

NORTHERN ESSEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

NORTHERN ESSEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Northern Essex Community College
Haverhill, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented major component unit of Northern Essex Community College as of June 30, 2021 and

2020, the respective changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of Northern Essex Community 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 Northern Essex Community 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 Northern Essex Community College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

December 1, 2021

NORTHERN ESSEX COMMUNITY COLLEGE

(An agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The following discussion and analysis provides an overview of the financial position and activities of Northern Essex Community College (The "College" or "NECC") as of June 30, 2021 for the fiscal year then ended. The objective of the Management Discussion and Analysis ("MD&A") section is to provide information that enables an individual to read the College's financial statements and come away with a clear understanding of the College's financial position and how resources are used to support the College's Mission.

Northern Essex Community College is an accredited, public, two-year institution serving the cities and towns of the Merrimack Valley and Northeastern Massachusetts. The College has two campuses located in Haverhill and Lawrence that offer comprehensive academic programs of study leading to an associate degree or certificates of program completion. In addition, the College has a number of partnerships with several public and private institutions that offer bachelor's and master's degree programs on campuses of the College.

Overview of the Financial Statements and Financial Analysis

The focus of the MD&A is on the current fiscal year, with data from the previous fiscal year provided for comparative purposes. The MD&A is prepared by management and should be read in conjunction with the audited financial statements and footnotes which follow.

The MD&A discussion is framed around three financial statements: (1) the Statements of Net Position, (2) the Statements of Revenues, Expenses, and Changes in Net Position, and (3) the Statements of Cash Flows. These statements are prepared in compliance with Governmental Accounting Standards Board ("GASB") Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

Please note: All numbers are reported in thousands, unless otherwise noted.

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

June 30, 2021 and 2020

Statements of Net Position

The Statements of Net Position present information on the assets and liabilities of the College as of the end of the Fiscal Year (FY); it is a snapshot as of a fixed point of time (June 30). The three primary components of the statement are: (a) *total assets*, (b) *total liabilities*, and (c) *net position*. Comparing the changes in net position from one year to another is one indicator of whether the financial condition of the College has improved or deteriorated.

Assets and liabilities are measured using current value, with the exception of Capital Assets, which are stated at historical cost less an allowance for depreciation.

<i>(\$ in thousands)</i>	<u>FY21</u>	<u>FY20</u>	<u>FY19</u>	Change FY21-FY20	<u>%</u>
Current assets	\$ 25,505	\$ 14,695	\$ 11,218	\$ 10,810	
Non-current assets	<u>74,394</u>	<u>71,235</u>	<u>71,916</u>	<u>3,159</u>	
Total assets	<u>99,899</u>	<u>85,930</u>	<u>83,134</u>	<u>13,969</u>	16.3%
Deferred outflows of resources					
Pension allocation	1,702	1,623	2,790	79	
OPEB allocation	<u>3,237</u>	<u>3,440</u>	<u>4,039</u>	<u>(203)</u>	
Total deferred outflows of resources	<u>4,939</u>	<u>5,063</u>	<u>6,829</u>	<u>(124)</u>	-2.4%
Total assets & deferred outflows	<u>\$ 104,838</u>	<u>\$ 90,993</u>	<u>\$ 89,963</u>	<u>\$ 13,845</u>	15.2%
Current liabilities	13,981	8,533	8,045	5,448	
Non-current liabilities	<u>22,618</u>	<u>25,037</u>	<u>39,846</u>	<u>(2,419)</u>	
Total liabilities	<u>36,599</u>	<u>33,570</u>	<u>47,891</u>	<u>3,029</u>	9.0%
Deferred inflows of resources					
Service concession arrangements	161	207	253	(46)	
Pension allocation	3,111	4,275	1,701	(1,164)	
OPEB allocation	<u>12,560</u>	<u>11,379</u>	<u>2,114</u>	<u>1,181</u>	
Total deferred inflows of resources	<u>15,832</u>	<u>15,861</u>	<u>4,068</u>	<u>(29)</u>	-0.2%
Invested in capital assets	64,512	62,440	63,229	2,072	
Restricted, expendable	620	430	288	190	
Unrestricted	<u>(12,725)</u>	<u>(21,308)</u>	<u>(25,513)</u>	<u>8,583</u>	
Total net position	<u>52,407</u>	<u>41,562</u>	<u>38,004</u>	<u>10,845</u>	26.1%
Total liabilities, deferred inflows & net position	<u>\$ 104,838</u>	<u>\$ 90,993</u>	<u>\$ 89,963</u>	<u>\$ 13,845</u>	15.2%

NORTHERN ESSEX COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Total Assets

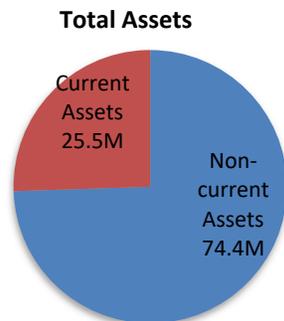
Total assets represent property, facilities, and equipment owned or controlled by the College, along with payments due to the College for services rendered prior to the end of the fiscal year. Total assets on June 30, 2021 were \$105 million, an increase of \$13.8 million or 15.2% from the prior year.

The value of current assets on June 30 was \$25.5 million, an increase of \$10.8 million or 73.6% compared to the prior year. Total Cash and Cash Equivalents totaled \$22.7 million, \$12.1 million higher or 114.0% than last year primarily due to the Higher Education Emergency Relief Funds (HEERF) received during FY21 as well as the collection of previous year receivable owed from MassHire.

The value of non-current assets at year-end was \$74.4 million, an increase of \$3 million or 4.4 % from the prior year. Buildings are the largest component of non-current assets.

Current assets are assets which could be converted to cash within a year and typically include cash, money market funds, investments, and accounts receivable.

Non-current assets are not easily converted to cash and include facilities and other fixed assets and equipment.



The increase in non-current assets of \$3 million is primarily related to the increase of investments of \$1.3 million and the increase of capital assets, net of \$1.9 million. Additional information on capital assets is available in Footnote 7: Capital Assets.

Total Liabilities

Total liabilities at the end of FY21 were \$36.6 million, an increase of \$3 million or 9.0% from the prior year. The increase was due to an increase in the student deposits and unearned revenue of \$4.4 million due to HEERF funding of \$4.5 million being moved from revenue. Additional information pertaining to these liabilities may be found in Footnote 8.

Total liabilities represent what the College owes to others.

There are three primary components of College liabilities.

- (a) Salaries and compensated absences;
- (b) outstanding accounts payable; and
- (c) deferred revenue.

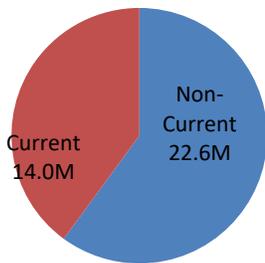
NORTHERN ESSEX COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Total Liabilities



The calculated liability for compensated absences and workers' compensation, both current and non-current, is \$4.5 million, an increase of \$172k from the prior year. The total liability averages approximately \$12.6k per employee.

Outstanding accounts payable reflect goods and services received during the fiscal year for which payment has not been made as of June 30. The balance of accounts payable at the end of the year was \$2.7 million. This is an increase of \$820k over the prior year. The increase is comprised of various small amounts.

Student deposits and unearned revenue on June 30 was \$5.9 million, which was an increase of \$4.4 million or 293.9% from the prior year. Approximately \$967k represents student tuition and fees collected for the summer and fall 2021 terms, in which is a decrease of (\$334k) or (25.6%) from the prior year. This decrease is consistent with the enrollment decline in the fall semester 2021. Due to the timing of the fiscal year, payments for these classes and when classes are provided cross fiscal years. Unearned revenue reflects the value of classes which will be held in FY22. Grant revenue received but not yet earned equals \$301k.

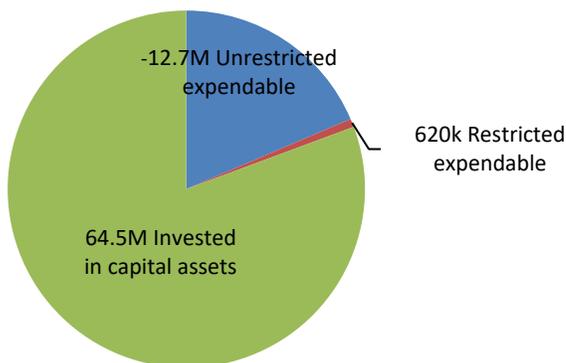
Net Position

Net Position represents resources currently available to the College. At the end of FY21, net position was \$52.4 million. This is \$10.8 million or 26.1% higher as compared to last year. There are two measures of the financial health of the institution based on net position: (a) the current ratio; which measures the degree to which current assets are available to pay short-term obligations; and (b) the primary reserve ratio; indicating how long the institution could function using its expendable reserves to cover operations. The current ratio for FY21 is 1.8, an increase of 0.1 from the previous year.

Current ratio = current assets/current liabilities.

Primary reserve ratio = unrestricted and restricted-expendable net assets/total expense.

Net Position



Current liabilities increased \$5.4 million or 63.9%, primarily due to increase in unearned revenue. The higher the current ratio, the more capable the institution is of paying its obligations; a preferred ratio is 2.0. The primary reserve ratio is (0.20) for FY21 and was (0.35) for FY20: the preferred primary ratio is 40. While the ratios highlight that the College has limited flexibility to endure turbulent economic conditions, enrollment declines, or respond to a significant adverse event, the College continues to strive to improve its financial health by careful monitoring of expenses and increasing its sources of revenue.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues and Expenses and Statements of Changes in Net Position summarize the financial results of College operations and encompass all activity throughout the fiscal year. The four primary components of the Statements of Revenues, Expenses, and Changes in Net Position are: (a) *operating revenue*, (b) *operating expenses*, (c) *non-operating revenue*, and (d) *non-operating expenses*.

<i>(\$ in thousands)</i>	<u>FY21</u>	<u>FY20</u>	<u>FY19</u>	Change <u>FY21-FY20</u>	<u>%</u>
Operating revenues					
Student tuition and fees	\$ 20,144	\$ 22,267	\$ 23,525	\$ (2,123)	
less: Scholarship allowances	<u>(8,128)</u>	<u>(8,887)</u>	<u>(9,920)</u>	<u>759</u>	
Net student tuition & fees	12,016	13,380	13,605	(1,364)	-10.2%
Federal grants and contracts	7,954	11,151	10,702	(3,197)	
State grants and contracts	6,918	8,134	5,966	(1,216)	
Private/local grants and contracts	993	1,353	1,062	(360)	
Other operating revenues	<u>1,497</u>	<u>1,476</u>	<u>1,397</u>	<u>21</u>	
Total operating revenues	29,378	35,494	32,732	(6,116)	-17.2%
Operating expenses	59,061	64,196	61,220	(5,135)	-8.0%
Operating loss	(29,683)	(28,702)	(28,488)	(981)	3.4%
Non-operating revenues (expenses)					
Federal grants	4,104	1,129	-	2,975	
State appropriations	30,146	29,515	27,760	631	
Investment income, net	1,259	588	492	671	
Interest on Indebtedness	<u>(132)</u>	<u>(140)</u>	<u>(147)</u>	<u>8</u>	
Net non-operating revenues	35,377	31,092	28,105	4,285	13.8%
Net gain (loss) before other revenues	5,694	2,390	(383)	3,304	
Capital appropriations	<u>5,150</u>	<u>1,169</u>	<u>5,204</u>	<u>3,981</u>	
Total increase in net position	10,844	3,559	4,821	7,285	204.7%
Net position, Beginning of Year	<u>41,563</u>	<u>38,004</u>	<u>34,001</u>	<u>3,559</u>	
Net position, End of Year	\$ 52,407	\$ 41,563	\$ 38,822	\$ 10,844	
Prior period adjustment - OPEB	<u>-</u>	<u>-</u>	<u>(818)</u>		
Net position, after OPEB adjustment	\$ 52,407	\$ 41,563	\$ 38,004		

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

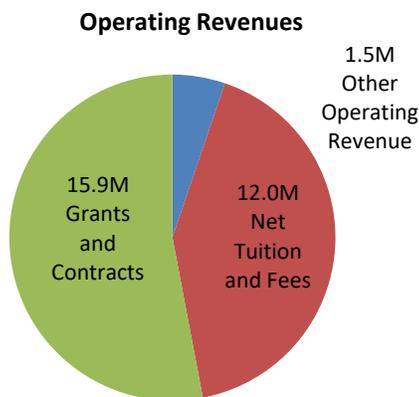
Operating Revenue

Operating revenue reflects income received from primary business activities; due to the comprehensive mission of a community college, this includes revenue from a wide variety of sources, including student charges, grants, and auxiliary-type services like space rental activity. Overall, operating revenues in FY21 were \$29.4 million, a decrease of (17.2%) as compared to the prior year.

Total (gross) revenue from student tuition and fees was \$20.1 million. This was a decrease of (\$2.1) million or (9.5%) from the prior year.

Revenue reported as federal grants and contracts was \$8.0 million, a decrease of (\$3.2) million or (28.7%) from the prior year. State grants and contracts totaled \$6.9 million, a decrease of (\$1.2) million or (14.9%) primary due to Performance Incentive grant ending in FY20.

Other operating revenues reflect commissions received from Follett (bookstore), food service and vending sales; rental of Northern Essex facilities, including Haverhill child care facilities, enterprise activity; and, other non-instructional related activities. Total other operating revenues were \$1.5 million, in which is the same as the prior year. Donations from the NECC Foundation totaled \$278k, compared to \$294k in FY20, a decrease of (\$16k) or (5.5%) from the prior year. Collections from Intercept Recovery increased \$34k, Enterprise funds decreased (\$186k) and TCBI Contracts increased by \$13k.



Operating Expenses

Operating expense results from activities directly related to the activities of the College; the eight functional categories within operating expense correspond to those defined by

the Integrated Postsecondary Education Data System (IPEDS).

Total operating expense includes expenditures made by the College and fringe benefits paid by the state on behalf of NECC employees

Instruction includes faculty, associate and assistant deans, division chairs, and related personnel engaged in credit and non-credit academic teaching, remedial and tutoring. *Academic Support* includes services integral to the primary mission of instruction: libraries, audiovisual services, course and curriculum development, museums and galleries, academic deans, vice presidents and support staff. *Student Services* includes offices of admission and registrar as well as student organizations, athletics, counseling and career guidance, and student aid administration. *Public Service* provides non-instructional services to benefit groups external to the College. *Plant operations* include service and maintenance to the facilities and grounds, and utilities. *Institutional Support* includes operational support of the institution such as: security, human resources, legal, finance and administration, and alumni relations. *Operations & Maintenance* includes service and maintenance to the facilities and grounds, and utilities.

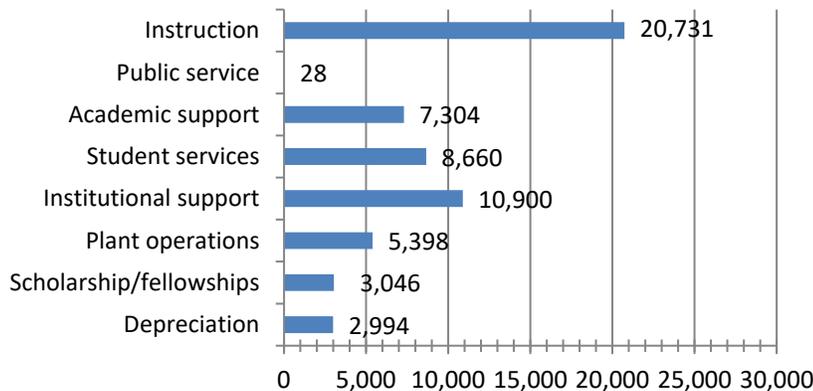
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

In FY21, total operating expenses were \$59 million, a decrease of (\$5.1) million or (8.0)%. The area with the largest change was Instruction, which decreased (\$3.0) million or (12.5)% from prior year. Other significant changes included a decrease in Scholarships and Fellowships by (\$1.5) million or (32.8%).

Uses of Funds (\$millions)



Employee compensation and benefits totaled \$40.4 million, which represented 68.5% of total operating costs.

Spending in Instruction was the highest of the eight IPEDS functional areas and represented 35.1% of the total. Institutional Support was the next highest at 18.5%, followed by Student Services at 14.7%.

Operating Expenses					
<i>(\$ in thousands)</i>	<u>FY21</u>	<u>FY20</u>	<u>FY19</u>	Change	%
				<u>FY21-FY20</u>	
Instruction	\$ 20,731	\$ 23,704	\$ 24,061	\$ (2,973)	-12.5%
Academic services	7,304	7,466	7,906	(162)	-2.2%
Student services	8,660	9,757	10,445	(1,097)	-11.2%
Public service	28	25	31	3	12.0%
Plant operations	5,398	5,237	5,489	161	3.1%
Institutional support	10,900	10,906	9,625	(6)	-0.1%
Depreciation	2,994	2,567	1,859	427	16.6%
Scholarships and fellowships	<u>3,046</u>	<u>4,534</u>	<u>2,622</u>	<u>(1,488)</u>	<u>-32.8%</u>
Total Operating Expenses	<u>\$ 59,061</u>	<u>\$ 64,196</u>	<u>\$ 62,038</u>	<u>\$ (5,135)</u>	<u>-8.0%</u>

Operating expenses by natural classification are reported in the Financial Section, Footnote 15.

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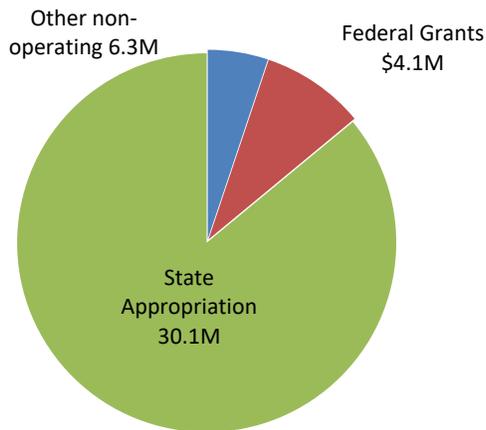
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Non-Operating Revenue

Non-operating revenue is the result of activities not directly related to the mission of the College and includes state-appropriated funds. The largest component of non-operating revenue is funds earmarked for the College in the annual General Appropriation Act (“GAA”) of the Commonwealth. Since FY04, the Department of Higher Education's approved budget formula has provided the foundation upon which GAA funding to the state and community college system is based.

Non-Operating Revenues



Federal grant non-operating revenue is entirely made up of HEERF money recognized in FY21.

State appropriations as reported on the financial statements include GAA, fringe benefits paid by the state on behalf of NECC employees, less tuition remitted back to the general fund of the state (remitted tuition). Overall state support increased in FY21 by \$630k or 2.1% due to the increased appropriation and increase fringe benefit paid by state on behalf of NECC.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. At the end of FY21, cash on hand was \$22.7 million. This is an increase of \$12.1 million or 114.0% higher than FY20.

<i>(\$ in thousands)</i>	<u>FY21</u>	<u>FY20</u>	<u>FY19</u>	<u>Change FY21-FY20</u>
Cash received from operations	\$ 30,629	\$ 33,480	\$ 31,402	\$ (2,851)
Cash expended from operations	<u>49,043</u>	<u>53,299</u>	<u>50,273</u>	<u>(4,256)</u>
Net cash applied to operating activities	(18,414)	(19,819)	(18,871)	1,405
Net cash provided by noncapital financing activities	30,904	22,766	20,465	8,138
Net cash provided by (applied to) capital and related financing activities	(353)	(753)	682	400
Net cash provided by (applied to) investing activities	<u>(48)</u>	<u>89</u>	<u>(27)</u>	<u>(137)</u>
Net increase in cash and cash equivalents	12,089	2,283	2,249	9,806
Cash and cash equivalents, beginning of FY	<u>10,604</u>	<u>8,321</u>	<u>6,072</u>	<u>2,283</u>
Cash and cash equivalents, end of FY	<u>\$ 22,693</u>	<u>\$ 10,604</u>	<u>\$ 8,321</u>	<u>\$ 12,089</u>

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

June 30, 2021 and 2020

Major Projects

Collaboration

In July 2017, Northern Essex Community College was awarded a Workforce Innovation and Opportunity Act ("WIOA") subrecipient contract from the City of Lawrence/Merrimack Valley Workforce Investment Board ("WIB") to act as administrator of WIOA funds and operate a One-Stop Career Center ("MassHire"). The contract runs from July 1, 2017 – June 30, 2021. NECC approved an allocation of approximately \$2.5M from the WIOA funds as well as other funding for the program. The purpose of the program is to provide cost effective workforce development services that foster economic opportunity. Services must help increase employment, job retention, and earning potential. Funding sources are primarily federal with some Massachusetts grants. All employees of MassHire became NECC employees effective July 1, 2017, and all revenue and expenses are processed through NECC financial systems. NECC annually reviews its records that pertain to MassHire with the WIB to verify proper documentation is on hand. In June 2021, NECC was awarded a four-year subrecipient contract extension via an RFP process for this program.

Requests for Information

This financial report is designed to provide a general overview for all readers with an interest in the finances of Northern Essex Community College. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Vice President for Administration and Finance/CFO, 100 Elliott Street, Haverhill, MA 01830.

NORTHERN ESSEX COMMUNITY COLLEGE
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Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>		<u>Component Unit</u>	
	2021 <u>College</u>	2020 <u>College</u>	2021 <u>Foundation</u>	2020 <u>Foundation</u>
Current Assets:				
Cash and cash equivalents	\$ 20,069,041	\$ 7,857,046	\$ 559,230	\$ 408,538
Restricted cash and cash equivalents	319,372	196,180	753,703	953,711
Deposits held by State Treasurer	908,559	1,436,164	-	-
Deposits held by DCAMM	1,390,249	1,113,013	-	-
Cash held by State Treasurer	5,974	1,152	-	-
Accounts receivable, net	2,331,054	3,763,633	-	-
Other current assets	<u>481,209</u>	<u>327,420</u>	<u>605,425</u>	<u>741,602</u>
Total Current Assets	<u>25,505,458</u>	<u>14,694,608</u>	<u>1,918,358</u>	<u>2,103,851</u>
Non-Current Assets:				
Investments	6,760,963	5,453,168	6,075,455	4,670,452
Capital assets, net	<u>67,632,848</u>	<u>65,781,644</u>	-	-
Total Non-Current Assets	<u>74,393,811</u>	<u>71,234,812</u>	<u>6,075,455</u>	<u>4,670,452</u>
Total Assets	<u>99,899,269</u>	<u>85,929,420</u>	<u>7,993,813</u>	<u>6,774,303</u>
Deferred Outflows of Resources:				
Deferred outflows of resources related to pension	1,701,688	1,623,246	-	-
Deferred outflows of resources related to OPEB	<u>3,237,616</u>	<u>3,440,083</u>	-	-
Total Deferred Outflows of Resources	<u>4,939,304</u>	<u>5,063,329</u>	-	-
 Total Assets and Deferred Outflow of Resources	 <u>\$ 104,838,573</u>	 <u>\$ 90,992,749</u>	 <u>\$ 7,993,813</u>	 <u>\$ 6,774,303</u>

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary</u> <u>Government</u>		<u>Component</u> <u>Unit</u>	
	<u>2021</u> <u>College</u>	<u>2020</u> <u>College</u>	<u>2021</u> <u>Foundation</u>	<u>2020</u> <u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,713,966	\$ 1,893,499	\$ 165,668	\$ 12,000
Accrued salaries and wages	2,362,675	2,218,834		
Current portion of notes payable	206,513	220,465		
Accrued compensated absences	2,728,825	2,632,812		
Accrued workers' compensation	47,356	63,243		
Student deposits and unearned revenues	<u>5,922,246</u>	<u>1,503,504</u>	<u>10,540</u>	<u>1,500</u>
Total Current Liabilities	<u>13,981,581</u>	<u>8,532,357</u>	<u>176,208</u>	<u>13,500</u>
Non-Current Liabilities:				
Accrued compensated absences	1,366,411	1,331,640	-	-
Accrued workers' compensation	341,618	284,244	-	-
Notes payable, net of current position	2,914,369	3,120,882	-	-
Net pension liability	7,869,413	7,035,864	-	-
Net OPEB liability	<u>10,126,090</u>	<u>13,263,795</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>22,617,901</u>	<u>25,036,425</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>36,599,482</u>	<u>33,568,782</u>	<u>176,208</u>	<u>13,500</u>
Deferred Inflows of Resources:				
Service concession arrangements	161,444	207,169	-	-
Deferred inflows of resources related to pension	3,111,353	4,275,305	-	-
Deferred inflows of resources related to OPEB	<u>12,559,716</u>	<u>11,378,995</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>15,832,513</u>	<u>15,861,469</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>52,431,995</u>	<u>49,430,251</u>	<u>176,208</u>	<u>13,500</u>
Net Position:				
Net investment in capital assets	64,511,966	62,440,297	-	-
Restricted:				
Nonexpendable	-	-	4,886,673	3,910,501
Expendable	619,997	429,856	1,095,921	1,235,224
Unrestricted	<u>(12,725,385)</u>	<u>(21,307,655)</u>	<u>1,835,011</u>	<u>1,615,078</u>
Total Net Position	<u>52,406,578</u>	<u>41,562,498</u>	<u>7,817,605</u>	<u>6,760,803</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 104,838,573</u>	<u>\$ 90,992,749</u>	<u>\$ 7,993,813</u>	<u>\$ 6,774,303</u>

NORTHERN ESSEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,

	<u>Primary Government</u>		<u>Component Unit</u>	
	2021 <u>College</u>	2020 <u>College</u>	2021 <u>Foundation</u>	2020 <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 20,144,236	\$ 22,267,214	\$ -	\$ -
Less: scholarships and allowances	<u>(8,128,276)</u>	<u>(8,886,844)</u>	-	-
Net tuition and fees	12,015,960	13,380,370	-	-
Gifts and contributions	-	-	728,150	1,343,349
Federal grants and contracts	7,953,688	11,151,150	-	-
State grants and contracts	6,918,368	8,133,788	-	-
Private and local grants and contracts	993,078	1,353,470	-	-
Other operating revenues	<u>1,497,193</u>	<u>1,475,621</u>	-	-
Total Operating Revenues	<u>29,378,287</u>	<u>35,494,399</u>	<u>728,150</u>	<u>1,343,349</u>
Operating Expenses:				
Instruction	20,730,605	23,703,706	-	-
Academic support	7,304,057	7,465,370	-	-
Student services	8,660,273	9,757,161	-	-
Public service	28,139	25,064	-	-
Operations and maintenance	5,398,644	5,237,558	-	-
Institutional support	10,899,615	10,906,163	238,405	281,216
Depreciation	2,993,651	2,567,082	-	-
Scholarships and fellowships	<u>3,045,864</u>	<u>4,533,748</u>	<u>540,019</u>	<u>423,579</u>
Total Operating Expenses	<u>59,060,848</u>	<u>64,195,852</u>	<u>778,424</u>	<u>704,795</u>
Net Operating Income (Loss)	(29,682,561)	(28,701,453)	(50,274)	638,554
Non-Operating Revenues (Expenses):				
Federal grants	4,103,903	1,128,900	-	-
State appropriations, net	30,145,633	29,514,826	-	-
Investment income, net	1,259,463	587,376	1,107,076	448,686
Interest expense	<u>(132,023)</u>	<u>(139,996)</u>	-	-
Total Non-Operating Revenues	<u>35,376,976</u>	<u>31,091,106</u>	<u>1,107,076</u>	<u>448,686</u>
Net Increase in Net Position Before Capital Appropriations	5,694,415	2,389,653	1,056,802	1,087,240
Capital appropriations	<u>5,149,665</u>	<u>1,169,362</u>	-	-
Changes in Net Position	10,844,080	3,559,015	1,056,802	1,087,240
Net Position, Beginning of Year	<u>41,562,498</u>	<u>38,003,483</u>	<u>6,760,803</u>	<u>5,673,563</u>
Net Position, End of Year	\$ 52,406,578	\$ 41,562,498	\$ 7,817,605	\$ 6,760,803

See accompanying notes to the financial statements.

NORTHERN ESSEX COMMUNITY COLLEGE
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Statements of Cash Flows

For the Years Ended June 30,

	2021	2020
	<u>College</u>	<u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 11,438,606	\$ 12,787,980
Grants and contracts	17,808,937	19,216,593
Payments to suppliers	(11,607,679)	(13,691,059)
Payments to students	(3,045,864)	(4,533,748)
Payments to employees	(34,388,716)	(35,073,997)
Other operating revenues	<u>1,381,172</u>	<u>1,475,620</u>
Net Cash Applied to Operating Activities	<u>(18,413,544)</u>	<u>(19,818,611)</u>
Cash Flows from Non-Capital Financing Activities:		
Federal grants	8,659,072	1,128,900
State appropriations	22,467,500	21,772,013
Tuition remitted to state	<u>(222,568)</u>	<u>(135,213)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>30,904,004</u>	<u>22,765,700</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	-	(217,788)
Payment on note payable	(220,465)	(391,370)
Interest paid on note payable	<u>(132,023)</u>	<u>(143,902)</u>
Net Cash Applied to Capital Financing Activities	<u>(352,488)</u>	<u>(753,060)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	2,624,215	2,416,970
Interest and dividends on investments, net	103,364	100,837
Purchases of investments	<u>(2,775,911)</u>	<u>(2,428,801)</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(48,332)</u>	<u>89,006</u>
Net Increase in Cash and Cash Equivalents	12,089,640	2,283,035
Cash and Cash Equivalents, Beginning of Year	<u>10,603,555</u>	<u>8,320,520</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,693,195</u>	<u>\$ 10,603,555</u>

NORTHERN ESSEX COMMUNITY COLLEGE
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Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2021</u> <u>College</u>	<u>2020</u> <u>College</u>
Reconciliation of Net Operating Loss to:		
Net Cash Applied to Operating Activities:		
Net operating loss	\$ (29,682,561)	\$ (28,701,454)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	2,993,651	2,567,082
Net pension activity	(408,845)	(196,347)
Net OPEB activity	(1,754,517)	(884,721)
Amortization of deferred inflows of resources	(45,725)	(45,725)
Fringe benefits provided by the state	7,900,701	7,878,020
Bad debts	154,578	321,238
Changes in assets and liabilities:		
Accounts receivable	1,278,001	(1,567,767)
Other current assets	(153,789)	53,036
Accounts payable and accrued expenses	1,125,275	654,717
Accrued salaries and wages	143,841	305,924
Accrued compensated absences and workers' compensation	172,271	519,333
Student deposits and unearned revenue	<u>(136,425)</u>	<u>(721,947)</u>
Net Cash Applied to Operating Activities	<u>\$ (18,413,544)</u>	<u>\$ (19,818,611)</u>
Reconciliation of Cash and Cash Equivalents Balance to the Statements of Net Position:		
Cash and cash equivalents	\$ 20,069,041	\$ 7,857,046
Restricted cash and cash equivalents	319,372	196,180
Deposits held by State Treasurer	908,559	1,436,164
Deposits held by DCAMM	1,390,249	1,113,013
Cash held by State Treasurer	<u>5,974</u>	<u>1,152</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,693,195</u>	<u>\$ 10,603,555</u>
Non-Cash Transactions:		
Fringe benefits provided by the state	<u>\$ 7,900,701</u>	<u>\$ 7,878,020</u>
Capital appropriations	<u>\$ 4,844,855</u>	<u>\$ 1,169,362</u>
Unrealized gain on investments	<u>\$ 560,267</u>	<u>\$ 386,643</u>

See accompanying notes to the financial statements.

NORTHERN ESSEX COMMUNITY COLLEGE

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Notes to the Financial Statements

June 30, 2021 and 2020

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

Organization

Northern Essex Community College (the "College") is a state-supported comprehensive two-year community college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. The College also offers, through the Division of Continuing Education, credit and non-credit courses, as well as community service programs. The College provides instruction in a variety of fields, including nursing and allied health, business and computer technology, liberal arts, and human services. The College offers courses at its campuses in Haverhill and Lawrence, and is accredited by the New England Commission of Higher Education.

COVID-19

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

In response to the pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds ("HEERF") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid. Each Act designated additional funds to Minority Serving Institutions ("MSI") and through this program the College qualified for additional relief funds for Developing Hispanic-Serving Institutions ("DHSI").

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 24, 2022.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

COVID-19 - Continued

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

	Student Aid Award	Institutional Award	MSI	Total
CARES	\$ 1,635,822	\$ 1,635,822	\$ 205,772	\$ 3,477,416
CRRSAA	1,635,822	5,479,913	381,465	7,497,200
ARPA	6,364,745	6,062,177	644,952	13,071,874
Total	\$ 9,636,389	\$ 13,177,912	\$ 1,232,189	\$ 24,046,490

The College has recognized the following funds as non-operating Federal grants for the year ended June 30, 2021, and the cumulative total grants recognized:

For the Year Ended June 30, 2021				
	Student Aid Award	Institutional Award	MSI	Total
CARES	\$ 506,922	\$ 1,635,822	\$ 7,260	\$ 2,150,004
CRRSAA	449,178	1,504,721	-	1,953,899
ARPA	-	-	-	-
Total	\$ 956,100	\$ 3,140,543	\$ 7,260	\$ 4,103,903

For the Year Ended June 30, 2020				
	Student Aid Award	Institutional Award	MSI	Total
CARES	\$ 1,128,900	\$ -	\$ -	\$ 1,128,900
CRRSAA	-	-	-	-
ARPA	-	-	-	-
Total	\$ 1,128,900	\$ -	\$ -	\$ 1,128,900

NORTHERN ESSEX COMMUNITY COLLEGE

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Basis of Presentation and Accounting

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

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

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management’s discussion and analysis, basic financial statements, including the College’s discretely presented component units, and required supplementary information. The College presents Statements of Net Position, Revenues, Expenses, and Changes in Net Position, and Cash Flows on a combined College-wide basis.

The College’s policies for defining operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for services and for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College’s operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income (loss), and interest expense.

The Northern Essex Community College Foundation, Inc. (the “Foundation”), a discretely presented component unit of the College, was formed in 1975 to render financial assistance and support to the educational programs and development of the

NORTHERN ESSEX COMMUNITY COLLEGE

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

College. The Foundation is legally separate from the College, but in accordance with GASB, has been included in these financial statements because of the nature and significance of its relationship with the College.

The Foundation is a private not-for-profit organization that reports in accordance with standards of the Financial Accounting Standards Board ("FASB"), including ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

A complete copy of the Foundation's financial statements can be obtained from the Foundation's administrative office in Haverhill, Massachusetts.

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, reduced by the outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Trust Funds

In accordance with the requirements of the Commonwealth, 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 Cash Equivalents

The College considers cash and deposits held by the State Treasurer, the Department of Capital Assets Management and Maintenance ("DCAMM"), and all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risk, and current economic conditions.

Investments

The College categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles as prescribed by the GASB. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value as further discussed in Note 6.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs, and tuition received for the following academic year, will be recorded as revenue as the related services are provided. Additionally, monies drawn down but not yet spent from the Higher Education Emergency Relief Funds (HEERF) awarded to the College are included in the unearned revenue balance for the year ended June 30, 2021.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Library materials are no longer capitalized and amortized. College capital assets, with the

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

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.

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

Fringe Benefits

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

Compensated Absences

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

Workers' Compensation

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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' fiduciary net

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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 ("OPEB")

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

Student Fees

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

Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period.

Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

certainty, actual results may differ from estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension and OPEB liabilities.

New Governmental Accounting Pronouncements

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

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

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2019. The objective of this statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this statement is to improve the consistency of reporting conduit debt. This statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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

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

Management is in the process of evaluating these standards and has not yet determined their impact, if any, on the financial statements.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to 2021 presentation.

Note 2 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. Bank deposits are insured to the limits provided by the Federal Deposit Insurance Corporation ("FDIC"), or as applicable, by the Depositors Insurance Fund. The College has an agreement with its primary banking institution that it must maintain an Irrevocable Stand-by Letter of Credit in the College's favor in an amount sufficient to cover the College's deposits. This agreement has been accepted by the Office of the State Treasurer as acceptable collateral.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The bank balances of the deposits and investments at June 30, 2021 and 2020 amounted to \$19,741,996 and \$7,513,176, respectively, of which \$5,627,320 and \$189,356, respectively, was exposed to custodial credit risk and uncollateralized. As of June 30, 2021 and 2020, the College had balances of \$12,200,373 and \$6,760,053, respectively, that were uninsured but fully collateralized under various agreements with TD Bank.

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

Accrued payroll and related expenses to be funded from state funds totaled \$5,974 and \$1,152 at June 30, 2021 and 2020, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Accounts payable and accrued salaries to be funded by cash forwarded by the College to the State Treasurer held for payment of so-called "non-appropriated" liabilities at June 30, 2021 and 2020 through the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS"), were recorded in the sums of \$908,559 and \$1,436,164, respectively.

Note 4 - **Deposits Held by Department of Capital Assets Management and Maintenance ("DCAMM")**

A total of \$1,390,249 and \$1,113,013 was held by DCAMM on behalf of the College at June 30, 2021 and 2020, respectively. The balance was allocated by DCAMM for multiple projects on the Haverhill and Lawrence campuses for the years ended June 30, 2021 and 2020. These include renovations to the Dimitry building and a variety of deferred maintenance projects.

Note 5 - **Accounts Receivable**

The accounts receivable balance comprises the following at June 30,:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 2,625,266	\$ 3,122,582
Grants receivable	552,212	2,502,687
Other receivables	<u>553,673</u>	<u>407,664</u>
	3,731,151	6,032,933
Less: allowance for doubtful accounts	<u>1,400,097</u>	<u>2,269,300</u>
	<u>\$ 2,331,054</u>	<u>\$ 3,763,633</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Investments**

College

The College categorizes short-term investments according to the level of risk assumed by the College. At June 30, 2021 and 2020, the entire balance of investments of \$6,760,963 and \$5,453,168, respectively, represents investments that are insured, registered, or held by the College's agent in the College's name. Investment income is presented net of related expenses. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts. The College has a formal investment policy; however, the policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of June 30, 2021 and 2020, one federal entity made up 8% and 9%, respectively, of the market value of the College's investment portfolio.

Investments of the College are stated at fair market value and consist of the following at June 30,:

<u>2021</u>				
<u>Investment Maturities (in Years)</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>				
U.S. Government and Agencies	\$ 1,209,809	\$ 237,727	\$ 109,815	\$ 862,267
Municipal bonds	185,033	-	69,243	115,790
Corporate	<u>1,013,459</u>	<u>274,061</u>	<u>507,903</u>	<u>231,495</u>
Total	2,408,301	<u>\$ 511,788</u>	<u>\$ 686,961</u>	<u>\$ 1,209,552</u>
<u>Other Investments:</u>				
Equity Securities	<u>4,352,662</u>			
Total	<u>\$ 6,760,963</u>			

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June 30, 2021 and 2020

2020
Investment Maturities (in Years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>				
U.S. Government and Agencies	\$ 874,059	\$ 90,281	\$ 116,750	\$ 667,028
Municipal bonds	164,608	-	73,175	91,433
Corporate	<u>1,005,573</u>	<u>170,999</u>	<u>589,623</u>	<u>244,951</u>
Total	2,044,240	<u>\$ 261,280</u>	<u>\$ 779,548</u>	<u>\$ 1,003,412</u>
<u>Other Investments:</u>				
Equity Securities	<u>3,408,928</u>			
Total	<u>\$ 5,453,168</u>			

The following tables summarize the quality ratings of the College's investments using Standard & Poor's ratings.

Quality Ratings
2021

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>BBB-</u>
U.S. Government and Agencies	\$ 1,209,809	\$ 1,209,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	185,033	-	-	99,130	-	27,007	-	29,108	29,788	-	-
Corporate	<u>1,013,459</u>	<u>24,563</u>	<u>-</u>	<u>81,537</u>	<u>-</u>	<u>49,446</u>	<u>186,387</u>	<u>24,309</u>	<u>199,278</u>	<u>224,437</u>	<u>223,502</u>
	<u>\$ 2,408,301</u>	<u>\$ 1,234,372</u>	<u>\$ -</u>	<u>\$ 180,667</u>	<u>\$ -</u>	<u>\$ 76,453</u>	<u>\$ 186,387</u>	<u>\$ 53,417</u>	<u>\$ 229,066</u>	<u>\$ 224,437</u>	<u>\$ 223,502</u>

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June 30, 2021 and 2020

Rated Debt Investments	Fair Value	<u>2020</u>										
		<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>BBB-</u>	
U.S. Government and Agencies	\$ 874,059	\$ 874,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	164,608	-	-	78,876	22,476	27,654	19,262	-	16,340	-	-	
Corporate	<u>1,005,573</u>	<u>20,860</u>	<u>33,632</u>	<u>44,173</u>	<u>106,459</u>	<u>134,202</u>	<u>120,469</u>	<u>203,864</u>	<u>175,267</u>	<u>99,330</u>	<u>67,317</u>	
	<u>\$ 2,044,240</u>	<u>\$ 894,919</u>	<u>\$ 33,632</u>	<u>\$ 123,049</u>	<u>\$ 128,935</u>	<u>\$ 161,856</u>	<u>\$ 139,731</u>	<u>\$ 203,864</u>	<u>\$ 191,607</u>	<u>\$ 99,330</u>	<u>\$ 67,317</u>	

The following schedule summarizes the investment return of the College in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30,:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 127,798	\$ 127,125
Investment expense	(31,404)	(26,163)
Realized gain	602,802	99,771
Unrealized gain	<u>560,267</u>	<u>386,643</u>
	<u>\$ 1,259,463</u>	<u>\$ 587,376</u>

Fair Value Measurements

The College's investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below.

Level 1 - Observable market prices (unadjusted) in active markets for identical assets or liabilities that the College can access at measurement date.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by observable market data.

The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

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June 30, 2021 and 2020

U.S. Government and Agencies Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Municipal Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Corporate Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Equity Securities: Valued based on quoted prices in active markets of similar instruments.

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

The following tables set forth, by level, the College's investments, measured on a recurring basis:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
<u>Debt Securities:</u>				
U.S. Government and Agencies	\$ 1,209,809	\$ -	\$ -	\$ 1,209,809
Municipal bonds	-	185,033	-	185,033
Corporate bonds	-	1,013,459	-	1,013,459
<u>Other Investments:</u>				
Equity securities	<u>4,352,662</u>	<u>-</u>	<u>-</u>	<u>4,352,662</u>
Total marketable securities at fair value	<u>\$ 5,562,471</u>	<u>\$ 1,198,492</u>	<u>\$ -</u>	<u>\$ 6,760,963</u>

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June 30, 2021 and 2020

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
<u>Debt Securities:</u>				
U.S. Government and Agencies	\$ 874,059	\$ -	\$ -	\$ 874,059
Municipal bonds	-	164,608	-	164,608
Corporate bonds	-	1,005,573	-	1,005,573
<u>Other Investments:</u>				
Equity securities	<u>3,408,928</u>	<u>-</u>	<u>-</u>	<u>3,408,928</u>
Total marketable securities at fair value	<u>\$ 4,282,987</u>	<u>\$ 1,170,181</u>	<u>\$ -</u>	<u>\$ 5,453,168</u>

Investments of the Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30,:

	<u>2021</u>	<u>2020</u>
U.S. Government obligations	\$ 274,284	\$ 97,629
Mortgage backed securities	661,360	538,248
Corporate bonds	889,124	935,815
Municipal bonds	146,801	145,098
Mutual funds	928,855	402,054
Equity securities	<u>3,175,031</u>	<u>2,551,608</u>
	<u>\$ 6,075,455</u>	<u>\$ 4,670,452</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2021 is as follows:

	Estimated Lives (in years)	Beginning Balance	Additions	Retire- ments	Reclass- ifications	Ending Balance
Capital assets, not depreciated:						
Land		\$ 774,915	\$ -	\$ -	\$ -	\$ 774,915
Construction in progress		<u>6,180,576</u>	<u>3,951,479</u>	<u>-</u>	<u>(5,693,284)</u>	<u>4,438,771</u>
Total capital assets, not depreciated		<u>6,955,491</u>	<u>3,951,479</u>	<u>-</u>	<u>(5,693,284)</u>	<u>5,213,686</u>
Capital assets, depreciated:						
Buildings and improvements	40	87,511,729	58,900	-	4,513,199	92,083,828
Land improvements	20-30	1,454,359	-	-	-	1,454,359
Furnishings and equipment	5-20	<u>4,342,908</u>	<u>834,476</u>	<u>-</u>	<u>1,180,085</u>	<u>6,357,469</u>
Total capital assets, depreciated		<u>93,308,996</u>	<u>893,376</u>	<u>-</u>	<u>5,693,284</u>	<u>99,895,656</u>
Total capital assets		<u>100,264,487</u>	<u>4,844,855</u>	<u>-</u>	<u>-</u>	<u>105,109,342</u>
Less: accumulated depreciation:						
Buildings and improvements		30,908,208	2,605,200	-	-	33,513,408
Land improvements		474,878	60,212	-	-	535,090
Furnishings and equipment		<u>3,099,757</u>	<u>328,239</u>	<u>-</u>	<u>-</u>	<u>3,427,996</u>
Total accumulated depreciation		<u>34,482,843</u>	<u>2,993,651</u>	<u>-</u>	<u>-</u>	<u>37,476,494</u>
Capital assets, net		<u>\$ 65,781,644</u>	<u>\$ 1,851,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,632,848</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Capital assets activity for the year ended June 30, 2020 is as follows:

	Estimated Lives (in years)	Beginning Balance	Additions	Retire- ments	Reclass- ifications	Ending Balance
Capital assets, not depreciated:						
Land		\$ 774,915	\$ -	\$ -	\$ -	\$ 774,915
Construction in progress		20,881,454	936,920	-	(15,637,798)	6,180,576
Total capital assets, not depreciated		21,656,369	936,920	-	(15,637,798)	6,955,491
Capital assets, depreciated:						
Buildings and improvements	40	71,873,931	-	-	15,637,798	87,511,729
Land improvements	20-30	1,454,359	-	-	-	1,454,359
Furnishings and equipment	5-20	3,892,678	450,230	-	-	4,342,908
Total capital assets, depreciated		77,220,968	450,230	-	15,637,798	93,308,996
Total capital assets		98,877,337	1,387,150	-	-	100,264,487
Less: accumulated depreciation:						
Buildings and improvements		28,529,159	2,379,049	-	-	30,908,208
Land improvements		414,666	60,212	-	-	474,878
Furnishings and equipment		2,971,936	127,821	-	-	3,099,757
Total accumulated depreciation		31,915,761	2,567,082	-	-	34,482,843
Capital assets, net		\$ 66,961,576	\$ (1,179,932)	\$ -	\$ -	\$ 65,781,644

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2021 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 3,341,347	\$ -	\$ 220,465	\$ 3,120,882	\$ 206,513
Compensated absences	3,964,452	130,784	-	4,095,236	2,728,825
Workers' compensation	347,487	41,487	-	388,974	47,356
Net pension liability	7,035,864	833,549	-	7,869,413	-
Net OPEB liability	<u>13,263,795</u>	<u>-</u>	<u>3,137,705</u>	<u>10,126,090</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 27,952,945</u>	<u>\$ 1,005,820</u>	<u>\$ 3,358,170</u>	<u>\$ 25,600,595</u>	<u>\$ 2,982,694</u>

Long-term liabilities at June 30, 2020 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 3,732,717	\$ -	\$ 391,370	\$ 3,341,347	\$ 220,465
Compensated absences	3,444,809	519,643	-	3,964,452	2,632,812
Workers' compensation	347,797	-	310	347,487	63,243
Net pension liability	10,973,238	-	3,937,374	7,035,864	-
Net OPEB liability	<u>24,011,542</u>	<u>-</u>	<u>10,747,747</u>	<u>13,263,795</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 42,510,103</u>	<u>\$ 519,643</u>	<u>\$ 15,076,801</u>	<u>\$ 27,952,945</u>	<u>\$ 2,916,520</u>

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June 30, 2021 and 2020

Notes Payable

In July 2012, the College entered into an agreement with Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM was responsible for construction of specific energy conservation projects, including the conversion of heating systems from electric to gas, replacement of boilers, updating of lighting, installation of water conservation equipment, and other similar projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. In connection with this agreement, in January 2013, the College issued notes payable to DCAMM in the original amount of \$4,585,686, requiring annual payments of \$334,469, including principal and interest, at 4.1% per annum through January 2033. The outstanding balance of the note payable is \$3,120,882 and \$3,319,262 at June 30, 2021 and 2020, respectively.

During the fiscal years ended June 30, 2016 and 2017, the College issued notes payable to its electric provider to provide funds for the installation of energy efficient lighting on the Haverhill and Lawrence campuses. The note payable issued during the fiscal year ending 2016 was in the amount of \$765,592 and required monthly principal payments of \$15,950 through June 2020. Notes payable issued during fiscal year ended 2017 were in the aggregate amount of \$420,416 and require aggregate monthly principal payments of \$8,759 through August 2020 with additional principal payments of \$1,142 continuing through December 2020. The notes are non-interest bearing and unsecured. No interest has been imputed due to a lack of materiality. The aggregate outstanding balance of these notes was \$22,085 at June 30, 2020. The remaining balance of these notes was repaid in full during the year ended June 30, 2021.

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Principal and interest on long-term debt payable for the next five years and through maturity are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 206,513	\$ 127,956	\$ 334,469
2023	214,980	119,489	334,469
2024	223,794	110,675	334,469
2025	232,970	101,499	334,469
2026	242,521	91,948	334,469
2027-2031	1,370,167	302,179	1,672,346
2032-2033	<u>629,937</u>	<u>39,000</u>	<u>668,937</u>
Total	<u>\$ 3,120,882</u>	<u>\$ 892,746</u>	<u>\$ 4,013,628</u>

Note 9 - **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 are available online from the Office of State Comptroller's website.

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June 30, 2021 and 2020

Benefit Provisions

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

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

Contributions

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$3,183,735, \$3,126,339, and \$2,521,590 for the years ended June 30, 2021, 2020 and 2019, 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 14.66%, 14.08%, and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The College contributed \$443,324, \$495,643, and \$478,772 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 80%, 78% and 77% of total related payroll for fiscal years ended 2021, 2020 and 2019, respectively.

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

At June 30, 2021 and 2020, the College reported a liability of \$7,869,413 and \$7,035,864, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020, relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.046% and 0.048%, respectively.

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June 30, 2021 and 2020

For the years ended June 30, 2021 and 2020, the College recognized pension expense of \$34,479 and \$299,296, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 443,324	\$ 495,643
Differences between expected and actual experience	250,393	233,662
Net differences between projected and actual investment earnings on pension plan investments	432,585	-
Changes in proportion from Commonwealth	5,943	12,422
Changes in plan actuarial assumptions	446,184	521,529
Changes in proportion due to internal allocation	<u>123,259</u>	<u>359,990</u>
Total deferred outflows of resources related to pension	<u>\$ 1,701,688</u>	<u>\$ 1,623,246</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Changes in proportion from Commonwealth	\$ 19,181	\$ 357
Changes in proportion due to internal allocation	3,041,251	4,078,494
Differences between expected and actual experience	50,921	91,505
Net differences between projected and actual investment earnings on pension plan investments	<u>-</u>	<u>104,949</u>
Total deferred inflows of resources related to pension	<u>\$ 3,111,353</u>	<u>\$ 4,275,305</u>

The College's contributions of \$443,324 and \$495,643 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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June 30, 2021 and 2020

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

Years Ending <u>June 30,</u>	
2022	\$ (468,983)
2023	(369,546)
2024	(356,236)
2025	(467,445)
2026	<u>(190,779)</u>
	<u>\$ (1,852,989)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2020	June 30, 2019
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.15%	7.25%
Interest rate credited to annuity savings fund	3.50%	3.50%

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

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

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- Disability - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward year.

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

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

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

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June 30, 2021 and 2020

Discount Rate

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

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,:

<u>2021</u>		
Current		
1.00% Decrease (6.15%)	Discount Rate (7.15%)	1.00% Increase (8.15%)
-----	-----	-----
\$ 10,368,438	\$ 7,869,413	\$ 5,815,409
<u>2020</u>		
Current		
1.00% Decrease (6.25%)	Discount Rate (7.25%)	1.00% Increase (8.25%)
-----	-----	-----
\$ 9,364,963	\$ 7,035,864	\$ 5,045,761

Note 10 - **Other Post-Employment Benefits ("OPEB") (Restated)**

Plan Description

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

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June 30, 2021 and 2020

("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

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

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

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

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain 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 MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed \$232,795 and \$256,755 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for both years.

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

At June 30, 2021 and 2020, the College reported a liability of \$10,126,090 and \$13,263,795 respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.049% and 0.073%, respectively.

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For the years ended June 30, 2021 and 2020, the College recognized OPEB (benefit) of (\$1,509,897) and (\$541,824), respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 232,795	\$ 256,755
Differences between expected and actual experience	279,460	531,940
Net differences between projected and actual investment earnings on OPEB plan investments	29,278	-
Changes in proportion from Commonwealth	15,346	32,341
Changes in OPEB plan actuarial assumptions	833,901	10,206
Changes in proportion due to internal allocation	<u>1,846,836</u>	<u>2,608,841</u>
Total deferred outflows of resources related to OPEB	<u>\$ 3,237,616</u>	<u>\$ 3,440,083</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between expected and actual experience	\$ 249,946	\$ 16,985
Net differences between projected and actual investment earnings on OPEB plan investments	-	6,100
Changes in proportion from Commonwealth	34,390	-
Changes in OPEB plan actuarial assumptions	978,652	1,994,534
Changes in proportion due to internal allocation	<u>11,296,728</u>	<u>9,361,376</u>
Total deferred inflows of resources related to OPEB	<u>\$ 12,559,716</u>	<u>\$ 11,378,995</u>

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The College's contributions of \$232,795 and \$256,755 made during the fiscal year 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2022	\$ (2,364,862)
2023	(2,317,595)
2024	(2,157,158)
2025	(2,147,220)
2025	<u>(568,060)</u>
	<u>\$ (9,554,895)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	4.00% per year	4.00% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GA-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5% decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024, then decreasing 0.50% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% for administrative costs

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June 30, 2021 and 2020

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have healthcare coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect healthcare benefits at age 55, or current age if later, for the measurement date June 30, 2019.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

The actuarial assumptions used in the January 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and

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June 30, 2021 and 2020

2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

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

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020 are the same as discussed in the pension footnote.

Discount Rate

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

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

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2021		
Current		
1.00% Decrease (1.28%)	Discount Rate (2.28%)	1.00% Increase (3.28%)
\$ 12,168,731	\$ 10,126,090	\$ 8,512,155
2020		
Current		
1.00% Decrease (2.63%)	Discount Rate (3.63%)	1.00% Increase (4.63%)
\$ 15,832,685	\$ 13,263,795	\$ 11,232,700

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

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

2021		
Current Healthcare		
1.00% Decrease	Cost Trend Rate	1.00% Increase
\$ 8,224,730	\$ 13,263,795	\$ 12,652,214
2020		
Current Healthcare		
1.00% Decrease	Cost Trend Rate	1.00% Increase
\$ 10,931,043	\$ 13,263,795	\$ 16,341,612

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Note 11 - **Service Concession Agreements**

The College has a service concession arrangement for beverage products with Coca Cola, Inc. (“Coca Cola”). In exchange for this agreement, Coca Cola has provided the College with funds aggregating \$50,000. These monies are amortized into revenue ratably over the life of the agreement through June 2022. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Coca Cola to defray costs incurred by the College, as well as revenue sharing. During the fiscal years ended June 30, 2021 and 2020, the sales volume did not meet the required amount in order for the College to receive additional payments. The College expects to recognize \$5,000 per year over the next year, with the remaining balance recognized in revenues during the year ended June 30, 2023.

The College has entered into an operating agreement with Follett Higher Education Group (“Follett”). A provision of the agreement is that Follett will make a planned investment in the College bookstore. Specifically, Follett shall provide a one-time contribution of \$300,000 to the College for the creation of the new bookstore/café on the Haverhill campus. Additionally, during the fiscal year ended June 30, 2015, the College received \$136,280 as a supplemental payment from Follett for modifications to the bookstore. These monies will be amortized into revenue ratably through April 2025, the end of the agreements. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Follett to defray costs incurred by the College, as well as revenue sharing. During the fiscal years ended June 30, 2021 and 2020, such additional payments received aggregated \$40,888 and \$64,492, respectively. The College expects to recognize \$40,725 per year over the next 3 years, with the remaining balance recognized in revenues during the year ended June 30, 2025. There were no payments received in the years ended June 30, 2021 and 2020.

The College reports the carrying value of the capital assets relating to the service concession arrangements of approximately \$283,582 and \$305,396 at June 30, 2021 and 2020, respectively. Depreciation expense on these capital assets amounted to \$21,814 during the years ended June 30, 2021 and 2020.

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Note 12 - **Leases**

The College leases certain equipment, vehicles, and buildings under various operating leases with monthly payments ranging from \$49 to \$33,536 per month. The terms of these leases range between two to ten years and expire at various dates through June 2030. Total lease expense was \$3,204,140 and \$2,666,885 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2020, future minimum payments due under all operating leases for the College are as follows:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Total</u>
2022	\$ 1,855,409
2023	1,662,330
2024	998,622
2025	934,690
2026	924,316
Thereafter	<u>2,303,849</u>
Total	<u>\$ 8,679,216</u>

Note 13 - **Restricted Net Position**

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

Restricted - expendable net position consists of funds whose income is mainly to be used for scholarships, the Lawrence Capital Campaign, and the Women of NECC program.

The Foundation's restricted - nonexpendable net position consists of endowment funds to be held indefinitely. The income from these assets is restricted for the purpose of providing scholarships.

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Note 14 - **Contingencies**

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

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

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept as payment of tuition, the amount determined by the Program without regard to the 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 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.

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The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College.

Note 15 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, comprise the following at June 30,:

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 40,442,167	\$ 42,439,458
Supplies and services	12,579,166	14,655,564
Scholarships and fellowships	3,045,864	4,533,748
Depreciation	<u>2,993,651</u>	<u>2,567,082</u>
	<u>\$ 59,060,848</u>	<u>\$ 64,195,852</u>

Note 16 - **Fringe Benefits**

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

Group Insurance Commission

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

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June 30, 2021 and 2020

The GIC is a quasi-independent state agency governed by a seventeen-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2020 and 2019, 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 pay out.

Note 17 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth colleges and universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth’s Statewide Accounting System, 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 Educational Audited Financial Statements*.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The College's state appropriation is composed of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Direct unrestricted appropriations	\$ 22,467,500	\$ 21,772,019
Add:		
Fringe benefits for benefited employees on the state-funded payroll	7,900,701	7,878,020
Less:		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(222,568)</u>	<u>(135,213)</u>
Total unrestricted appropriations	<u>30,145,633</u>	<u>29,514,826</u>
Capital appropriations	<u>5,149,665</u>	<u>1,169,362</u>
Total appropriations	<u>\$ 35,295,298</u>	<u>\$ 30,684,188</u>

A reconciliation between the College and MMARS as of June 30, 2021 is as follows (unaudited):

Revenue per MMARS	\$ 57,897,223
Revenue per College	<u>57,897,223</u>
Difference	\$ <u> -</u>

Note 18 - **Pass-Through Grants**

The College distributed approximately \$2,517,000 and \$4,063,000 for student loans through the U.S. Department of Education Federal Direct Lending Program during the years ended June 30, 2021 and 2020, respectively. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.046%	0.048%	0.083%	0.080%	0.082%	0.105%	8.200%
Proportionate share of the collective net pension liability	\$ 7,869,413	\$ 7,035,864	\$ 10,973,238	\$ 10,315,396	\$ 11,288,307	\$ 11,931,702	\$ 6,105,705
Covered payroll	\$ 3,520,192	\$ 3,969,917	\$ 6,438,676	\$ 6,319,979	\$ 6,220,481	\$ 6,316,080	\$ 6,100,441
Proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the plan's total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

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Schedule of Pension Contributions (Unaudited)

Year ended	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 443,324	\$ 495,643	\$ 478,772	\$ 758,476	\$ 628,838	\$ 587,850	\$ 656,241
Contributions in relation to the contractually required contribution	<u>443,324</u>	<u>495,643</u>	<u>478,772</u>	<u>758,476</u>	<u>628,838</u>	<u>587,850</u>	<u>656,241</u>
Contribution excess	<u>\$ -</u>						
Covered payroll	\$ 3,024,038	\$ 3,520,192	\$ 3,969,917	\$ 6,438,676	\$ 6,319,979	\$ 6,220,481	\$ 6,316,080
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTHERN ESSEX COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2021

Note 1 - **Changes in Pension Plan Benefit Terms and Assumptions**

Measurement date – June 30, 2020

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

Measurement Date – June 30, 2019

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

Measurement Date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement Date – June 30, 2017

The mortality rates were changed as follows:

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

NORTHERN ESSEX COMMUNITY COLLEGE

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

June 30, 2021

Measurement Date – June 30, 2016

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

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

Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

Note 2 - Other Information

This schedule is intended to present 10 years of data. Additional years will be presented when available.

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of Proportionate Share of the Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.049%	0.073%	0.129%	0.115%
Proportionate share of the collective net OPEB liability	\$ 10,126,090	\$ 13,263,795	\$ 24,011,542	\$ 20,063,487
College's covered payroll	\$ 3,520,192	\$ 3,969,917	\$ 6,438,676	\$ 6,319,979
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

NORTHERN ESSEX COMMUNITY COLLEGE
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Schedule of OPEB Contributions (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 232,795	\$ 256,755	\$ 349,118	\$ 574,256
Contributions in relation to the statutorily required contribution	<u>(232,795)</u>	<u>(256,755)</u>	<u>(349,118)</u>	<u>(574,256)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,024,038	\$ 3,520,192	\$ 3,969,917	\$6,438,676
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTHERN ESSEX COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2021

Note 1 - **Changes in OPEB Plan Assumptions**

Measurement date – June 30, 2020

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Measurement date - June 30, 2019

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.

NORTHERN ESSEX COMMUNITY COLLEGE
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**Notes to the Required Supplementary Information - OPEB (Unaudited) -
Continued**

June 30, 2021

Change in Discount Rate

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

Measurement date - June 30, 2018

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Measurement date – June 30, 2017

Change in Discount Rate

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

Note 2 - **Other Information**

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Detailed information about the OPEB plan's changes in net OPEB liability and changes in the plan's fiduciary net position are not available to the College and, accordingly, are not presented in the schedule. This information is available in the Commonwealth of Massachusetts' financial statements.

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



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

To the Board of Trustees of
Northern Essex Community College
Haverhill, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and business-type activities of Northern Essex Community College (the "College"), and its discretely presented major component unit, as of June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Essex Community College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Essex Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants
Braintree, Massachusetts**

December 1, 2021