

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

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

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Berkshire Community College:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

WithumSmith+Brown, PC

June 26, 2024

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2023

The following discussion and analysis provide management's view of the financial position of the College as of June 30, 2023 as well as the results of its operations for the year then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

Introduction

Berkshire Community College (the "College") is a public institution of higher education serving 734 FTE students with 48 full-time faculty, 112 part-time faculty, and 148 full-time staff members. The College is located in Pittsfield, Massachusetts. In addition, the College offers credit and non-credit programs at the South County Center in Great Barrington. The College offers 48 degree and certificate programs plus a wide range of non-credit workforce development training options.

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

Financial Highlights

The College's financial performance from FY22 to FY23 is indicated by the following:

- Total net position in FY23 decreased \$164,589 or 0.4% as compared to an increase of 1,159,815 or 2.6% in FY22.
- Unrestricted net position in FY23 decreased \$1,211,703 or 37.7% as compared to an increase of \$1,346,600 or 72.1% in FY22.
- Total operating revenues in FY23 increased \$1,331,487 or 11.3% as compared to an increase of \$532,533 or 4.7% in FY22.
- Net student fees in FY23 decreased \$538,692 or 12.7% as compared to a decrease of \$122,482 or 2.8% in FY22.
- Operating grants and contributions in FY23 increased \$1,902,640 or 27.2% as compared to an increase of \$1,261,009 or 22.0% in FY22.
- Operating expenses in FY23 increased \$748,445 or 2.2% as compared to an increase of \$3,731,492 or 12.6% in FY22.

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

The Berkshire Community College Foundation is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to activities of the College by the donors. Because resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

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

The financial statements can be found on pages 17 to 22 of this report.

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

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data shown in the financial statements. The notes provide information regarding both the accounting policies and procedures that the College has adopted as well as additional detail about certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 23 to 50 of this report.

Financial Analysis

Net Position

The following table presents a summary of the College's net position. Detailed statements of net position may be found in the financial statements on page 17 of this report.

	June 30,	
	2023	2022
Current assets	\$ 7,192,179	\$ 12,042,215
Non-current assets	47,809,390	43,567,400
Total assets	55,001,569	55,609,615
Deferred outflows of resources	796,313	859,557
Current liabilities	4,920,887	4,894,146
Non-current liabilities	2,995,019	2,909,715
Total liabilities	7,915,906	7,803,861
Deferred inflows of resources	1,458,500	2,077,246
Investment in capital assets	44,083,083	43,294,668
Restricted - expendable	336,537	77,838
Unrestricted	2,003,856	3,215,559
Total net position	\$ 46,423,476	\$ 46,588,065

The measurement of net position can serve over time as a useful indicator of the College's financial position. Net position decreased \$164,589 for the year ended June 30, 2023 and increased \$1,159,815 for the year ended June 30, 2022.

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

June 30, 2023

Net Position - Continued

By far, the largest portion of the College's net position is its investment in capital assets, including land, buildings, machinery and equipment, less any related debt, including capital leases, used to acquire those assets. Net position investment in capital assets was \$44,083,083 at June 30, 2023, representing 95% of total net position. Net position investment in capital assets increased by \$788,415 in FY23. The College received capital appropriations from the Commonwealth totaling \$2,442,186. The College uses capital assets to provide services to students, faculty, and staff; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, note that the resources needed to repay this debt must be provided from non-capital sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the capital asset activity noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements. Additional information about the College's capital assets can be found in Note 7 on page 33 of the Notes to the Financial Statements.

The College's long-term debt consists of Clean Renewable Energy Bonds (CREB) of \$131,601 as well as accruals for compensated absences and workers compensation. The accrual for compensated absences consists of the long-term portion of vacation and sick pay relating to employees on the College's payroll. See Note 8 on page 34 of the Notes to the Financial Statements for more information on long-term liabilities.

A portion of the College's net position, \$336,537 in FY23 (\$77,838 in FY22), represents resources that are subject to external restrictions on how they must be used.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Net Position - Continued

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

Condensed Changes in Net Position

	2023	2022
Operating revenues:		
Tuition and fees, net of tuition waivers and remissions	\$ 3,716,547	\$ 4,255,239
Operating grants and contributions	8,901,559	6,998,919
Other sources	464,924	497,385
Total operating revenues	13,083,030	11,751,543
Total operating expenses	34,032,623	33,284,178
Net operating loss	(20,949,593)	(21,532,635)
Non-operating and other revenues (expenses):		
Federal grants	885,312	4,886,006
State appropriations	19,861,482	17,820,017
Net investment income	46,006	(4,234)
Interest expense	(7,796)	(9,339)
Total non-operating and other revenues	20,785,004	22,692,450
Increase in net position	(164,589)	1,159,815
Net position - beginning of year	46,588,065	45,428,250
Net position - end of year	\$ 46,423,476	\$ 46,588,065

BERKSHIRE COMMUNITY COLLEGE

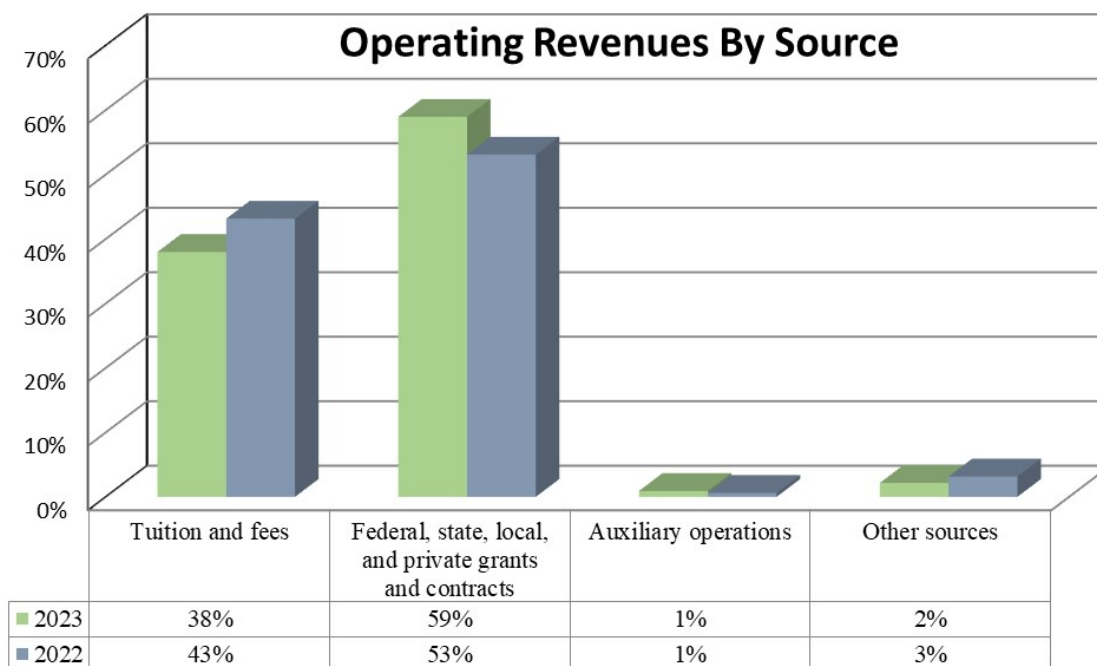
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Operating Revenue Highlights

The following is a graphic illustration of operating revenues by source, which were used to fund the College’s activities for the years ended June 30, 2023 and 2022.



- **Total operating revenues** in FY23 increased \$1,331,487 or 11.3% as compared to an increase of \$532,533 or 4.7% in FY22.
- **Tuition and fees** received by the College include tuition, college service fee, technology fee, and other credit and non-credit fees less scholarship allowances. Net student tuition and fees in FY23 decreased \$538,692 or 12.7% as compared to a decrease of \$122,482 or 2.8% in FY22.
- **Operating grants and contributions** in FY23 increased \$1,902,640 or 27.2% as compared to an increase of \$1,261,009 or 22.0% in FY22.

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

June 30, 2023

Operating Revenue Highlights – Continued

- **Other sources** of revenue include auxiliary operations, parking and other fines, facilities use fees, special function charges, user fees, and direct contributions to the College. Total other sources of revenue in FY23 decreased \$91,481 or 21.9% as compared to a decrease of \$595,806 or 58.8 % in FY22.
- FY23 operating grants and contracts included the following:

Grant Name	Funding Source	Amount	Purpose
Federal SEOG	US DOE	\$58,292	Need-based funds awarded at school discretion according to packaging policies.
Pell	US DOE	\$1,984,701	Entitlement fund based upon demonstrated financial need.
Federal Work Study	US DOE	\$61,245	Federal allocation providing on- and off-campus work opportunities.
CARES Act – Higher Education Emergency Relief Fund Project	US DOE	\$3,058,988	Funding to provide emergency and need-based financial relief to students as a result of the Covid-19 pandemic.
CARES Act- Higher Education Emergency Relief Fund for Institutions	US DOE	\$4,195,806	Funding to provide emergency assistance to institutions of higher education to effectively respond to the Covid-19 threat by keeping students and staff safe and preserving learning environment.
Behavioral Mental Health Grant	Mass. DHE	\$96,206	Funding to provide campus community training and support for mental health needs

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

June 30, 2023

Operating Revenue Highlights – Continued

Grant Name	Funding Source	Amount	Purpose
Behavioral Health Workforce Education Training	HRSA	\$268,587	Funding to implement a comprehensive educational and student support program that provides a steady stream of qualified and diverse human service professionals serving Berkshire County's high risk and underserved population.
TRIO	US DOE	\$294,725	Year 3 of 5-year award. Activity focused on implementing Student Success Program.
CARES Act- Higher Education Funds, Title III Strengthening Institutions Program	US DOE	\$315,836	Funding to provide emergency assistance to institutions of higher education to effectively respond to the Covid-19 threat by keeping students and staff safe and preserving the learning environment.
CARES Act – Supplemental Assistance for Higher Education	US DOE	\$574,326	Funding to provide emergency and need-based financial relief to students as a result of the Covid-19 pandemic.
CARES Act – Supplemental Assistance for Higher Education	US DOE	\$385,496	Funding to provide emergency and need-based financial relief to students as a result of the Covid-19 pandemic.
Workforce Incentive Funding	Mass. DHE	\$233,741	To support the community college Workforce Training Incentive Grant program.
CALC- Community Adult Learning Center	Mass. DESE	\$287,201	To support free ESOL classes, training, and support services for residents of southern Berkshire County.
SIMS Equipment	Federal	\$350,00	SIMS equipment for Nursing

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

June 30, 2023

Operating Revenue Highlights – Continued

Grant Name	Funding Source	Amount	Purpose
STEM Starter Academy	Mass. BOHE	\$275,000	Provide support services, summer bridge programming, case management, and transition programming to STEM students
Perkins	Mass. DOE	\$81,948	To assist public two-year colleges in improving postsecondary technical education programs
Dual Enrollment	Mass. DHE	\$54,405	Funding to support higher education and high school partnerships to increase college participation of students through Dual Enrollment activities focused on underrepresented populations.
TRAIN Grant	Mass. DHE	\$74,486	Support development and implementation of fast-track culinary and hospitality workforce and Phlebotomy training program.
Early Childhood Education Career Pathways Grant	Mass. Dept of Early Education & Care	\$446,923	To provide coursework, certificate, credential and degree attainment, academic and career advising to early education and out of school time educators across EEC's mixed delivery system.
Skills Capital Grant	Mass. DHE	\$4,592	To support purchase of equipment to establish a kitchen for culinary programming.
Success Grant	Mass. DHE	\$758,816	Supporting urgent community college equity through student services.

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

June 30, 2023

Operating Expense Highlights

Total operating expenses increased \$411,113 or 1.2% from FY22 to FY23. Of this amount, salary and fringe costs decreased \$1,059,482 or 5.4% and institutional expenditures related to CARES increased \$1,506,887 or 90%. Functional expense classifications and dollar amounts are shown below. Expense percentage shares are shown in the accompanying chart.

	For Fiscal Years Ended	
	2023	2022
Operating expenses:		
Instruction	\$ 10,878,954	\$ 8,822,886
Academic support	4,425,097	4,670,364
Student services	4,987,551	4,899,735
Scholarships and fellowships	2,481,090	2,154,795
Operation and maintenance of plant	2,748,371	2,915,081
Institutional support	6,537,618	7,920,877
Depreciation and amortization	1,697,638	1,827,518
Auxiliary operations	276,304	72,922
Total Operating Expenses	\$ 34,032,623	\$ 33,284,178

- **Instruction** – Costs related to faculty salaries, instructional supplies, and equipment increased \$2,056,068 or 23.3% in FY23 and increased \$288,922 or 3.4% in FY22.
- **Academic Support** – Expenses that provide administrative support for academic programs decreased \$245,267 or 5.3% in FY23 and increased \$591,260 or 14.5% in FY22.
- **Student Services** – Admissions, registration, financial aid, counseling, tutoring, interpreters, and all other student support services increased \$87,816 or 1.8% in FY23 and increased \$655,021 or 15.4% in FY22.
- **Scholarships and Fellowships** – Student aid, including federal, state, and private grants (i.e., Pell, SEOG, Massachusetts State Grants & Scholarships) increased \$326,295 or 15.1% in FY23 and decreased \$253,397 or 10.5% in FY22.

BERKSHIRE COMMUNITY COLLEGE

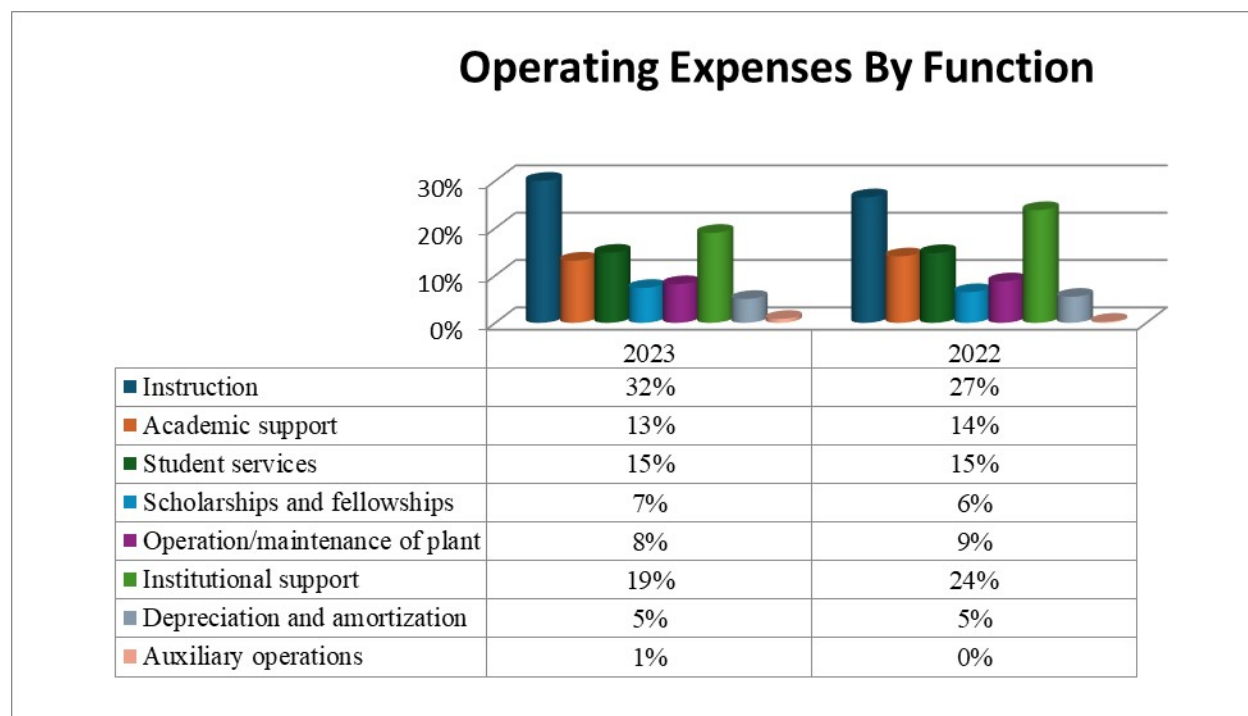
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Operating Expense Highlights - Continued

- **Operation and Maintenance of Plant** – Spending on maintenance of physical plant and grounds decreased \$166,710 or 5.7% in FY23 and increased \$212,843 or 7.9% in FY22.
- **Institutional Support** – Collectively, spending by all administrative functions decreased \$1,383,259 or 17.5% in FY23 and increased \$2,232,583 or 39.3% in FY22.
- **Depreciation and Amortization** – This non-cash expense decreased \$129,880 or 7.1% in FY23 and increased \$28,934 or 1.6% in FY22.
- **Auxiliary Operations** – Food services increased \$203,382 or 278.9% in FY23 and decreased \$25,675 or 26.0% in FY22.



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

June 30, 2023

Non-Operating Revenues and Expenses

The Commonwealth’s net operating appropriations, which are composed of operating appropriations and fringe benefits less tuition remitted, increased \$331,600 or 1.9% in FY23 and increased \$724,479 or 4.4% in FY22. Federal grants decreased \$4,000,694 or 81.9% in FY23 and increased \$2,652,866 or 118.8% in FY22. Federal grants include \$461,987 expended for grants to students and \$423,325 expended for institutional costs from the Higher Education Emergency Relief Fund.

Loss from Operations and State Appropriations

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

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth’s General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following table provides a summary of the unrestricted appropriations and capital appropriations received by the College from the Commonwealth for the fiscal years ended June 30, 2023, and 2022, respectively.

	2023	2022
Gross Commonwealth operating appropriations	\$ 12,826,801	\$ 12,973,519
Plus fringe benefits*	4,672,824	4,244,251
	17,499,625	17,217,770
Less tuition remitted	(80,329)	(130,074)
Net Commonwealth operating appropriations	17,419,296	17,087,696
Gross Commonwealth capital appropriations	2,442,186	732,321
Net Commonwealth appropriations	19,861,482	17,820,017

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

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Economic Factors, Outlook, and Tuition and Student Fee Rates

The College's total state appropriations increased \$2,041,465 in FY23 and increased \$869,874 in FY22. The increase in FY23 was the result of a general appropriations increase of \$331,600 and capital appropriations increase of \$1,709,865.

For FY24, state appropriations are expected to be level funded. FY24 tuition and student fees increased \$10 compared to FY23. These fees are used to support the mission and operations of the College. The College remains concerned about the local economy, a declining population in Berkshire County, and future budget appropriations from the Commonwealth.

Requests for Information

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

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

Statement of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

	Berkshire Community College
Current Assets:	
Cash and equivalents	\$ 4,776,397
Cash held by State Treasurer	1,186,268
Accounts receivable, net	1,121,046
Other current assets	<u>108,468</u>
Total Current Assets	<u>7,192,179</u>
Noncurrent Assets:	
Investments	3,550,839
Capital assets, net of accumulated depreciation	<u>44,258,551</u>
Total Noncurrent Assets	<u>47,809,390</u>
Total Assets	<u>55,001,569</u>
Deferred Outflows of Resources:	
Deferred outflows related to pension	313,182
Deferred outflows related to OPEB	<u>483,131</u>
Total Deferred Outflows of Resources	<u>796,313</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 55,797,882</u>

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

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>Berkshire Community College</u>
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 361,765
Due to Berkshire Community College Foundation	280,930
Accrued payroll	589,082
Compensated absences	1,072,218
Workers' compensation	39,910
Student deposits	216,741
Unearned revenues	2,316,374
Current portion of bond payable	<u>43,867</u>
Total Current Liabilities	<u>4,920,887</u>
Noncurrent Liabilities:	
Compensated absences, net of current portion	443,122
Workers' compensation, net of current portion	299,824
Bond payable, net of current portion	131,601
Net pension liability	938,889
Net OPEB liability	<u>1,181,583</u>
Total Noncurrent Liabilities	<u>2,995,019</u>
Total Liabilities	<u>7,915,906</u>
Deferred Inflows of Resources:	
Deferred inflows related to pension	240,284
Deferred inflows related to OPEB	<u>1,218,216</u>
Total Deferred Inflows of Resources	<u>1,458,500</u>
Net Position:	
Net investment in capital assets	44,083,083
Restricted:	
Nonexpendable	-
Expendable	336,537
Unrestricted	<u>2,003,856</u>
Total Net Position	<u>46,423,476</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 55,797,882</u>

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

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

Statement of Revenues, Expenses and Changes in Net Position

For Year Ended June 30, 2023

	Berkshire Community College
Operating Revenues:	
Tuition and fees	\$ 5,737,162
Less: scholarship allowances	<u>(2,020,615)</u>
Net student fees	3,716,547
Federal, state, local, and private grants and contracts	8,901,559
Other auxiliary operations	139,309
Other sources	<u>325,615</u>
Total Operating Revenues	<u>13,083,030</u>
Operating Expenses:	
Instruction	10,878,954
Academic support	4,425,097
Student services	4,987,551
Scholarships and fellowships	2,481,090
Operation and maintenance of plant	2,748,371
Institutional support	6,537,618
Depreciation and amortization	1,697,638
Auxiliary operations	<u>276,304</u>
Total Operating Expenses	<u>34,032,623</u>
Operating Loss	<u>(20,949,593)</u>
Non-Operating Revenues (Expenses):	
Federal grants	885,312
State appropriations - unrestricted	17,419,296
Net investment income	46,006
Interest expense	<u>(7,796)</u>
Net Non-Operating Revenues	<u>18,342,818</u>
Change in Net Position Before Capital Appropriation	(2,606,775)
Capital appropriations	<u>2,442,186</u>
Change in Net Position	<u>(164,589)</u>
Net Position, Beginning of Year	<u>46,588,065</u>
Net Position, End of Year	<u>\$ 46,423,476</u>

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

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows

For Year Ended June 30, 2023

Cash Flows from Operating Activities:

Tuition and fees	\$ 3,949,782
Grants and contracts	9,159,076
Payments to suppliers	(8,853,996)
Payments to employees	(16,105,596)
Payments to students	(2,481,090)
Other auxiliary operations	139,309
Other sources	<u>409,138</u>

Net Cash Applied to Operating Activities (13,783,377)

Cash Flows from Non-Capital and Related Financing Activities:

Federal grants	885,312
State appropriations	12,826,801
Tuition remitted to State	<u>(80,329)</u>

Net Cash Provided by Non-Capital and Related Financing Activities 13,631,784

Cash Flows from Capital and Related Financing Activities:

Principal paid on bond payable	(43,867)
Interest paid on bond payable	<u>(7,796)</u>

Net Cash Applied to Capital and Related Financing Activities (51,663)

Cash Flows from Investing Activities:

Purchase of investments	(3,497,442)
Net investment income	<u>46,006</u>

Net Cash Applied to Investing Activities (3,451,436)

Net Decrease in Cash and Equivalents (3,654,692)

Cash and Equivalents, Beginning of Year 9,617,357

Cash and Equivalents, End of Year \$ 5,962,665

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

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows - Continued

For Year Ended June 30, 2023

Reconciliation of Net Operating Loss to Net Cash

Applied to Operating Activities:

Net operating loss	\$	(20,949,593)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation		1,697,638
Net pension activity		(139,874)
Net OPEB activity		(328,650)
Bad debts		260,263
Fringe benefits provided by State		4,672,824
Changes in assets and liabilities:		
Accounts receivable		101,107
Other current assets		833,974
Accounts payable and accrued liabilities		(394,540)
Due to Berkshire Community College Foundation		280,930
Accrued employee compensation and benefits		(30,361)
Student deposits and unearned revenues		<u>212,905</u>
Net Cash Applied to Operating Activities	\$	<u>(13,783,377)</u>

Reconciliation of Cash and Equivalents to

Statement of Net Position, End of Year:

Cash and equivalents	\$	4,776,397
Cash held by State Treasurer		<u>1,186,268</u>
	\$	<u>5,962,665</u>

Non-cash Transactions:

Fringe benefits provided by State appropriations	\$	<u>4,672,824</u>
Capital improvements provided by capital appropriations	\$	<u>2,442,186</u>
Dividends reinvested	\$	<u>5,255</u>

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

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

Statement of Financial Position (Component Unit)

June 30, 2023

Assets

	<u>Berkshire Community College Foundation</u>
Current Assets:	
Cash and equivalents	\$ 1,304,912
Due from Berkshire Community College	280,930
Prepaid expenses	<u>1,050</u>
Total Current Assets	<u>1,586,892</u>
Other Asset:	
Marketable securities	<u>13,333,334</u>
Total Assets	<u>\$ 14,920,226</u>

Liability and Net Assets

Current Liability:	
Accounts payable and accrued expenses	<u>\$ 39,384</u>
Net Assets:	
Without donor restrictions	1,185,175
With donor restrictions	<u>13,695,667</u>
Total Net Assets	<u>14,880,842</u>
Total Liabilities and Net Assets	<u>\$ 14,920,226</u>

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

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

Statement of Activities and Changes in Net Assets (Component Unit)

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contributions of cash and other financial assets	\$ -	\$ 1,523,484	\$ 1,523,484
Fundraising event	-	60,231	60,231
Investment income, net	127,154	1,026,939	1,154,093
Net assets released from restrictions	<u>825,299</u>	<u>(825,299)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>952,453</u>	<u>1,785,355</u>	<u>2,737,808</u>
Expenses:			
Program Services:			
Community College support	<u>971,124</u>	<u>-</u>	<u>971,124</u>
Support Services:			
Management and general	94,307	-	94,307
Fundraising costs	<u>48,674</u>	<u>-</u>	<u>48,674</u>
Total Support Services	<u>142,981</u>	<u>-</u>	<u>142,981</u>
Total Expenses	<u>1,114,105</u>	<u>-</u>	<u>1,114,105</u>
Change in Net Assets	(161,652)	1,785,355	1,623,703
Net Assets, Beginning of Year	<u>1,346,827</u>	<u>11,910,312</u>	<u>13,257,139</u>
Net Assets, End of Year	<u>\$ 1,185,175</u>	<u>\$ 13,695,667</u>	<u>\$ 14,880,842</u>

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

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2023

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

Organization

Berkshire Community College (the “College”) is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees and various certificate programs. From its primary campus located in Pittsfield, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers, through the Division of Continuing Education, credit and non-credit courses, as well as community education programs. The College is accredited by the New England Commission of Higher Education.

The College is an agency of the Commonwealth of Massachusetts (the “State” or the Commonwealth). The accompanying financial statements reflect only the transactions of the College and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the College had been operated independently of the State.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”) using the economic resources measurement focus and the accrual basis of accounting. Berkshire Community College’s Foundation’s (the “Foundation”) financial statements are prepared in accordance with accounting and reporting requirements prescribed by the Financial Accounting Standards Board (“FASB”). As such, certain revenue recognition and lease 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.

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

Notes to the Financial Statements - Continued

June 30, 2023

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 statement of revenues and expenses, and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College has determined that it functions as a business-type activity as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements, including the College's discretely presented component unit, and notes to the 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 policy for defining operating activities in the statements of revenues and expenses, and changes in net assets, are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income (loss) and interest expense.

Berkshire Community College Foundation (the "Foundation") is a legally separate tax-exempt organization. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

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

Notes to the Financial Statements - Continued

June 30, 2023

The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2023 and is therefore discretely presented in the College's financial statements. 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*. Complete financial statements for the Foundation can be obtained from Berkshire Community College Foundation, Inc. at 1350 West Street, Pittsfield, Massachusetts, 01201.

Separate statements of financial position and activities are presented in this report for the College's discretely presented component unit. The financial statements for the Foundation are presented in accordance with FASB.

Net Position

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

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2023

Trust Funds

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

Cash and Equivalents

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

Investments

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

Allowance for Doubtful Accounts

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of donation. In accordance with the State's capitalization policy, only those items with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets are expensed during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2023

Student Deposits and Unearned Revenue

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

Fringe Benefits

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave, along with compensatory time. Accrued vacation is the amount earned by all eligible employees through year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2023. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Workers' Compensation

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

Grants

The College receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

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

Notes to the Financial Statements - Continued

June 30, 2023

Pensions

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

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, OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT"), and additions to or deductions from SRBT's fiduciary net position have been determined on the same basis as they are reported by SRBT.

For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Student Fees

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

Tax Status

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

Use of Estimates

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

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

Notes to the Financial Statements - Continued

June 30, 2023

Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, the useful lives of capital assets, and determining the net pension and OPEB liabilities.

New Governmental Accounting Pronouncements

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

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

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

COVID-19

In response to the COVID-19 pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("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.

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

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

Notes to the Financial Statements - Continued

June 30, 2023

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

	Student Aid Award	Institutional Award	Strengthening Institution Program	Supplemental Assistance to Higher Ed	Total
CARES	\$ 526,072	\$ 526,071	\$ 51,288	\$ -	\$ 1,103,431
CRRSAA	526,072	1,706,666	93,069	-	2,325,807
ARPA	2,392,340	1,963,069	171,479	574,326	5,101,214
Total	\$ 3,444,484	\$ 4,195,806	\$ 315,836	\$ 574,326	\$ 8,530,452

The College has recognized the following as non-operating Federal grants for the year ended June 30, 2023.

For the Year Ended June 30, 2023					
	Student Aid Award	Institutional Award	Strengthening Institutions Program	Supplemental Assistance to Higher Ed	Total
CARES	\$ -	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	-	-	-	-
ARPA	385,496	345,072	78,253	76,491	885,312
Total	\$ 385,496	\$ 345,072	\$ 78,253	\$ 76,491	\$ 885,312

CARES, CRRSAA, and ARPA funds have been fully spent at June 30, 2023.

Note 2 - **Implementation of Newly Effective Accounting Standard**

As of July 1, 2022, the College implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right to use asset and liability for SBITAs.

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the College does not have any material SBITAs.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 3 - **Cash and Equivalents**

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

The College does not have a policy for custodial credit risk associated with deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

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

As of June 30, 2023, the College’s bank balances were approximately \$5,529,000. In addition, approximately \$5,104,000, were in excess of FDIC insurance, and were collateralized by security and custodial agreements.

Note 4 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled approximately \$1,186,000 at June 30, 2023. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Note 5 - **Investments**

Fair Value Measurements

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

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

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 measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Corporate Equity Securities: Valued at quoted market value of the shares in an active market.

Certificate of Deposit: Valued at cost plus accrued interest.

Investments of the College

The following schedule sets forth, by level, within the fair value hierarchy, the College's investments measured at fair value on a recurring bases as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate equity securities	\$ 41,463	\$ -	\$ 41,463
Certificates of deposit	-	3,509,376	3,509,376
	\$ 41,463	\$ 3,509,376	\$ 3,550,839

The College categorizes investments according to the level of risk assumed. At June 30, 2023, all investments are insured, registered, or held by the College's agent in the College's name. The entire investment balance is stated at fair market value. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal College investment policies. Additionally, the certificates of deposits are unrated in terms of credit risk quality ratings although these funds are insured, up to insurable limits, by the FDIC.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Maturities of investments at June 30, 2023 consist of:

	<u>Investment Maturities (in Years)</u>		<u>Total</u>
	<u>Less than 1</u>	<u>1 to 5</u>	
Certificates of deposit	\$ 3,007,129	\$ 502,247	\$ 3,509,376

Investments of the Foundation

Corporate equity securities	\$ 4,037,821
Government bonds	1,137,831
Corporate bonds	544,992
Certificates of deposit	681,129
Mutual funds	1,938,303
Money market funds	<u>4,993,258</u>
	<u>\$ 13,333,334</u>

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Note 6 - **Accounts Receivable**

Accounts receivable are expected to be collected within one year and are comprised of the following at June 30, 2023:

Student accounts receivable	\$ 687,691
Grants receivable	673,855
Other receivables	<u>19,763</u>
	1,381,309
Less: allowance for doubtful accounts	<u>(260,263)</u>
Accounts receivable, net	<u>\$ 1,121,046</u>

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Note 7 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2023:

	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		\$ 1,994,576	\$ 2,442,186	\$ -	\$ (473,592)	\$ 3,963,170
Land		474,888	-	-	-	474,888
Total not depreciated		<u>2,469,464</u>	<u>2,442,186</u>	<u>-</u>	<u>(473,592)</u>	<u>4,438,058</u>
Capital assets depreciated:						
Buildings and improvements	20 - 40	71,633,348	-	-	473,592	72,106,940
Furnishings and equipment	5 - 10	3,531,267	-	-	-	3,531,267
Total depreciated		<u>75,164,615</u>	<u>-</u>	<u>-</u>	<u>473,592</u>	<u>75,638,207</u>
Less: accumulated depreciation:						
Buildings and improvements		(30,774,129)	(1,615,078)	-	-	(32,389,207)
Furnishings and equipment		(3,345,947)	(82,560)	-	-	(3,428,507)
Total accumulated depreciation		<u>(34,120,076)</u>	<u>(1,697,638)</u>	<u>-</u>	<u>-</u>	<u>(35,817,714)</u>
Capital assets, net		<u>\$ 43,514,003</u>	<u>\$ 744,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,258,551</u>

Note 8 - **Long-Term Liabilities**

Long-term liabilities of the College consist of the following at June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond payable:						
Bond payable	\$ 219,335	\$ -	\$ (43,867)	\$ 175,468	\$ 43,867	\$ 131,601
Other long-term liabilities:						
Compensated absences	1,540,702	-	(25,362)	1,515,340	1,072,218	443,122
Workers' compensation	302,234	37,500	-	339,734	39,910	299,824
Net pension liability	737,905	200,984	-	938,889	-	938,889
Net OPEB liability	1,295,589	-	(114,006)	1,181,583	-	1,181,583
	<u>\$ 4,095,765</u>	<u>\$ 238,484</u>	<u>\$ (183,235)</u>	<u>\$ 4,151,014</u>	<u>\$ 1,155,995</u>	<u>\$ 2,995,019</u>

Bond Payable

The College has a New Clean Renewable Energy Bond outstanding with Century Bank and Trust Company. The bond is a revenue bond. Principal is payable annually, and interest is payable semi-annually at a rate of 3.5%. Maturities of the bond payable subsequent to June 30, 2023 are as follows:

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Years Ending June 30,	Principal	Interest	Total
2024	\$ 43,867	\$ 6,244	\$ 50,111
2025	43,867	4,670	48,537
2026	43,867	3,113	46,980
2027	43,867	1,557	45,424
	\$ 175,468	\$ 15,584	\$ 191,052

Note 9 - **Pension**

Defined Benefit Plan Description

Certain employees of the College participate in a cost-sharing, multiple-employer defined benefit pension plan – the Massachusetts State Employees’ Retirement System – administered by the Massachusetts State Board of Retirement (the “Board”), which is a public employee retirement system (“PERS”).

Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers’ payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

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

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (“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.

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Notes to the Financial Statements - Continued

June 30, 2023

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 cannot retire until they have reached age 60.

Contributions

The SERS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. Member contributions for SERS vary depending on the most recent date of membership:

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$1,975,599, \$1,825,278, and \$1,606,294 for the years ended June 30, 2023, 2022, and 2021, 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 16.70%, 16.11%, and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed \$109,426, \$95,003, and \$84,110, for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100% of the required contributions for each year.

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Notes to the Financial Statements - Continued

June 30, 2023

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

At June 30, 2023, the College reported a liability of \$938,889 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2023. The College's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.007%.

For the year ended June 30, 2023, the College recognized pension benefit of \$30,449. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

Deferred Outflows of Resources

Changes in plan actuarial assumptions	\$ 25,849
Contributions subsequent to the measurement date	109,426
Changes in proportion due to internal allocation	154,488
Differences between expected and actual experience	23,355
Changes in proportion from the Commonwealth	<u>64</u>
Total	<u>\$ 313,182</u>

Deferred Inflows of Resources

Changes in proportion due to internal allocation	\$ 196,094
Differences between expected and actual experience	36,645
Changes in proportion from the Commonwealth	2,540
Differences between projected and actual investment earnings on plan investments	<u>5,005</u>
Total	<u>\$ 240,284</u>

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June 30, 2023

The College’s contributions of \$109,426 made during the fiscal year ending 2023, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending June 30,	
2024	\$ (4,664)
2025	(21,030)
2026	(50,538)
2027	42,778
2028	(3,074)
	\$ (36,528)

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, 2022
Inflation on the first \$13,000 of allowance	2.50%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Investment rate credited to annuity savings fund	3.50%

For measurement date June 30, 2022, 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.
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

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Notes to the Financial Statements - Continued

June 30, 2023

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 and rolled forward to June 30, 2022. 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.20%
Core Fixed Income	15%	7.30%
Portfolio Completion Strategies	15%	5.00%
Private Equity	10%	2.70%
Real Estate	10%	3.30%
Value Added Fixed Income	8%	3.70%
Timberland / Natural Resources	3%	3.90%
Total	<u>100%</u>	

Discount Rate

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

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Notes to the Financial Statements - Continued

June 30, 2023

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30, 2023.

1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 1,294,942	\$ 938,889	\$ 637,617

Note 10 - **OPEB**

Plan Description

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

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or deceased. 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 their designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board. The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

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Notes to the Financial Statements - Continued

June 30, 2023

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth.

Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2023, and as of the valuation date (January 1, 2022), participants contributed 0% to 20%, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions among the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the fiscal year ended June 30, 2023. The College contributed \$47,687 for the fiscal year ended June 30, 2023, equal to 100% of the required contribution for the year.

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

At June 30, 2023, the College reported a liability of \$1,181,583 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

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Notes to the Financial Statements - Continued

June 30, 2023

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions among the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2022.

The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.009%.

For the year ended June 30, 2023, the College recognized OPEB benefit of \$266,887. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2023:

Deferred Outflows of Resources Related to OPEB

Changes in proportion due to internal allocation	\$ 324,327
Changes in OPEB plan actuarial assumptions	87,027
Differences between expected and actual experience	21,751
Contributions subsequent to the measurement date	47,687
Changes in proportion from the Commonwealth	543
Differences between projected and actual investment earnings on OPEB plan investments	1,796
Total	\$ 483,131

Deferred Inflows of Resources Related to OPEB

Changes in proportion due to internal allocation	\$ 589,117
Changes in OPEB plan actuarial assumptions	427,640
Differences between expected and actual experience	195,624
Changes in proportion from the Commonwealth	5,835
Total	\$ 1,218,216

The College's contribution of \$47,687 made during the fiscal year 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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Notes to the Financial Statements - Continued

June 30, 2023

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>	
2023	\$ (188,192)
2024	(186,395)
2025	(179,577)
2026	(171,613)
2027	<u>(56,995)</u>
	<u>\$ (782,772)</u>

Actuarial Assumptions

The total OPEB liability for 2023 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2022_f4. Medicare and non-Medicare benefits range from 5.00% to 7.60%.

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Notes to the Financial Statements - Continued

June 30, 2023

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	28.0%	96.0%
POS/PPO	60.0%	0.0%
HMO	10.0%	4.0%

The actuarial assumptions used in the January 1, 2022 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

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

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Notes to the Financial Statements - Continued

June 30, 2023

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

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 was 4.30%. These rates were based on a blend of the Bond Buyer Index rate (3.54%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2042 for the fiscal year 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00%, per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2023:

1.00% Decrease (3.30%)	Current Discount Rate (4.30%)	1.00% Increase (5.30%)
\$ 1,378,444	\$ 1,181,583	\$ 1,019,876

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health care 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 health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current health care cost trend rates at June 30, 2023:

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Notes to the Financial Statements - Continued

June 30, 2023

1.00% Decrease (B)	Current Health care Cost Trend Rate (A)	1.00% Increase (C)
\$ 990,505	\$ 1,181,583	\$ 1,423,465

(A) - Current health care cost trend rate, as disclosed in the actuarial assumptions

(B) - one-percentage decrease in current health care cost trend rate,
as in the actuarial assumptions

(C) - one-percentage increase in current health care cost trend rate,
as in the actuarial assumptions

Note 11 - **Net Position**

Restricted Net Position

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

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

Note 12 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the fiscal year ended June 30, 2023:

Compensation and benefits	\$ 20,279,535
Supplies and services	9,574,360
Scholarships and fellowships	2,481,090
Depreciation and amortization	1,697,638
Total	\$ 34,032,623

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Notes to the Financial Statements - Continued

June 30, 2023

Note 13 - **Fringe Benefits**

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

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, as well as their dependents and survivors.

The GIC also covers housing and redevelopment authorities' personnel, certain authorities, and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees as well as their survivors and dependents.

During the fiscal year ended June 30, 2023, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans.

In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

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Notes to the Financial Statements - Continued

June 30, 2023

Other Retirement Plans

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

Note 14 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth’s Statewide Accounting System, Massachusetts Management Accounting and Reporting System (“MMARS”) on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements.

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

The College’s State appropriation is composed of the following at June 30, 2023:

Directed unrestricted appropriations	\$ 12,826,801
Fringe benefits for benefited employees on the state payroll	4,672,824
Less:	
Day school tuition remitted to the state and included in tuition and fee revenues	(80,329)
Total unrestricted appropriations	17,419,296
Capital appropriations	2,442,186
Total appropriations	\$ 19,861,482

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Notes to the Financial Statements - Continued

June 30, 2023

A reconciliation of revenues between the College and MMARS for the year ended June 30, 2023 is as follows (unaudited):

Revenue per MMARS	<u>\$ 15,639,671</u>
Revenue per College	<u>\$ 15,639,671</u>

Note 15 - **Pass-Through Loans**

The College distributed approximately \$1,283,000 for the fiscal year ended June 30, 2023, for student loans through the U.S. Department of Education's Direct Loan Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 16 - **Contingencies, Risks, and Uncertainties**

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

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

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). Individuals pay into the Program in advance for future tuition at the cost of tuition at the time of election to participate, which is increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept from the Program as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individuals' enrollment at the College.

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Notes to the Financial Statements - Continued

June 30, 2023

The effect of this Program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

The College is continuing the process of replacing exterior caulking in many of its buildings due to the presence of polychlorinated biphenyls (“PCBs”). The cost of the remediation project is the responsibility of the Commonwealth, and all liabilities required in accordance with GASB 40, *Accounting and Financial Reporting for Pollution Remediation Obligations*, will be reported by the Commonwealth.

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

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Schedule of Proportionate Share of Net Pension Liability

Massachusetts State Employees' Retirement System

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.007%	0.007%	0.006%	0.005%	0.010%	0.011%	0.012%	0.010%	0.180%
Proportionate share of the collective net pension liability	\$ 938,889	\$ 737,905	\$ 1,075,911	\$ 707,064	\$ 1,370,318	\$ 1,438,196	\$ 1,566,671	\$ 1,172,795	\$ 1,201,187
College's covered payroll	\$ 589,712	\$ 573,735	\$ 481,282	\$ 398,955	\$ 804,052	\$ 881,145	\$ 863,051	\$ 620,818	\$ 1,200,107
College's proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.43%	163.22%	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	76.32%	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.

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Schedule of Contributions - Pension

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 109,426	\$ 95,003	\$ 84,110	\$ 67,765	\$ 48,114	\$ 94,717	\$ 87,674	\$ 81,586	\$ 64,503
Contributions in relation to the statutorily required contribution	<u>(109,426)</u>	<u>(95,003)</u>	<u>(84,110)</u>	<u>(67,765)</u>	<u>(48,114)</u>	<u>(94,717)</u>	<u>(87,674)</u>	<u>(81,586)</u>	<u>(64,503)</u>
Contribution excess	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Covered payroll	\$ 655,246	\$ 589,714	\$ 573,738	\$ 481,286	\$ 398,955	\$ 804,052	\$ 881,145	\$ 863,051	\$ 620,818
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	10.39%	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.

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Notes to the Required Supplementary Information - Pension

June 30, 2023

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

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 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:

See Independent Auditors' Report.

BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – Pension - Continued

June 30, 2023

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

Measurement date – June 30, 2016

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

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)

See Independent Auditors' Report.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information – Pension - Continued

June 30, 2023

- 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)

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

Schedule of Proportionate Share of Net OPEB Liability

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.009%	0.008%	0.007%	0.007%	0.016%	0.017%
Proportionate share of the collective net OPEB liability	\$ 1,181,583	\$ 1,295,589	\$ 1,384,446	\$ 1,332,922	\$ 2,998,516	\$ 2,797,285
College's covered payroll	\$ 589,712	\$ 573,738	\$ 481,286	\$ 398,955	\$ 804,052	\$ 881,145
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.10%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	7.38%	5.39%

Notes:

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

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

Schedule of Contributions - OPEB

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 47,687	\$ 45,118	\$ 44,167	\$ 35,104	\$ 35,084	\$ 71,712
Contributions in relation to the statutorily required contribution	<u>(47,687)</u>	<u>(45,118)</u>	<u>(44,167)</u>	<u>(35,104)</u>	<u>(35,084)</u>	<u>(71,712)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$655,246	\$589,714	\$573,738	\$481,541	\$ 398,955	\$ 804,051
Contribution as a percentage of covered payroll	7.28%	7.65%	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.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - OPEB

June 30, 2023

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2023

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Discount Rate

The discount rate was increased to 4.00% (based upon a blend of the Bond Buyer Index rate (3.54%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in medical trend rates

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

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

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

Change in Discount Rate

See Independent Auditors' Report.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - OPEB - Continued

June 30, 2023

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 20920_b, 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.

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

See Independent Auditors' Report.

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - OPEB - Continued

June 30, 2023

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

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impacts 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 3.92% based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

See Independent Auditors' Report.

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

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

To the Board of Trustees of
Berkshire Community College:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Berkshire Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated June 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkshire 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 opinion 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described below as items 2023-001, 2023-002, and 2023-003 that we consider to be a material weaknesses.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Current Year Findings

Finding 2023-001

Criteria

Internal controls should be in place to provide reasonable assurance that the College's trial balance provided to the auditors was accurate and provided on a timely basis.

Condition

The initial trial balance provided to the auditors was not accurate and needed a number of adjustments for the financial statements to be in compliance with generally accepted accounting principles.

Cause

Financial year-end procedures were not in place to ensure that the trial balance provided to the auditors was accurate and provided on a timely basis.

Effect

Significant adjustments were required on the initial trial balance provided to the auditors which increases the risk that the financial statements could be materially misstated.

Recommendation:

We recommend that the College update year-end procedures to ensure that a trial balance can be provided to the auditors that is accurate and provided on a timely basis.

Management Response:

The College has added additional year-end review procedures to ensure greater accuracy to its trial balance, including the addition of checklists to manage and track both journal entries and balance sheet reconciliations.

Finding 2023-002

Criteria

Internal controls should be in place to provide reasonable assurance that the College's check dates and voucher dates do not get incorrectly entered into their accounting software resulting in back dated checks.

Condition

The College had 76 checks totaling \$195,740 included on their June 2023 outstanding check listing that had a check date of June 2023, but were not actually issued until July 2023.

Cause

Processes and procedures were not in place to ensure that the check dates and voucher dates were not entered incorrectly into their accounting software resulting in back dated checks.

Effect

There were 76 back dated checks totaling \$195,740 were re-classified from cash to accounts payable.

Recommendation:

We recommend that the College update procedures to ensure that the check dates and voucher dates are not entered incorrectly into their accounting software.

Management Response:

The College's Comptroller and Direct of Accounting have scheduled meetings with Business Office staff to review and discuss FY24 accounts payable procedures, including the procedure for entering vouchers and the final FY24 scheduled check runs.

Finding 2023-003

Criteria

Internal controls should be in place to provide reasonable assurance that the College's fiscal year appropriations are spent on the corresponding fiscal year services.

Condition

The College spent \$451,013 of fiscal year 2023 appropriations on fiscal year 2024 services.

Cause

Processes and procedures were not in place to ensure that the College's fiscal year appropriations were spent on the corresponding fiscal year services.

Effect

The College spent \$451,013 of fiscal year 2023 appropriations on fiscal year 2024 expenses and this balance was re-classified from prepaid expenses to cash held by State Treasurer. Additionally, \$451,013 was re-classified from unrestricted state appropriations to unearned revenue.

Recommendation:

We recommend that the College work to ensure that procedures are put in place to ensure fiscal year appropriations are spent on the corresponding fiscal year services.

Management Response:

The College's Comptroller has met with the Director of Purchasing and the Business Office staff to review the FY23 finding. It was reinforced that a year's appropriation should only be spent on the corresponding fiscal year's services. It was discussed that during the fiscal year end close process, each staff member should review invoices for correct service dates before processing. Staff will continue to meet throughout the close process to ensure compliance with these guidelines.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkshire Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith + Brown, PC

June 26, 2024