offering baccalaureate, graduate degrees and certificate programs as well as continuing education programs and campus housing. Founded in 1873, MassArt 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 405 employees which include 125 full-time faculty and 280 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 remained steady with an over 2% increase from FY24.
- 97% occupancy in Residence Halls.
- Revenue increase of \$145K reflects stabilized enrollment and activities along with increased program support through grants.
- Expense increases of \$3.6M including filling critical positions, supporting capital projects and introduction of new technologies including a new Learning Management System.
- A change in net position of \$3.5M signifies continued strong fiscal management and controls.
- Capital Projects–Completed Tower Soffit repairs and expended \$1.1M in additional Fair Share Deferred Maintenance projects, including new high Efficiency Boilers and Glass Furnaces – along with continued planning for the study phase of the Tower Project continuing into FY26.
- Strategic initiatives including a continuation of the brand refresh, the launch of a new website, and a new Foundation Campaign to generate additional support for the College.
- Resumption of direct management of the residence halls.
- Over \$200,000 in emergency grants issued to students via the SUCCESS program.

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 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 composed 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 and are prepared in accordance with Government Accounting Standards Board principles. They 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 FY2025, 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 a FY2025 state appropriation (non-operating revenue) of \$27,200,382, including \$790,850 in formula funds and \$546,923 in collective bargaining reserve funds.
- Overall non-operating revenue in FY2025 increased by approximately \$2.79M to \$39,483,436 from FY2024 total of \$36,692,589. This is attributed to a \$2.29M increase in the state appropriation, a \$265K decrease in interest income and a \$769K decrease in interest expense.
- The College's operating expenses for FY2025 totaled \$96,341,368, an increase of \$3.57M or 3.8% from the prior year. This increase occurred across almost every category of expense including payroll, plant, teaching and operational supplies.

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FINANCIAL HIGHLIGHTS

	FY2025	FY2024	FY2023
Operating revenues (tuition and fees)	\$ 57,755,316	\$ 57,610,742	\$ 55,247,537
Operating Expenses	\$ 96,341,368	\$ 92,769,634	\$ 83,631,417
Net operating Loss	\$ (38,586,052)	\$ (35,158,892)	\$ (28,383,880)
Non-Operating Revenues (state appropriation)	\$ 39,483,436	\$ 36,692,589	\$ 31,715,489
Change in net Position before Capital	\$ 897,384	\$ 1,533,697	\$ 3,331,609
Total Capital Improvements	\$ 2,660,060	\$ 278,173	\$ 644,166
Change in net Position	\$ 3,557,444	\$ 1,811,870	\$ 3,975,775

- Change in Net Position for FY2025 is \$897K before capital improvements and due in part to a larger increase in overall expenses (3.8%) than operating and non - operating revenue (3.1%) from FY2024.

STATEMENT OF NET POSITION

The College’s assets total \$221,492,548 of which non-current assets represent 77.6%, and \$49,049,057, or 22.4% represent current assets. It is important to note the primary assets of the College are non-current and represent the value of fixed plant and equipment. The ongoing presentation under GASB 87, which eliminated the distinction between operating and capital leases, has resulted in some material changes to the presentation of assets and liabilities on the statement of net position. Most of the lease obligations will be reflected as liabilities and assets on the statement of financial position. Lease payments will now have a portion that reduces the lease liability and a portion that flows through the statement of activities as an interest expense. A corresponding lease asset will be recorded and amortized over the lease term or the useful life of the underlying asset whichever is shorter.

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

In FY2023, the College implemented GASB 96 which establishes a uniform accounting and financial reporting for SBITAs (contracts that convey control of the right, for a period of time, to use another party’s IT software, alone or in combination with tangible assets). This standard aims at improving the comparability of governmental financial statements and consistency of information about SBITAs.

The College’s liabilities total \$120,998,099 of which 86.1% 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 \$16,770,972 represent 13.9% of the total and consist of accounts payable, deferred revenue and the current portion of long-term obligations.

The College also has deferred outflows of resources of \$2,554,711 and deferred inflows of resources of \$6,073,259 at year-end. These account for other changes in the net pension and OPEB valuations, losses related to debt refinancing and the treatment of concession contract revenues over the life of the contract.

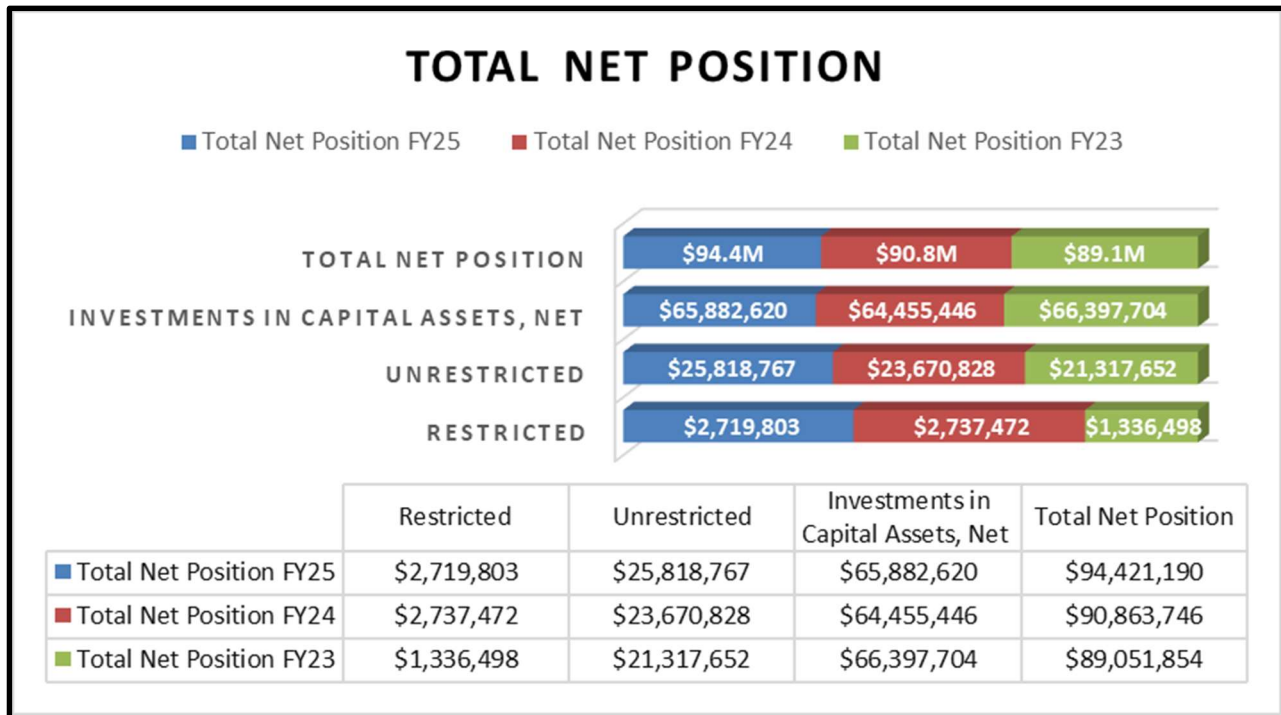
The College closed FY2025 in a positive financial position and has sufficient current assets to cover current liabilities, a current ratio of (2.9). The current assets are \$49,049,057 and the current liabilities are \$16,770,972.

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STATEMENT OF REVENUES AND EXPENSES AND OF CHANGES IN NET POSITION			
	<u>FY2025</u>	<u>FY2024</u>	<u>FY2023</u>
Current Assets	\$ 49,049,057	\$ 47,899,793	\$ 43,670,552
Non-Current Assets	\$ 169,888,780	\$ 171,998,129	\$ 178,155,924
Total Assets	\$ 218,937,837	\$ 219,897,922	\$ 221,826,476
Deferred Outflows of Resources	\$ 2,554,711	\$ 2,461,590	\$ 3,314,453
Total Assets & Deferred Outflows of Resources	\$ 221,492,548	\$ 222,359,512	\$ 225,140,929
Current Liabilities	\$ 16,770,972	\$ 16,221,202	\$ 14,827,478
Non-Current Liabilities	\$ 104,227,127	\$ 108,558,774	\$ 115,478,924
Total Liabilities	\$ 120,998,099	\$ 124,779,976	\$ 130,306,402
Deferred Inflows of Resources	\$ 6,073,259	\$ 6,715,790	\$ 5,782,673
Total Liabilities & Deferred Inflows of Resources	\$ 127,071,358	\$ 131,495,766	\$ 136,089,075
Total Net Position	\$ 94,421,190	\$ 90,863,746	\$ 89,051,854

The difference between total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources (net position) is \$94,421,190.

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The College has positive balances in all net position categories at the end of FY23, FY24 and FY25. Comparatively, total Net Position increased by 2% from FY23 to FY24 and nearly 4% from FY24 to FY25. Unrestricted funds being the main driver of growth, up \$2.1M and reflecting stronger operating results. Capital assets remain stable, while restricted funds fluctuate slightly but remain relatively flat year over year. In FY25, capital assets, representing land, buildings, construction in progress, equipment and educational resource materials, account for 69.8% of the College’s total net position with restricted funds totaling 2.9% and unrestricted funds totaling 27.3%. Restricted funds are for specialized program activities and financial aid loan programs, which are subject to external restrictions on use.

The College, at year-end, has a local unrestricted fund balance of \$39,586,535. We also have unfunded liabilities with the Commonwealth of Massachusetts Unrestricted Fund Balance totaling (\$13,767,766). The Commonwealth Unrestricted Fund Balance includes liabilities for employee’s accumulated sick and vacation leave, net pension activity and OPEB.

Note 22 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 present the College’s results of operations. A summary of the FY2025-FY2023 operating and non-operating revenue, expenses and net position is as follows:

	FY 2025	FY 2024	FY 2023
I. NET POSITION, BEGINNING OF YEAR	\$ 90,863,746	\$ 89,051,876	\$ 85,076,079
II. OPERATING REVENUE			
TUITION, FEES, & OTHER REVENUE	\$ 57,755,316	\$ 57,610,742	\$ 55,247,537
III. OPERATIONAL EXPENSES	<u>\$ 96,341,368</u>	<u>\$ 92,769,634</u>	<u>\$ 83,631,395</u>
IV. OPERATING LOSS (II-III)	\$ (38,586,052)	\$ (35,158,892)	\$ (28,383,858)
V. NON-OPERATING:			
COMMONWEALTH APPROPRIATIONS	\$ 41,964,576	\$ 39,677,928	\$ 34,857,751
INVESTMENT INCOME	\$ 2,180,430	\$ 2,445,740	\$ 1,244,048
CARES ACT	\$ -	\$ -	\$ 740,493
& INTEREST EXPENSE	<u>\$ (4,661,570)</u>	<u>\$ (5,431,079)</u>	<u>\$ (5,126,803)</u>
TOTAL NON-OPERATING ACTIVITY	<u>\$ 39,483,436</u>	<u>\$ 36,692,589</u>	<u>\$ 31,715,489</u>
NET INCOME /LOSS BEFORE			
VI. CAPITAL IMPROVEMENTS (IV+V)	\$ 897,384	\$ 1,533,697	\$ 3,331,631
VII. CAPITAL IMPROVEMENTS TO BUILDINGS	<u>\$ 2,660,060</u>	<u>\$ 278,173</u>	<u>\$ 644,166</u>
VIII. CHANGE IN NET POSITION (VI+VII)	<u>\$ 3,557,444</u>	<u>\$ 1,811,870</u>	<u>\$ 3,975,797</u>
IX. NET POSITION, END OF YEAR (I+VIII)	\$ 94,421,190	\$ 90,863,746	\$ 89,051,876

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 FY2025, non-operating revenue sources increased to 43% of the total annual income compared to a FY2024 level of 42%. The FY2023 share was 40%.

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<u>Non-operating revenue (Expenses)</u>	FY2025	FY2024	FY2023
Commonwealth Appropriation	\$ 41,964,576	\$ 39,677,928	\$ 34,857,751
Federal Grants	\$ 0	\$ 0	\$ 740,493
Investment income	\$ 2,180,430	\$ 2,445,740	\$ 1,244,048
Interest Expense	\$ (4,661,570)	\$ (5,431,079)	\$ (5,126,803)
Total Non-Operating Revenue	\$ 39,483,436	\$ 36,692,589	\$ 31,715,489

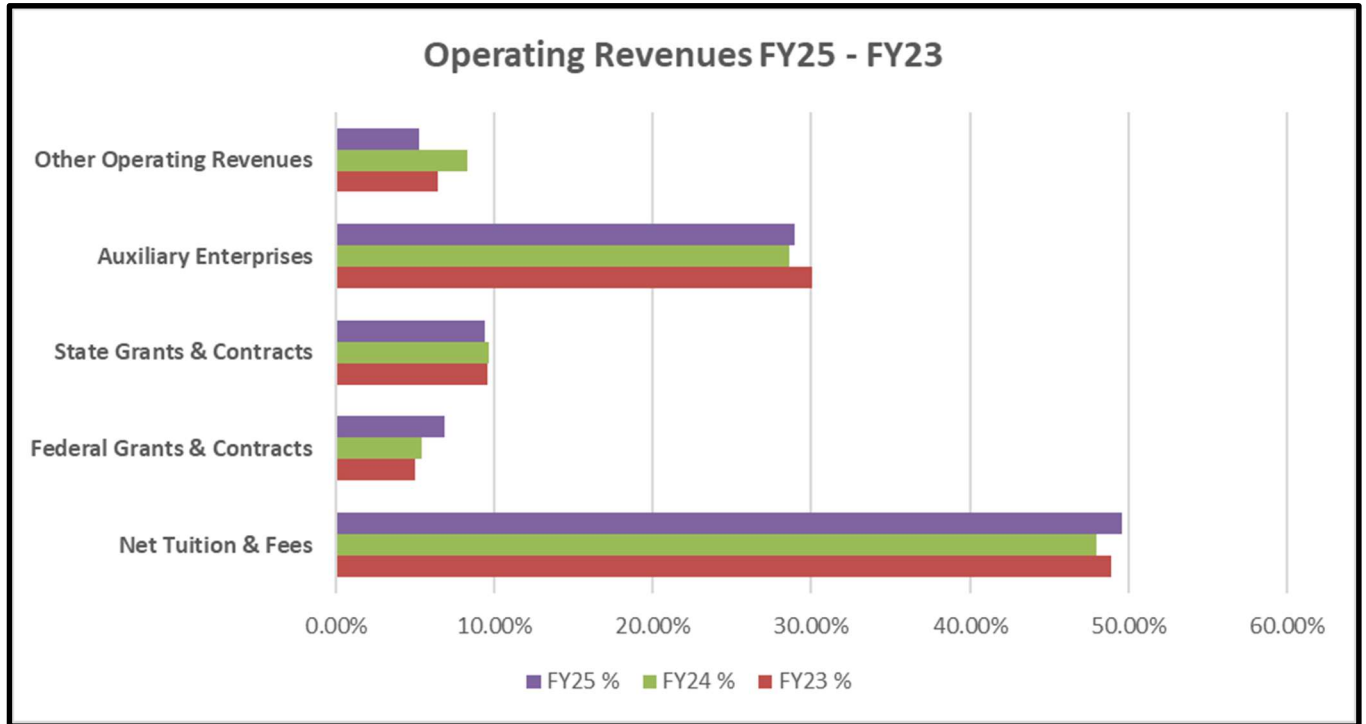
As of June 30, 2025, the College offsets the operating loss of \$38.6M by the Commonwealth's FY2025 appropriation and fringe support to the College. It acts as a subsidy and is considered non-operating income, which assists in making up the operating loss not covered by tuition, fees and other operating revenue.

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

Net Tuition and Fees Revenue	<u>FY2025</u>	<u>FY2024</u>	<u>FY2023</u>
Undergraduate Day Program Student Charges	\$ 37,426,065	\$ 36,000,779	\$ 33,769,797
Graduate and Program of Continuing Education Tuition and Fees	<u>\$ 5,012,657</u>	<u>\$ 4,729,208</u>	<u>\$ 4,495,448</u>
Total Tuition and Fee Revenue	\$ 42,438,722	\$ 40,729,987	\$ 38,265,245
Less: Scholarships	<u>\$ (13,804,138)</u>	<u>\$ (13,092,604)</u>	<u>\$ (11,217,848)</u>
Net Tuition and Fees Revenue	\$ 28,634,584	\$ 27,637,383	\$ 27,047,397

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Operating revenues are displayed below:



- Tuition and fees remain the largest source of operating revenue, accounting for roughly 50% of all total operating revenues.
- MassArt’s auxiliary enterprises, consisting of the residence halls and campus dining, account for 29% of operating revenue.
- Income from federal and state grants total 16.2% of operating income, specifically the 1.2% increase in federal grants.
- 5.28% is classified as other operating revenues, derived from a variety of sources. In this category is \$1,954,688 in support from the Massachusetts College of Art and Design Foundation, Inc. utilized for direct program support through grants, scholarships and facilities projects. In FY2025, support from the Foundation, combined with emergency grant funding from the state, provided targeted assistance to students facing urgent financial needs.

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:

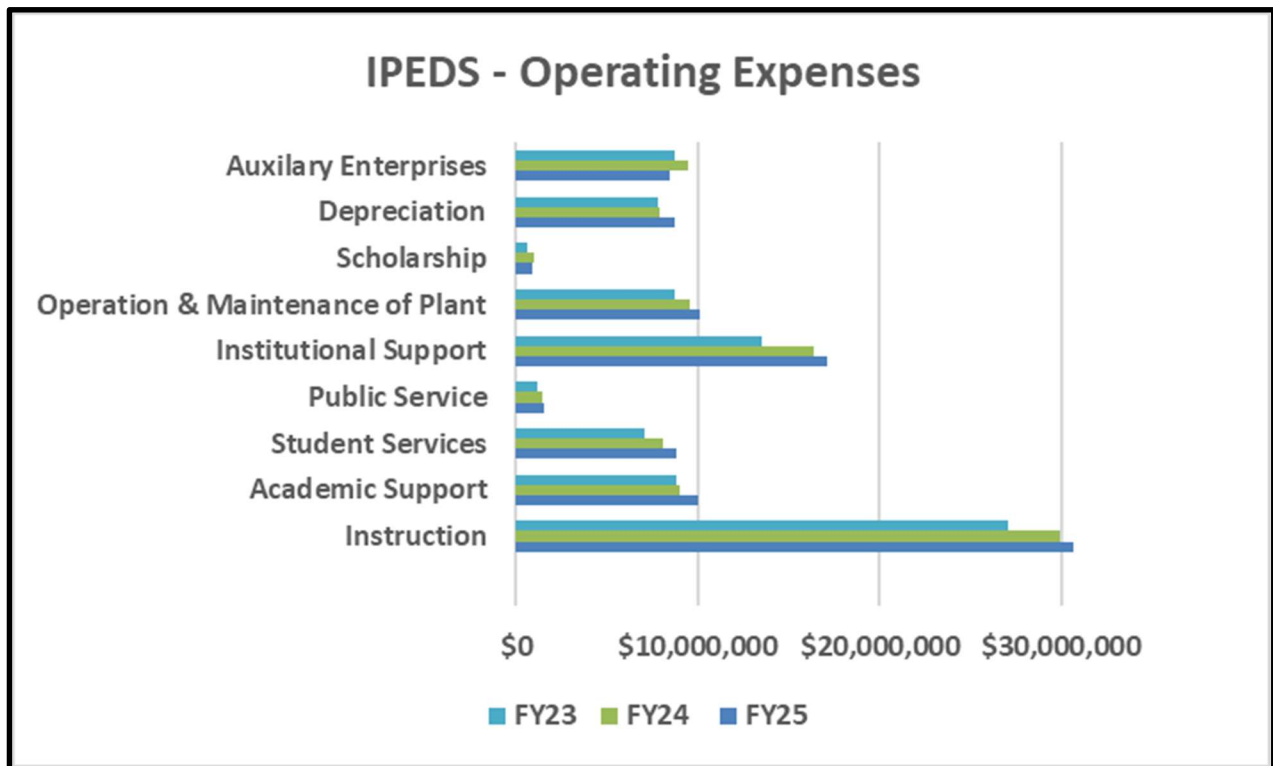
- MA State University SUCCESS Grant
- Department of Public Health Grant for students
- EOPSS State Share Cybersecurity Grant Program (SSCGP)
- After School and Dual Enrollment support for Artward Bound (DESE, Rappaport and Cummings Foundation)
- Commonwealth Endowment Incentive
- DHE Mental Health Grant and Food Insecurity Grant

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- MAICEI Grant
- City of Boston – Boston Bridge Program and UnMonument Program
- Board of Library Commissioners – Youth Arts Workshop Program
- MA Cultural Council - Cultural Facilities Grant

Operating expenditures totaled \$96,341,268.

- Consistent with the College’s strategic priority to maintain competitive advantage, our instructional and academic and student support expenses account for 51.4% (31.9%, 10.4% and 9.2%) of total operating expenses.
- Auxiliary enterprises are 8.8% of the total, institutional spending (i.e. administrative expenditures) account for 17.8% of operational costs, which is in line with peer institution spending rates.
- Plant (10.5%) and depreciation (9.1%) expenses account for 19.6% of the operating costs.



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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 FY2025 was \$48,726,514 which reflects an increase of \$1.85M over FY2024 and \$6.36M over FY 2023.

<u>STATEMENT OF CASH FLOWS</u>			
	<u>FY2025</u>	<u>FY2024</u>	<u>FY 2023</u>
Cash, Beginning of Year	\$46,877,575	\$42,370,757	\$36,247,628
Cash, End of Year	\$48,726,514	\$46,877,575	\$42,370,757

Capital Expenses

In FY2025 capital funding of \$2,660,060 supported key investments in campus-wide projects. The emergency repairs to the Tower Building soffit were completed and the following projects were funded with Fair Share funding:

- Continuing to address minor ADA deficiencies throughout the campus
- Upgrade to the Cleaver Brooks boiler and burner
- Installation of EV charging stations in the Ward parking lot.
- Replacement of MAAM boiler
- Security improvements
- Replacement of Hot Shop furnaces
- New blinds in the DMC atrium
- Bio-digester installation in cafeteria

Studies were also performed to replace the Fire Pump and Automatic Transfer Switch in the Tower Building and the Fire Alarm in the Collins Building, and a study to replace steps in the Palace Road entry to the Tower Building. The work from these studies will begin in FY26 using the Critical Repair funding from DCAMM.

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.

Continuing our effort to modernize our operations, in FY25 the College finalized its rollout of Canvas, the new Learning Management System (LMS), which will offer significantly expanded functionality for faculty and students, as well as lay the foundation for the College’s ability to expand its online offerings in the future.

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Updates to our Enterprise Resource Planning (ERP) system continue, including plans to activate the budget module in FY26, which will further integrate the annual budget build process into our existing financial systems.

The College also completed its activation of CRM Advise which will expand the ability of advisors and faculty to track students' academic performance, identify at-risk students, and connect them with support services.

The Human Resources and Financial Aid offices joined Housing and Technology in developing Team Dynamix-based pages for submitting tickets to address the needs of faculty, staff, and students. These systems will provide the College with more accurate data to assist us in measuring the performance of these departments as well as more efficiently respond to our community's needs. Both systems are expected to launch in the next few months.

Management remains committed to sustaining and enhancing the quality of academic programs while continuously strengthening support services for students. In addition, the College will continue its commitment to efficient and transparent operations. FY26 will introduce electronic payment vouchers, requisitions and purchase orders. Administration and Finance worked with business partners across the college and 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.

The entering class for FY25 was 433 students. In order to ensure stable if not growing enrollment moving forward, the College hired a VP for Student Success and Enrollment Management, and realigned several student services departments into a new Student Success and Enrollment Management unit, reporting to the new VP.

Student scholarships continue to be a critical component of recruiting and enrolling qualified students, retaining them, and ensuring their overall success. Accordingly, the activity in the General Scholarship Account has risen from \$5.067 million in FY2024 to \$5.187 million in FY2025.

However, state support for the Mass Grant and Mass Grant Plus programs is shrinking along with other aid-related allocations such as emergency funds and cash grant funds. Overall, MassArt expects a reduction in these programs of just over \$200,000 for FY26.

In response, senior leadership is finalizing a plan to increase the overall amount of institutional aid offered by the College in FY26. These expanded awards will focus on expanding merit awards, particularly for students from New England.

In FY25 the College began the process to create an updated master plan. DCAMM is currently seeking proposals from qualified architecture and planning firms to assist in the plan's development. The plan will guide the campus physical evolution in alignment with MassArt's Strategic Plan, supporting its academic mission, sustainability goals, and community engagement while addressing changing student needs, technology, and economic challenges. This long-term vision for the campus over the next 10-20 years has the potential to dramatically change the College's footprint, and more effectively utilize our property to train the next generation of artists, educators and designers.

The College also received \$10M from the Commonwealth to address critical components of deferred maintenance in the Tower building. Replacing core aspects of the Tower infrastructure will ensure the building will remain fully functional for the foreseeable future.

Other FY25 operational highlights include the successful completion of the College's NECHE self-study and campus visit and resuming direct management of the residential facilities.

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
June 30, 2025 and 2024**

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.

In alignment with the College's strategic plan, management remains committed to sustaining and enhancing the quality of academic programs while expanding student support services. Continued investments in instructional technology, student success initiatives, and academic infrastructure reflect a deliberate effort to meet evolving educational needs and institutional goals. These efforts underscore MassArt's dedication to fostering an inclusive, innovative, and student-centered learning environment that prepares graduates for success in a dynamic creative economy.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2025 and 2024

	Primary Government		Component Unit	
	2025 College	2024 College	2025 Foundation	2024 Foundation
Assets and Deferred Outflows of Resources				
Current assets				
Cash and equivalents	\$ 47,317,261	\$ 45,376,283	\$ 3,330,387	\$ 3,254,232
Deposits held by State Treasurer	1,026,948	1,257,738	-	-
Cash held by MSCBA - debt service reserve	154,000	335,652	-	-
Accounts receivable, net	264,553	643,419	-	-
Contributions receivable, net	-	-	3,637	16,713
Loans receivable	109,403	117,113	-	-
Prepaid expenses	6,885	28,543	-	-
Investments	-	-	1,595,914	2,114,927
Inventories and other assets	170,007	141,045	3,900	-
Due from Massachusetts College of Art and Design	-	-	-	1,709
Total current assets	<u>49,049,057</u>	<u>47,899,793</u>	<u>4,933,838</u>	<u>5,387,581</u>
Noncurrent assets				
Restricted cash and equivalents	344,351	207,146	-	-
Restricted deposits held by State Treasurer	37,954	36,408	-	-
Investments	-	-	18,317,632	14,922,072
Capital assets, net	<u>169,506,475</u>	<u>171,754,575</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>169,888,780</u>	<u>171,998,129</u>	<u>18,317,632</u>	<u>14,922,072</u>
Total assets	<u>218,937,837</u>	<u>219,897,922</u>	<u>23,251,470</u>	<u>20,309,653</u>
Deferred outflows of resources				
Loss on refunding of bonds and leases	1,034,373	1,235,257	-	-
Other post-employment benefit related	930,549	769,320	-	-
Pension related	<u>589,789</u>	<u>457,013</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>2,554,711</u>	<u>2,461,590</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 221,492,548</u>	<u>\$ 222,359,512</u>	<u>\$ 23,251,470</u>	<u>\$ 20,309,653</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, 2025 and 2024

	Primary Government		Component Unit	
	2025 College	2024 College	2025 Foundation	2024 Foundation
Liabilities, Deferred Inflows of Resources, and Net Position				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,940,693	\$ 3,208,451	\$ 84,597	\$ 191,156
Accrued salaries and wages	2,103,326	2,000,875	-	-
Current portion accrued compensated absences and benefits	3,940,238	3,740,274	-	-
Annuity payable	-	-	10,205	10,688
Current portion of lease liability	3,768,298	3,592,892	-	-
Current portion of SBITA liability	786,782	246,498	-	-
Current portion bonds payable	2,489,361	2,406,777	-	-
Unearned revenues and deposits	742,274	1,025,435	-	-
Due to Massachusetts College of Art and Design	-	-	11,123	-
Total current liabilities	<u>16,770,972</u>	<u>16,221,202</u>	<u>105,925</u>	<u>201,844</u>
Noncurrent liabilities				
Accrued compensated absences and benefits, net of current portion	2,911,014	2,877,569	-	-
Lease liability, net of current portion	71,317,514	75,085,812	-	-
SBITA liability	1,902,161	364,386	-	-
Bonds payable, net of current portion	23,500,076	25,989,439	-	-
Net other post-employment benefit liability	2,435,527	2,186,129	-	-
Net pension liability	<u>2,160,835</u>	<u>2,055,439</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>104,227,127</u>	<u>108,558,774</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>120,998,099</u>	<u>124,779,976</u>	<u>105,925</u>	<u>201,844</u>
Deferred inflows of resources				
Public-private partnership	3,395,289	3,450,309	-	-
Gain on Refunding of bonds and leases	1,048,036	1,184,234	-	-
Other post-employment benefit related	1,453,054	1,867,303	-	-
Pension related	<u>176,880</u>	<u>213,944</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>6,073,259</u>	<u>6,715,790</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	65,882,620	64,455,446	-	-
Restricted				
Nonexpendable	58,623	59,789	10,278,082	9,651,236
Expendable	2,661,180	2,677,683	11,892,502	9,435,244
Unrestricted	<u>25,818,767</u>	<u>23,670,828</u>	<u>974,961</u>	<u>1,021,329</u>
Total net position	<u>94,421,190</u>	<u>90,863,746</u>	<u>23,145,545</u>	<u>20,107,809</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 221,492,548</u>	<u>\$ 222,359,512</u>	<u>\$ 23,251,470</u>	<u>\$ 20,309,653</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
June 30, 2025 and 2024

	Primary Government		Component Unit	
	2025 College	2024 College	2025 Foundation	2024 Foundation
Operating revenues				
Tuition and fees	\$ 42,438,722	\$ 40,729,987	\$ -	\$ -
Less: Scholarships and fellowships	(13,804,138)	(13,092,604)	-	-
Net tuition and fees	28,634,584	27,637,383	-	-
Gifts and contributions	-	-	2,081,289	2,150,063
Federal grants and contracts	3,940,447	3,117,838	-	-
State grants and contracts	5,404,572	5,575,735	-	-
Auxiliary enterprises	16,726,449	16,482,408	-	-
Contributions and gifts of nonfinancial assets	-	-	124,281	738,939
Other operating revenues	3,049,264	4,797,378	1,218,954	1,272,133
Total operating revenues	57,755,316	57,610,742	3,424,524	4,161,135
Operating expenses				
Educational and general				
Instruction	30,694,162	29,940,915	-	-
Gifts and contributions	-	-	1,954,688	2,903,442
Public service	1,516,746	1,414,493	-	-
Academic support	10,002,781	8,995,015	-	-
Student services	8,827,257	8,077,902	-	-
Fundraising	-	-	968,363	991,598
Institutional support	17,133,439	16,369,644	290,771	278,119
Operation and maintenance of plant	10,116,002	9,553,179	-	-
Scholarships and fellowships	866,296	1,034,147	-	-
Depreciation and amortization	8,734,591	7,886,228	-	-
Auxiliary enterprises	8,450,094	9,498,111	-	-
Total operating expenses	96,341,368	92,769,634	3,213,822	4,173,159
Net operating (loss) revenue	(38,586,052)	(35,158,892)	210,702	(12,024)
Nonoperating revenues (expenses)				
Commonwealth operating appropriations, net	41,964,576	39,677,928	-	-
Investment income	2,180,430	2,445,740	2,827,034	1,842,081
Interest expense	(4,661,570)	(5,431,079)	-	-
Total nonoperating revenues (expenses)	39,483,436	36,692,589	2,827,034	1,842,081
Changes in net position before capital improvements	897,384	1,533,697	3,037,736	1,830,057
Commonwealth capital appropriations	2,660,060	278,173	-	-
Change in net position	\$ 3,557,444	\$ 1,811,870	\$ 3,037,736	\$ 1,830,057

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, 2025 and 2024

	College				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2023	\$ 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>
Balance, June 30, 2024	<u>\$ 64,455,446</u>	<u>\$ 59,789</u>	<u>\$ 2,677,683</u>	<u>\$ 23,670,828</u>	<u>\$ 90,863,746</u>
Change in net position for 2025	<u>1,427,174</u>	<u>(1,166)</u>	<u>(16,503)</u>	<u>2,147,939</u>	<u>3,557,444</u>
Balance, June 30, 2025	<u>\$ 65,882,620</u>	<u>\$ 58,623</u>	<u>\$ 2,661,180</u>	<u>\$ 25,818,767</u>	<u>\$ 94,421,190</u>
	Foundation				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2023	\$ -	\$ 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>
Balance, June 30, 2024	<u>\$ -</u>	<u>\$ 9,651,236</u>	<u>\$ 9,435,244</u>	<u>\$ 1,021,329</u>	<u>\$ 20,107,809</u>
Change in net position for 2025	<u>-</u>	<u>626,846</u>	<u>2,457,258</u>	<u>(46,368)</u>	<u>3,037,736</u>
Balance, June 30, 2025	<u>\$ -</u>	<u>\$ 10,278,082</u>	<u>\$ 11,892,502</u>	<u>\$ 974,961</u>	<u>\$ 23,145,545</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, 2025 and 2024

	Primary Government	
	2025	2024
	College	College
Operating activities		
Tuition and fees	\$ 28,731,861	\$ 27,538,391
Grants and contracts	9,345,019	8,693,573
Payments to employees	(36,331,416)	(34,446,240)
Payments to suppliers and vendors	(27,491,625)	(25,130,355)
Collections on loans	7,710	70,583
Scholarships and fellowships	(866,296)	(1,034,147)
Auxiliary enterprises expenses	(8,450,094)	(9,498,111)
Auxiliary enterprises revenues	16,726,449	16,482,408
Other operating revenues	<u>2,483,383</u>	<u>4,304,477</u>
Net cash used in operating activities	<u>(15,845,009)</u>	<u>(13,019,421)</u>
Noncapital financing activities		
Commonwealth appropriations	<u>27,200,382</u>	<u>25,862,582</u>
Net cash provided by noncapital financing activities	<u>27,200,382</u>	<u>25,862,582</u>
Capital financing activities		
Purchases of capital assets	(982,329)	(1,135,213)
Commission advance from public-private partnership	510,861	200,000
Principal paid on lease and SBITA liabilities	(4,358,935)	(3,597,464)
Principal paid on bonds payable	(2,406,779)	(1,681,007)
Receipts from debt service reserve	181,652	150,000
Interest paid on debt	<u>(4,631,334)</u>	<u>(4,718,399)</u>
Net cash used in capital financing activities	<u>(11,686,864)</u>	<u>(10,782,083)</u>
Investing activity		
Dividends and interest income	<u>2,180,430</u>	<u>2,445,740</u>
Net change in cash and equivalents	1,848,939	4,506,818
Cash and equivalents		
Beginning of year	<u>46,877,575</u>	<u>42,370,757</u>
End of year	<u>\$ 48,726,514</u>	<u>\$ 46,877,575</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, 2025 and 2024**

	Primary Government	
	2025	2024
	College	College
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	\$ (38,586,052)	\$ (35,158,892)
Adjustments to reconcile net operating loss to net cash used in operating activities		
Depreciation and amortization	8,734,591	7,886,229
Fringe benefits provided by State appropriations	14,764,194	13,815,346
Deferred inflows and outflows of resources	(565,881)	(492,901)
Changes in assets and liabilities		
Accounts and loans receivables	386,576	(151,706)
Prepaid expenses	21,658	(4,037)
Inventories and other assets	(28,962)	32,689
Accounts payable and accrued expenses	(233,308)	767,229
Accrued salaries and wages	102,451	106,916
Accrued compensated absences and benefits	233,409	417,134
Unearned revenues and deposits	(283,161)	119,883
Net other post-employment benefit liability	(326,080)	(337,856)
Net pension activity	(64,444)	(19,455)
Net cash used in operating activities	<u>\$ (15,845,009)</u>	<u>\$ (13,019,421)</u>
Summary of restricted cash and equivalents and cash and equivalents, end of year		
Cash and equivalents	\$ 47,317,261	\$ 45,376,283
Deposits held by State Treasurer	1,026,948	1,257,738
Restricted cash and equivalents	344,351	207,146
Restricted deposits held by State Treasurer	<u>37,954</u>	<u>36,408</u>
Cash and equivalents, end of year	<u>\$ 48,726,514</u>	<u>\$ 46,877,575</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, 2025 and 2024

	Primary Government	
	2025 College	2024 College
Noncash transactions		
Fringe benefits provided by Commonwealth appropriations	\$ 14,764,194	\$ 13,815,346
Capital improvements provided by Commonwealth capital appropriations	\$ 2,660,060	\$ 278,173
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	\$ (131,160)	\$ (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	\$ (2,844,102)	\$ (313,171)
SBITA lease liability	\$ 2,844,102	\$ 313,171
Deferred inflows of resources - public-private partnership	\$ 565,881	\$ 492,901
Deferred outflow loss on 2020A bond refunding	\$ 195,846	\$ 763,989
Amortization of bond premium	\$ 42,432	\$ 42,432

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, 2025 and 2024

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.

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.

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Financial Statements
June 30, 2025 and 2024

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

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

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

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

Trust Funds

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

Cash and Equivalents

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

Investments

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

Allowance for Doubtful Accounts

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

Inventories

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

Capital Assets

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

Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Financial Statements
June 30, 2025 and 2024

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

Pensions

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

Post-employment Benefits Other Than Pensions

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

Fringe Benefits

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

Workers' Compensation

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

Compensated Absences

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

Unearned Revenues and Deposits

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

Student Tuition and Fees

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

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Financial Statements
June 30, 2025 and 2024**

Tax Status

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

Use of Estimates

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

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

Reclassification

Certain prior year amounts have been reclassified to conform to the current year’s presentation. The reclassifications pertained to the presentation of investments at the Foundation. Such reclassifications had no effect on prior reported changes in net position.

Upcoming Governmental Accounting Pronouncements

GASB Statement 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.

GASB Statement 104, *Disclosure of Certain Capital Assets* is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets.

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, 2023, the College implemented GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to update the recognition and measurement for compensated absences. The adoption of this statement did not have a material impact to the financial statements.

As of July 1, 2023, the College implemented GASB Statement 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The adoption of this statement did not have a material impact to the financial statements.

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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, 2025 and 2024, the College has \$17,097,973 and \$24,416,702, respectively, invested with MMDT; these amounts are included in cash and equivalents. MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore is not covered by FDIC insurance and its political subdivisions. It is designed as a legal means to temporarily invest available cash in safe, liquid, and high yield investment vehicles by offering participation in a diversified portfolio of high-quality money market instruments. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

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

Of the bank balances of \$31,568,964 and \$22,990,759 at June 30, 2025 and 2024, \$506,857 and \$509,517 were covered by federal depository insurance and collateralization agreements covered \$6,058,827 and \$6,847,461, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2025 and 2024. Uninsured and uncollateralized bank balances (not including MMDT) were \$25,003,280 and \$15,633,781 at June 30, 2025 and 2024, respectively.

Deposits Held by State Treasurer

Accounts payable and accrued salaries to be funded from College funds totaled approximately \$1,027,000 and \$1,258,000 at June 30, 2025 and 2024, 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.

3. Cash Held by MSCBA - Debt Service Reserve

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

4. INVESTMENTS

Foundation

Investments of the Foundation are stated at fair market value and classified as Level 1 investments and consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equity mutual funds	\$ 14,507,182	\$ 12,457,430
Fixed income mutual funds	3,800,412	2,464,642
Hedge Funds	<u>1,605,952</u>	<u>2,114,927</u>
	<u>\$ 19,913,546</u>	<u>\$ 17,036,999</u>

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5. ACCOUNTS RECEIVABLE

Accounts receivable of the College comprise the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Student accounts receivable	\$ 414,653	\$ 793,519
Less: Allowance for doubtful accounts	<u>(150,100)</u>	<u>(150,100)</u>
	<u>\$ 264,553</u>	<u>\$ 643,419</u>

6. CONTRIBUTIONS RECEIVABLE

Foundation

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of approximately 4.4% and 5.2% as of June 30, 2025 and 2024, respectively. Contributions receivable of the Foundation comprise the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 4,000	\$ 13,270
Due within one to five years	<u>-</u>	<u>5,000</u>
Gross contributions receivable	4,000	18,270
Unamortized discount and allowance	<u>(363)</u>	<u>(1,557)</u>
Total contributions receivable	<u>\$ 3,637</u>	<u>\$ 16,713</u>

7. LOANS RECEIVABLE

The College participates in the Federal Perkins Loan Program (the loans of which are referred to as "Perkins Loans"). This program is funded through a combination of federal and College resources. The portion of this program that has been funded with federal funds is ultimately due to the U.S. Government upon the termination of the College's participation in the program. The Joslin Loans receivable represent monies provided to students as a form of financial aid. Students are required to pay 5% interest on these loans. Management has reviewed loans receivable as of June 30, 2025 and 2024 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Perkins Loans receivable	\$ 37,894	\$ 45,604
Joslin Loans receivable	<u>71,509</u>	<u>71,509</u>
	<u>\$ 109,403</u>	<u>\$ 117,113</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 2024-2025 academic year.

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8. CAPITAL ASSETS

Capital asset activity for the College for the year ended June 30, 2025 is as follows:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Nondepreciable						
Land		\$ 5,677	\$ -	\$ -	\$ -	\$ 5,677
Construction in progress		3,096,775	911,640	-	(2,292,152)	1,716,263
Total nondepreciable		<u>3,102,452</u>	<u>911,640</u>	<u>-</u>	<u>(2,292,152)</u>	<u>1,721,940</u>
Depreciable						
Buildings, including improvements	40	191,798,769	2,147,440	-	2,292,152	196,238,361
Leased buildings	40	86,810,418	-	-	-	86,810,418
Furnishings and equipment	3-10	2,101,210	583,309	(249,114)	-	2,435,405
Software arrangements	3	961,706	2,844,102	-	-	3,805,808
Educational resource materials	5	2,057,529	-	-	-	2,057,529
Total depreciable		<u>283,729,632</u>	<u>5,574,851</u>	<u>(249,114)</u>	<u>2,292,152</u>	<u>291,347,521</u>
Less: Accumulated depreciation						
Buildings, including improvements		92,636,140	3,431,711	-	-	96,067,851
Leased buildings		17,827,394	4,442,577	-	-	22,269,971
Furnishings and equipment		2,187,468	30,403	(249,114)	-	1,968,757
Software arrangements		368,978	829,900	-	-	1,198,878
Educational resource materials		2,057,529	-	-	-	2,057,529
Total accumulated depreciation		<u>115,077,509</u>	<u>8,734,591</u>	<u>(249,114)</u>	<u>-</u>	<u>123,562,986</u>
Capital assets, net		<u>\$ 171,754,575</u>	<u>\$ (2,248,100)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,506,475</u>

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

	(In Years)	Balance	Additions	Retirements	Reclassifications	Balance
Nondepreciable						
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>
Depreciable						
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>
Less: Accumulated depreciation						
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>

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9. LONG-TERM LIABILITIES

Activity in long-term liabilities for the College for the year ended June 30, 2025 consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 28,396,216	\$ -	\$ 2,406,779	\$ 25,989,437	\$ 2,489,361
SBITAs liability	610,884	2,844,102	766,043	2,688,943	786,782
Lease payable	78,678,704	-	3,592,892	75,085,812	3,768,298
Compensated absences	5,545,122	139,844	-	5,684,966	3,793,447
Workers' compensation	1,072,721	93,565	-	1,166,286	146,791
Other post-employment benefit liability	2,186,129	249,398	-	2,435,527	-
Net pension liability	<u>2,055,439</u>	<u>105,396</u>	<u>-</u>	<u>2,160,835</u>	<u>-</u>
	<u>\$ 118,545,215</u>	<u>\$ 3,432,305</u>	<u>\$ 6,765,714</u>	<u>\$ 115,211,806</u>	<u>\$ 10,984,679</u>

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	<u>2,140,660</u>	<u>-</u>	<u>85,221</u>	<u>2,055,439</u>	<u>-</u>
	<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>

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, 2025 and 2024, the debt outstanding was \$4,957,760 and \$5,185,769, 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, 2025 and 2024, the debt outstanding was \$15,188,044 and \$17,031,815, respectively.

On July 1, 2020, the College's MSCBA Series 2003B, 2016A, 2012A, 2019C, 2014A, 2014B, and 2017C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the College. The refunding resulted in an economic loss of approximately \$2,335,000 and a deferred loss of approximately \$2,411,000. 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, 2025 and 2024, the debt outstanding was \$5,843,633 and \$6,178,632, respectively.

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Maturities of bond principal and interest subsequent to June 30, 2025 are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
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	2,380,333	478,806
2031 - 2035	9,399,077	1,386,079
2036 - 2040	3,284,600	372,309
2041	396,594	13,959
	<u>\$ 25,989,437</u>	<u>\$ 5,101,974</u>

10. LEASES

A summary of the College's leases at June 30, 2025 is as follows:

<u>Description</u>	<u>Rate Type</u>	<u>Interest Rate</u>	<u>Lease Liability</u> <u>6/30/2025</u>	<u>Lease Liability</u> <u>6/30/2024</u>
MSCBA - Residence hall	Implicit Rate	5.54%	\$ 19,296,332	\$ 20,192,536
MSCBA - Treehouse	Implicit Rate	4.23%	55,299,045	57,894,124
MSCBA - 2006 renewal	Implicit Rate	4.00%	153,139	172,775
MSCBA - 20 renewal	Implicit Rate	3.58%	155,605	212,965
MSCBA - System debt	Implicit Rate	30.70%	181,691	206,304
MSCBA total			<u>\$ 75,085,812</u>	<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, 2025 and 2024, the remaining unamortized right-of-use asset related to lease obligations was \$64,540,447 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.

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.

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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, 2025 and 2024, debt service payments related to leases paid by the College were \$7,252,773 and \$7,197,307, respectively, and insurance and other payments were \$407,896 and \$397,968, respectively.

Lease interest expense for the years ended June 30, 2025 and 2024 was \$3,758,789 and \$3,826,434, respectively.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2025 are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,556,690	2,684,141	7,240,831
2031 - 2035	25,841,193	10,053,206	35,894,399
2036 - 2040	<u>28,471,492</u>	<u>3,710,533</u>	<u>32,182,025</u>
	<u>\$ 75,085,812</u>	<u>\$ 29,234,281</u>	<u>\$ 104,320,093</u>

11. 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 2025. These agreements have expiration dates ranging from April 2026 to December 2029 and have annual payments ranging from \$16,538 to \$643,975. IBRs of 1% to 3.87% 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.

At June 30, 2025 and 2024, total SBITA right of use assets were \$3,805,800 and \$961,700, respectively. At June 30, 2025 and 2024, total SBITA accumulated amortization was approximately \$1,198,900 and \$369,000, respectively.

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A summary of the College's SBITAs is as follows at June 30, 2025 and 2024:

Description	Expiration Date	Payment Terms	Payment Amount	Interest Rate	2025 SBITA Liability	2024 SBITA Liability
Ellucian - CRM Advise	6/30/2026	60 months	\$4,955 - \$5,577	1.00%	\$ 66,563	\$ 130,525
Rapid7	4/25/2026	37 months	\$10,000	3.83%	88,580	202,804
Ellucian - Insights	6/30/2027	48 months	\$1,250 - \$1,447	3.36%	32,730	47,117
Team Dynamix	8/31/2028	60 months	\$2,412 - \$3,589	3.36%	124,231	153,306
Pantheon	6/30/2027	37 months	\$2,221 - \$2,258	3.42%	52,281	77,132
Ellucian - Colleague	6/30/2029	60 months	\$45,462 - \$53,664	3.79%	2,203,669	-
Accruent - EMS Campus Core	12/31/2029	60 months	\$24,875 - \$27,425	3.79%	93,902	-
LinkedIn - LinkedIn Learning	7/31/2026	36 months	\$24,750 - \$28,050	3.87%	26,987	-
					<u>\$ 2,688,943</u>	<u>\$ 610,884</u>

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2025 are as follows:

Years Ended June 30	Principal	Interest	Total
2026	\$ 786,782	\$ 75,831	\$ 862,613
2027	639,361	53,533	692,894
2028	647,998	32,111	680,109
2029	614,802	10,149	624,951
	<u>\$ 2,688,943</u>	<u>\$ 171,624</u>	<u>\$ 2,860,567</u>

12. PENSIONS

Defined Benefit Plan Description

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

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

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Benefit Provisions

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately \$6,332,000, \$5,333,000, and \$4,947,000 for the fiscal years ended June 30, 2025, 2024, and 2023, respectively.

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 18.63%, 16.69%, and 16.70% of annual covered payroll for the fiscal years ended June 30, 2025, 2024, and 2023, respectively. The College contributed \$308,506, \$231,148, and \$206,906 for the fiscal years ended June 30, 2025, 2024, and 2023, 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, 2025 and 2024, the College reported a liability of \$2,160,835 and \$2,055,439, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2025, the reporting date, was measured as of June 30, 2024, 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, 2024 rolled forward to June 30, 2024. 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 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 2025 and 2024. The College's proportionate share was based on actual employer contributions to SERS for fiscal years 2025 and 2024 relative to total contributions of all participating employers for the fiscal years. At June 30, 2025 and 2024, the College's proportion was 0.015% and 0.014%, respectively.

For the years ended June 30, 2025 and 2024, the College recognized pension expense of \$244,062 and \$211,693, respectively.

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred outflows of resources related to pensions		
Contributions subsequent to the measurement date	\$ 308,506	\$ 231,148
Differences between expected and actual experience	108,300	73,015
Differences between projected and actual investment earnings on pension plan investments	-	55,318
Changes in proportion from the Commonwealth	-	17
Changes in plan actuarial assumptions	15,507	34,545
Changes in proportion due to internal allocation	<u>157,476</u>	<u>62,970</u>
Total deferred outflows related to pensions	<u>\$ 589,789</u>	<u>\$ 457,013</u>
Deferred inflows of resources related to pensions		
Differences between expected and actual experience	\$ 27,684	\$ 50,790
Differences between projected and actual investment earnings on pension plan investments	28,096	-
Changes in proportion from the Commonwealth	13,887	15,703
Changes in proportion due to internal allocation	<u>107,213</u>	<u>147,451</u>
Total deferred inflows related to pensions	<u>\$ 176,880</u>	<u>\$ 213,944</u>

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The College's contributions of \$308,506 and \$231,148 made during fiscal years ended June 30, 2025 and 2024, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the succeeding years.

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

2026	\$ (110,994)
2027	213,593
2028	23,910
2029	<u>(22,106)</u>
	<u>\$ 104,403</u>

Actuarial Assumptions

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

	<u>2025</u>	<u>2024</u>
Measurement date	June 30, 2024	June 30, 2023
Inflation	2.50%	2.50%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2024 and 2023, 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 2025 pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2024. The 2024 pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 and rolled forward to June 30, 2023.

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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 are summarized in the following table:

<u>Asset Class</u>	<u>2025</u>		<u>2024</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	36.0%	4.6%	37.0%	4.9%
Core fixed income	15.0%	2.1%	15.0%	1.9%
Portfolio completion strategies	10.0%	3.7%	10.0%	3.8%
Private equity	16.0%	7.4%	16.0%	7.4%
Real estate	10.0%	3.9%	10.0%	3.0%
Value added fixed income	9.0%	5.1%	8.0%	5.1%
Timber/natural resources	4.0%	4.4%	4.0%	4.3%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2025 and 2024. 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, 2025 and 2024:

<u>2025</u>			<u>2024</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>
\$ 3,035,694	\$ 2,160,835	\$ 1,420,706	\$ 2,824,924	\$ 2,055,439	\$ 1,404,253

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13. 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, 2025 and 2024, and as of the valuation date (January 1, 2024 and 2023), participants contributed 10% to 20% 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 7.49% and 7.83% of annual covered payroll for the fiscal years ended June 30, 2025 and 2024, respectively. The College contributed \$124,053 and \$108,434 for the fiscal years ended June 30, 2025 and 2024, 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, 2025 and 2024, the College reported a liability of \$2,435,527 and \$2,186,129, 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, 2024 and 2023, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 and 2023, 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 2024 and 2023. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2024 and 2023 relative to total contributions of all participating employers for the fiscal years. At June 30, 2025 and 2024, the College's proportion was 0.018% and 0.016%, respectively.

For the years ended June 30, 2025 and 2024, the College recognized an OPEB benefit of \$194,854 and \$218,435, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred outflows of resources related to OPEB		
Contributions subsequent to the measurement date	\$ 124,053	\$ 108,434
Differences between expected and actual experience	67,696	88,916
Changes in OPEB plan actuarial assumptions	47,483	96,038
Changes in proportion from the Commonwealth	-	200
Net differences between projected and actual earnings on OPEB plan investments	-	7,144
Changes in proportion due to internal allocation	<u>691,317</u>	<u>468,588</u>
Total deferred outflows related to OPEB	<u>\$ 930,549</u>	<u>\$ 769,320</u>
Deferred inflows of resources related to OPEB		
Net differences between projected and actual earnings on OPEB plan investments	\$ 969	\$ -
Changes in proportion due to internal allocation	697,089	1,036,946
Differences between expected and actual experience	188,140	245,557
Changes in proportion from the Commonwealth	23,457	20,919
Changes in OPEB plan actuarial assumptions	<u>543,399</u>	<u>563,881</u>
Total deferred inflows related to OPEB	<u>\$ 1,453,054</u>	<u>\$ 1,867,303</u>

Contributions

The College's contributions of \$124,053 and \$108,434 made during fiscal years ended June 30, 2025 and 2024, 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:

2026	\$ (257,726)
2027	(241,746)
2028	(99,983)
2029	(29,570)
2030	<u>(17,533)</u>
	<u>\$ (646,558)</u>

Actuarial Assumptions

The total OPEB liability for 2025 and 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified is as follows:

Measurement date	June 30, 2024	June 30, 2023
Inflation	2.50%	2.50%
Salary increases	4.0% per year	4.0% per year
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 SOA-Getzen trend rate model, version 2024_1b. Medicare and non-Medicare benefits range from 3.94% to 8.03%.	Developed based on the most recent published SOA-Getzen trend rate model, version 2023_1f. Medicare and non-Medicare benefits range from 3.94% to 8.59%.

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:

	<u>2025</u>		<u>2024</u>	
	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Retirement Age Under 65</u>	<u>Age 65+</u>
Indemnity	18.0%	96.0%	27.0%	96.0%
HMO	10.0%	4.0%	10.0%	4.0%
POS/PPO	72.0%	0.0%	63.0%	0.0%

The actuarial assumptions used in the January 1, 2024 and 2023 valuations were based on the results of an actuarial experience study for the periods ranging from July 1, 2022 and 2021 through December 31, 2023 and 2022, 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, 2025 and 2024 is the same as discussed in the pension footnote, and are summarized as follows:

<u>Asset Class</u>	<u>2025</u>		<u>2024</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	36.0%	4.6%	37.0%	4.9%
Portfolio Completion Strategies	10.0%	3.7%	10.0%	3.8%
Core Fixed Income	15.0%	2.1%	15.0%	1.9%
Private Equity	16.0%	7.4%	16.0%	7.4%
Real Estate	10.0%	3.9%	10.0%	3.0%
Value Added Fixed Income	9.0%	5.1%	8.0%	5.1%
Timber/Natural Resources	4.0%	4.4%	4.0%	4.3%
Total	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability for 2025 and 2024 was 4.61% and 4.34%, respectively. These rates were based on a blend of the Bond Buyer Index Rate (3.93% and 3.65%) 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 2042 for the fiscal years 2025 and 2024, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% per annum and was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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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, 2025 and 2024:

2025			2024		
1.00% Decrease (3.61%)	Current Discount Rate (4.61%)	1.00% Increase (5.61%)	1.00% Decrease (3.34%)	Current Discount Rate (4.34%)	1.00% Increase (5.34%)
\$ 2,836,589	\$ 2,435,527	\$ 2,104,505	\$ 2,554,281	\$ 2,186,129	\$ 1,884,045

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, 2025 and 2024:

2025			2024		
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)
\$ 2,044,577	\$ 2,435,527	\$ 2,927,279	\$ 1,831,813	\$ 2,186,129	\$ 2,634,324

(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.

14. 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.

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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, 2025 and 2024, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax healthcare spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

15. 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 2025 and 2024 was \$510,861 and \$200,000, 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, 2025 and 2024, approximately \$566,000 and \$493,000 were recognized as revenue, respectively.

16. 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Restricted - nonexpendable, categorized by allowable income usage		
Scholarships	\$ 53,715	\$ 54,881
Loans	<u>4,908</u>	<u>4,908</u>
	<u>\$ 58,623</u>	<u>\$ 59,789</u>
Restricted - expendable		
Program activities	\$ 2,461,433	\$ 2,468,470
Loans	<u>199,747</u>	<u>209,213</u>
	<u>\$ 2,661,180</u>	<u>\$ 2,677,683</u>

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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.

17. CONTINGENCIES, COMMITMENTS, CONCENTRATIONS, AND CONSTRAINTS

Contingencies and Commitments

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

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

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). The Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2.00%. The College 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.

Concentrations and Constraints

Providers of Financial Resources

State Appropriations

As disclosed in Note 1, the College is a public, State-supported, comprehensive college, located in Boston, Massachusetts, and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. As such, the College receives general state appropriations for a portion of its annual operations for employee salaries and fringe benefits reported on the Statement of Revenues and Expenses and Note 21 of these financial statements.

Lease Agreements

As disclosed in Note 10, the College is a lessee of multiple long-term leases for buildings, dormitories and improvements owned by the Massachusetts College Building Authority ("MSCBA"). Repayments are pledged and structured based on student occupancy revenues and resources held by the College. Repayment of lease obligations are dictated based on issued public bond debt with the College receiving notice from the MSCBA regarding payments due in November and May of each year.

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Debt

In addition to the leases disclosed in the preceding paragraph, MSCBA provides bond funds for the construction of campus buildings and project improvements. Repayment of bond obligations is dictated based on issued public bond debt with the College receiving notice from the MSCBA regarding payments due in November and May of each year. In addition, the Massachusetts Division of Capital Asset Management and Maintenance (“DCAMM”) provides resources to fund capital construction and renovation projects on campus. The College will incur debt owed to DCAMM to pay for certain projects or partially pay for the cost of a project that they manage for the College’s benefit. This includes repayment for maintenance and other costs on these projects.

Federal Student Financial Assistance and Other Grants

The College participates in the Federal Financial Assistance (Title IV) programs along with federal grants related to various college programs and operations. These programs allow for grants, scholarship aid, and other awards to be issued to students and the College to cover qualified education and related costs. During the fiscal years ended June 30, 2025 and 2024, federal funds expended to students and the college totaled \$15.3 million and \$14.4 million.

State Student Financial Assistance and Other Grants

The College participates in the Massachusetts State student financial assistance programs. These programs allow for grants, scholarship aid, and other awards to be issued to students to cover qualified education costs. During the fiscal years ended June 30, 2025 and 2024, expended Massachusetts funds awarded to students totaled \$5.4 million and \$5.6 million.

Workforce Covered by Collective Bargaining Agreements

The College is comprised of State Employees hired and employed by the Commonwealth of Massachusetts. The Massachusetts Board of Higher Education negotiates collective bargaining agreements (“CBA”) with the majority of college employees. During the fiscal years ended June 30, 2025 and 2024, the College employed individuals belonging to the following unions:

American Federation of State, County and Municipal Employees (“AFSCME”)

The CBA for AFSCME union covers the period from July 1, 2024 to June 30, 2027. This Agreement is entered into by and between the Board of Higher Education and the American Federation of State, County and Municipal Employees Local 1067, Council 93, AFL-CIO and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

Association of Professional Administrators (“APA”)

The CBA for the APA union covers the period from July 1, 2024 to June 30, 2027. This Agreement is entered into by and between the Board of Higher Education and the Association of Professional Administrators, Massachusetts Teachers Association/National Education Association as the exclusive bargaining agent for positions in the bargaining unit. As of June 30, 2025 negotiations between the Board of Higher Education and APA final legislative approval for the above CBA was signed during August 2025.

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Massachusetts State College Association (“MSCA”)

The CBA for the MSCA covers the period from July 1, 2023, to June 30, 2024. This Agreement is entered into by and between the Board of Higher Education, acting through the Council of Presidents of the State Universities, and the Massachusetts Teachers Association/NEA, acting through the Massachusetts State College Association, as the exclusive collective bargaining agent for members of the bargaining unit. As of June 30, 2025, negotiations between the Board of Higher Education and MSCA are in the process of constructing and obtaining an updated CBA. As of the date of this report, negotiations are still under way for an updated contract with the MSCA.

18. OPERATING EXPENSES

The College’s operating expenses, on a natural classification basis, are comprised of the following for the years ended at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Compensation and benefits	\$ 58,495,096	\$ 53,954,090
Supplies and services	28,245,385	29,895,169
Depreciation	8,734,591	7,886,228
Scholarships and fellowships	<u>866,296</u>	<u>1,034,147</u>
	<u>\$ 96,341,368</u>	<u>\$ 92,769,634</u>

19. 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 \$1,042,000 and \$2,158,000, which are included within other operating revenues, for the years ended June 30, 2025 and 2024, respectively.

20. PASS-THROUGH STUDENT FEDERAL LOANS

The College distributed \$32,948,233 and \$21,609,094 for student loans through the United States Department of Education federal direct lending program for the years ended June 30, 2025 and 2024, 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.

21. 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*.

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The College's State appropriations are comprised of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Direct unrestricted appropriations	\$ 27,200,382	\$ 25,862,582
Fringe benefits for benefited employees on the State payroll	<u>14,764,194</u>	<u>13,815,346</u>
Total unrestricted appropriations	41,964,576	39,677,928
Capital appropriations	<u>2,660,060</u>	<u>278,173</u>
Total appropriations	<u>\$ 44,624,636</u>	<u>\$ 39,956,101</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, 2025 and 2024 is as follows (unaudited):

	<u>2025</u>	<u>2024</u>
Revenue per MMARS	\$ 99,533,039	\$ 94,709,375
Revenue per College	<u>99,533,039</u>	<u>94,709,375</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of expenditures between the College and MMARS as of June 30, 2025 and 2024 is as follows (unaudited):

	<u>2025</u>	<u>2024</u>
Expenditures per MMARS	\$ 97,821,272	\$ 90,321,143
Expenditures per College	<u>97,821,272</u>	<u>90,321,143</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

22. 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
(An agency of the Commonwealth of Massachusetts)
Notes to Financial Statements
June 30, 2025 and 2024

Massachusetts College of Art and Design's preliminary unrestricted net position at June 30, 2025				\$ 43,103,916
	<u>Local</u>	<u>State</u>	<u>Total</u>	
Reconciling items				
Inventories	\$ 170,007	\$ -	\$ 170,007	
Deferred outflows of resources	-	1,520,338	1,520,338	
Deferred inflows of resources	(3,395,289)	(1,629,934)	(5,025,223)	
Accrued interest	-	(399,331)	(399,331)	
Accrued salaries and wages	-	(2,103,326)	(2,103,326)	
Accrued compensated absences and benefits	(292,101)	(6,559,151)	(6,851,252)	
Other post-employment benefit liability	-	(2,435,527)	(2,435,527)	
Net pension liability	-	(2,160,835)	<u>(2,160,835)</u>	
Total				<u>(17,285,149)</u>
Massachusetts College of Art and Design's audited unrestricted net position at June 30, 2025				<u>\$ 25,818,767</u>
Distribution of unrestricted net position				
Local funds				\$ 39,586,533
State funds				<u>(13,767,766)</u>
				<u>\$ 25,818,767</u>
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)	<u>(2,055,439)</u>	
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>

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, 2025	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
Measurement date	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
Valuation date	January 1, 2024	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
Proportion of the collective net pension liability	0.015%	0.014%	0.015%	0.014%	0.015%	0.014%	0.015%	0.014%	0.015%	0.021%
Proportionate share of the collective net pension liability	\$ 2,160,835	\$ 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
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
College's proportionate share of the net pension liability as a percentage of its covered payroll	156.02%	165.90%	159.21%	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%
Plan fiduciary net position as a percentage of the plan's total pension liability	72.90%	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%

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>2025</u>	<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>
Statutorily required contribution	\$ 308,506	\$ 231,148	\$ 206,906	\$ 216,605	\$ 184,791	\$ 165,328	\$ 137,212	\$ 127,527	\$ 110,939	\$ 109,550
Contributions in relation to the statutorily required contribution	<u>(308,506)</u>	<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>
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 1,655,963	\$ 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
Contribution as a percentage of covered payroll	18.63%	16.69%	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%

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, 2025	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, 2024	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, 2024	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	0.018%	0.016%	0.020%	0.018%	0.016%	0.021%	0.022%	0.020%
Proportionate share of the collective net OPEB liability	\$ 2,435,527	\$ 2,186,129	\$ 2,694,000	\$ 2,846,439	\$ 3,377,693	\$ 3,801,775	\$ 4,037,200	\$ 4,003,270
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
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	175.86%	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	15.60%	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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 124,053	\$ 108,434	\$ 90,168	\$ 102,868	\$ 97,036	\$ 85,644	\$ 100,067	\$ 96,553
Contributions in relation to the statutorily required contribution	<u>(124,053)</u>	<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>	<u>\$ -</u>
College's covered payroll	\$ 1,655,963	\$ 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	7.49%	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, 2025 and 2024**

1. CHANGE IN PLAN ACTUARIAL AND ASSUMPTIONS - PENSION

Measurement date – June 30, 2024

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

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 changed 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.

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Required Supplementary Information (Unaudited)
June 30, 2025 and 2024**

The mortality rate assumptions were changed as follows:

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

Measurement Date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2016

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

Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

2. CHANGE IN PLAN ASSUMPTIONS – OPEB

Fiscal year June 30, 2025

Assumptions:

Change in per Capita Claims Costs

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

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Required Supplementary Information (Unaudited)
June 30, 2025 and 2024**

Change in Medical Trend Rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2024_1b. 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 4.61% (based upon a blend of the Bond Buyer Index rate (3.93%) as of the measurement date as required by GASB Statement 74.

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.

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 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%.

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Required Supplementary Information (Unaudited)
June 30, 2025 and 2024**

Change in Mortality Rates

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

Change in Discount Rate

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

Fiscal year June 30, 2021

Assumptions:

Change in per Capita Claims Costs

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

Change in Medical Trend Rates

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

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

**Massachusetts College of Art and Design
(An agency of the Commonwealth of Massachusetts)
Notes to Required Supplementary Information (Unaudited)
June 30, 2025 and 2024**

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"), and its discretely presented major component unit, as of and for the years ended June 30, 2025 and 2024, and the related statements of revenues and expenses, changes in net position, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2025.

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 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".

October 31, 2025

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and equivalents	\$ 537,021	\$ 1,107,433
Total Residence Hall Trust Fund assets	<u>\$ 537,021</u>	<u>\$ 1,107,433</u>
Liabilities and Net Position		
Liabilities		
Compensated absences	\$ 70,402	\$ 49,445
Workers' compensation	<u>14,443</u>	<u>9,565</u>
Total Residence Hall Trust Fund liabilities	<u>84,845</u>	<u>59,010</u>
Net position (deficit)		
Residence Hall Trust Fund net (deficit) position - Smith Hall	(4,749,844)	(2,951,003)
Residence Hall Trust Fund net position - Artist Residence	4,524,091	3,018,923
Residence Hall Trust Fund net position - Treehouse	<u>677,929</u>	<u>980,503</u>
Total net position	<u>452,176</u>	<u>1,048,423</u>
Total Residence Hall Trust Fund liabilities and net position	<u>\$ 537,021</u>	<u>\$ 1,107,433</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues		
Student rents	\$ 9,486,521	\$ 9,106,787
Contract rents	3,147,790	3,374,603
Other	<u>984,941</u>	<u>856,609</u>
Total revenues	<u>13,619,252</u>	<u>13,337,999</u>
Expenses		
Loans and special payments	7,660,669	7,595,272
Operational services	4,278,740	6,514,242
Energy cost and space rental	471,079	-
Consultant services	89,910	-
Equipment purchases	263,489	-
Equipment, lease-purchase	341,762	-
Regular employee compensation	466,498	302,423
Information technology	7,369	6,582
Pension and insurance related	187,231	138,886
Administrative	20,866	46,673
Regular employee related	20,446	3,243
Special employee compensation	29,921	19,535
Residence hall expenses	288,116	-
Facility operational	<u>45,179</u>	<u>1,712</u>
Total expenses	<u>14,171,275</u>	<u>14,628,568</u>
Revenues over (expenses)	<u>(552,023)</u>	<u>(1,290,569)</u>
Nonoperating revenues (expenses) and transfers		
Transfers	<u>(44,224)</u>	<u>(9,185)</u>
Total nonoperating revenues (expenses) and transfers	<u>(44,224)</u>	<u>(9,185)</u>
Total increase in net position	(596,247)	(1,299,754)
Net position		
Beginning of year	<u>1,048,423</u>	<u>2,348,177</u>
End of year	<u>\$ 452,176</u>	<u>\$ 1,048,423</u>

See Independent Auditor's Report.