NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2022

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2022

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

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 North Shore Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the year ended June 30, 2022, 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, 2022, 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 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 87, *Leases*. 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.

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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.

Auditors' 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 generally accepted auditing standards in the United States of America 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 generally accepted auditing standards in the United States of America 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 auditing standards generally accepted in the United States of America 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 October 25, 2022 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.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 25, 2022

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2022 and 2021

(Unaudited)

The following discussion and analysis provide management's view of the financial position of North Shore Community College, (the "College") as of June 30, 2022 and 2021, and the results of operations for the years 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.

North Shore Community College is a public institution of higher education serving 6,768 credit and 1,796 noncredit students annually with 112 full-time faculty, 119 part-time faculty, 269 full-time staff and 154 part-time staff members. Campuses are located in Danvers, Lynn and Middleton Massachusetts. The Middleton lease ended in August 2020 and was replaced with a lease in Danvers. In addition, the College offers programs and courses in off-site locations throughout the greater North Shore area; courses are offered in many modalities including online, hybrid and traditional classes on its campuses. The College offers 71 credit programs within 13 guided pathways, leading to Associate of Arts, Associate of Science, and Associate of Applied Science degrees and one-year certificates. In addition, the College offers approximately 400 noncredit workforce development and recreational courses.

Financial Highlights

- At June 30, 2022 and 2021, the College's assets of $132,175,682 and $124,337,813, respectively, exceeded its liabilities of $20,817,459 and $28,779,950 by $111,358,223 and $95,557,863, respectively. The resulting net position is summarized into the following categories: net investment in capital assets, restricted (expendable and nonexpendable), and unrestricted.
- The College's total net position increased by $11,954,262 in FY22 compared to an increase of $11,154,492 in FY21. The increase in FY22 was primarily the result of approximately $13.5M from federally funded Higher Education Emergency Relief Funds ("HEERF") grants, approximately $3.7M positive adjustments to the College's Pension and OPEB liabilities estimates. In FY21 the increase was primarily the result of approximately $7.0M from federally funded HEERF grants, approximately $2.2M positive adjustments to the College's Pension and OPEB liabilities estimates and approximately $1.9M in capital appropriations
- The unrestricted net position for FY22 increased by $11,073,447 to $12,955,571 compared to the increase in the unrestricted net position of $11,472,500 to $1,882,124 for FY21. The increase in FY22 is primarily the result of federal HEERF funding, supporting the students and the College of approximately $13.7M and favorable actuarial estimate adjustments for pension and OPEB. The increase in FY21 is primarily the result of the increase in unrestricted appropriations, decreases in estimates for pension and OPEB expenses and HEERF funding of approximately $7.0M.

Overview of the Financial Statements

The College's financial statements comprise two primary components: (1) the financial statements and (2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities. The College follows principles established by the Governmental Accounting Standards Board ("GASB").

North Shore Community College Foundation (the "Foundation") is a legally separate tax-exempt affiliated 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 the activities of the College by the donors.

Because these 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.

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

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements.

The Statements 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 Statements of Revenues, Expenses, and Changes in Net Position present information showing how the College's net position changed during the most recent fiscal year. 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 these statements 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 Statements of Cash Flows are reported on 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). GASB requires this method to be used. The Foundation is not required to present the statements of cash flows.

The College reports its activity as a business-type activity using the economic resources measurement focus and full accrual basis of accounting. The College is also part of the Comprehensive Annual Financial Report of the Commonwealth of Massachusetts (the "Commonwealth"), which includes, the results of the College's operations, its net position, and its cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of the College, assets exceeded liabilities and deferred inflows/outflows by $96,990,863 and $85,036,601 at the close of FY22 and FY21, respectively.

Net investment in capital assets represents capital assets net of related debt and is by far the largest portion of the College's net position in fiscal year 2022 and 2021, representing 86% and 97%, or $83,181,773 and $82,446,311, respectively. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to the debt 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, which are obligations of the Commonwealth, are not reflected in these financial statements.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2022 and 2021

(Unaudited)

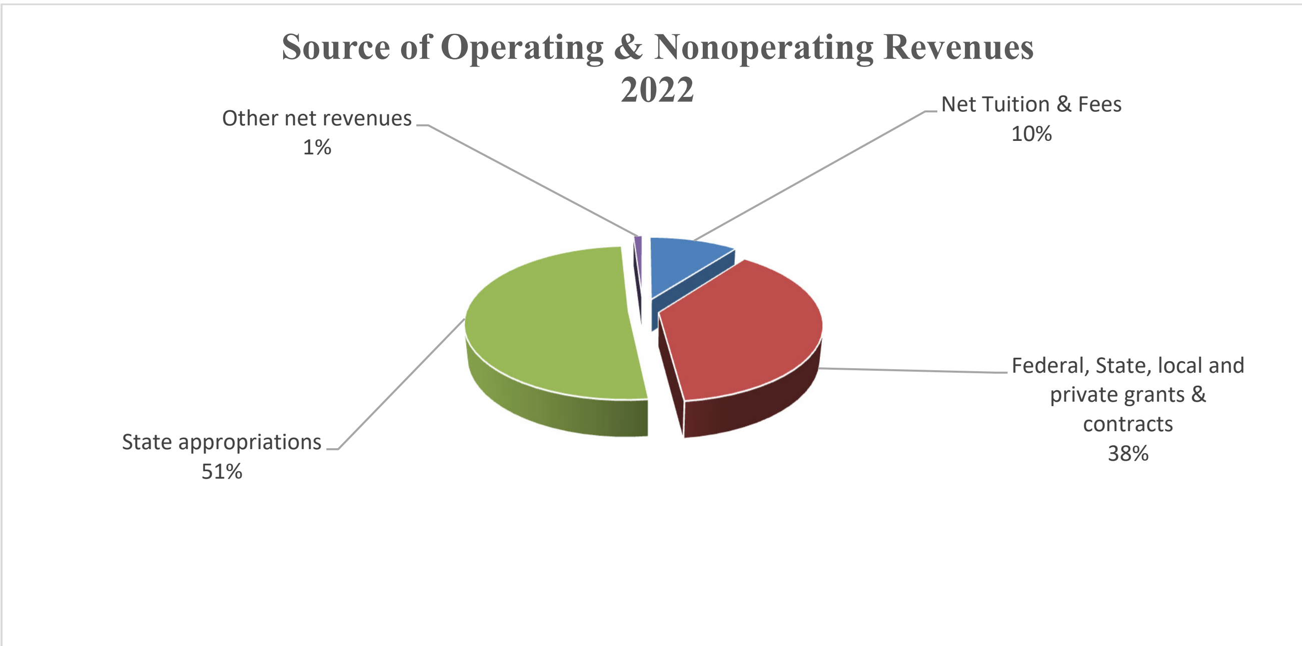
Condensed Financial Information

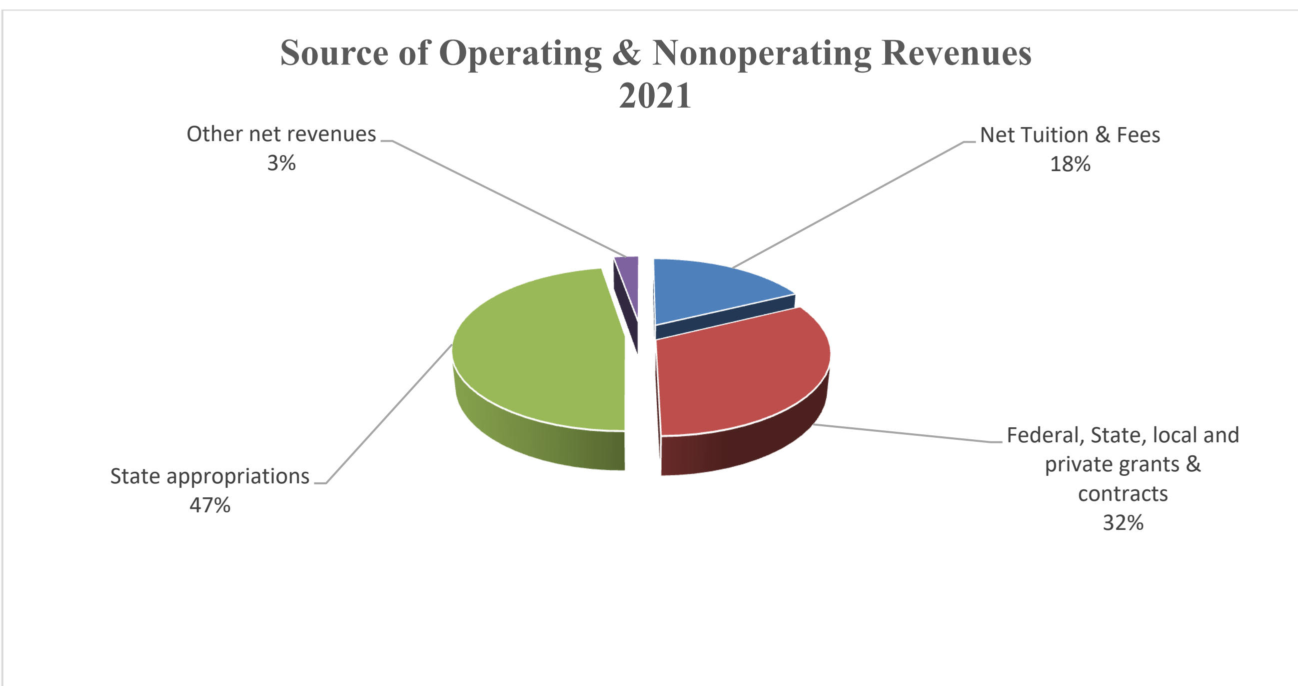
	Fiscal Year 2022	Fiscal Year 2021
Current assets	$ 47,133,362	$ 39,152,164
Noncurrent assets	85,042,320	85,185,649
Deferred Outflows of Resources	2,174,166	4,141,785
Total assets and deferred outflows	$ 134,349,848	$ 128,479,598
Current liabilities	$ 8,421,142	$ 8,453,311
Noncurrent liabilities	12,396,317	20,326,639
Deferred inflows of resources	16,541,526	14,663,047
Total liabilities and deferred inflows	$ 37,358,985	$ 43,442,997
Net position:		
Net investment in capital assets	$ 83,181,773	$ 82,446,311
Resticted, expendable	853,519	708,166
Unrestricted	12,955,571	1,882,124
Total Net Position	$ 96,990,863	$ 85,036,601
Total Operating Revenues	$ 22,650,753	$ 28,868,138
Total Operating Expenses	63,605,471	60,820,274
Net operating loss	(40,954,718)	(31,952,136)
Net nonoperating revenues	52,338,966	41,218,687
Change in net position before capital appropriations	11,384,248	9,266,551
Capital Appropriation	570,014	1,887,941
Increase in net position	11,954,262	11,154,492
Statement of net position:		
Net Position, Beginning of Year	85,036,601	73,882,109
Net Position, End of Year	$ 96,990,863	$ 85,036,601

Sources of Revenue

Major sources of revenue for the College are tuition and fees, and restricted and unrestricted appropriations from the Commonwealth of Massachusetts. Tuition is set by the Board of Higher Education at $25.00 per credit for all fiscal years presented above. Fees are on a per credit basis and are set by the College's Board of Trustees at $194.00 for the two fiscal years presented.

NORTH SHORE COMMUNITY COLLEGE





Highlights of operating revenue activity include:

- Tuition and Fees decreased by $1,307,637 or 5.7% in FY22, before scholarship allowances as compared to a decrease of $2,129,254 or 8.5% in FY21. For both years, this decrease is due to a decline in enrollment resulting from the challenges of the pandemic.

	June 30		
	2022	**2021**	**Change**
Tuition and fees	$ 21,558,827	$ 22,866,464	(1,307,637)

- Operating grants and contracts from federal, state and private sources decreased significantly by $1,257,059 or 7.8% in FY22, compared to sizable decrease of $2,530,886 or 14% in FY21. In FY22, the majority of the decrease was a result of decrease of $700K in the amount of federal Pell grants awarded due to the decrease in enrollment. In FY22, federal, state and private grants decreased. In FY21, the majority of the decrease was a result of decrease of $1.8M in the amount of federal Pell grants awarded due to the decrease in enrollment. Further the College experienced a decrease in state funded grants and a slight increase in grants funded by private organizations.

	June 30		
	2022	**2021**	**Change**
Federal	$ 9,735,222	$ 10,209,627	$ (474,405)
State	4,354,248	4,616,896	$ (262,648)
Private	709,184	1,229,190	$ (520,006)
Total operating grants	**$ 14,798,654**	**$ 16,055,713**	**$ (1,257,059)**

Major grants and contracts received by the College for FY22 included the following:

<u>The Foundation</u>

- Bertolon Foundation, $244,840

<u>Massachusetts Department of Early Education and Care</u>

- Career Pathways, $1,223,030

Massachusetts Department of Elementary and Secondary Education
- Vocational Education, $347,410
- Community Adult Learning Center, $474,461
- Gateway to College, $231,865

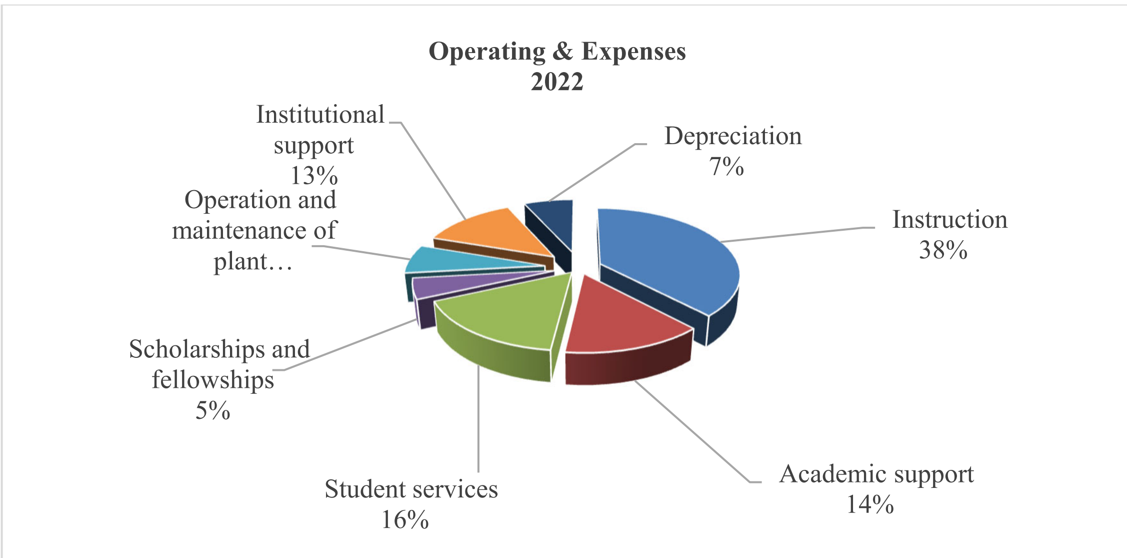
Massachusetts Department of Higher Education
- STEM Starter Academy, $343,139
- Early College Designation, $226,800
- Supporting Urgent Community College Equity through Student Services (SUCCESS), $445,720

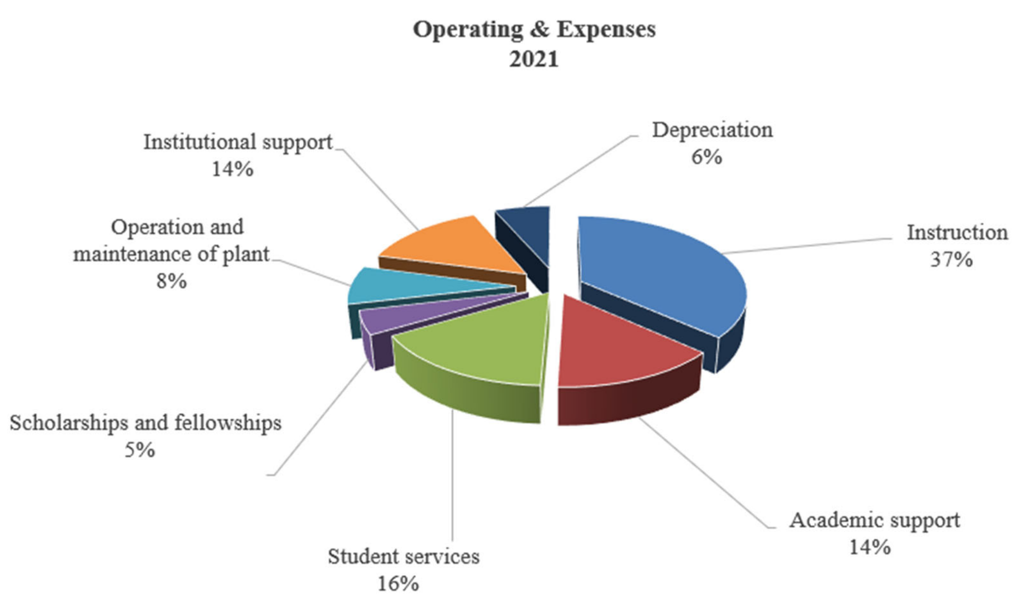
U. S. Department of Education
- Student Support, $575,285
- Talent Search, $339,934
- Upward Bound, $453,116
- Title III, $263,484
- FIPSE Early College, $258,875

Higher Education Emergency Relief Funds – presented in non-operating revenue
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), $3,467,602
- American Rescue Plan Act of 2021 (ARPA), $10,246,957

U.S. Department of Health and Human Services
- Opioid Workforce Grant, $223,105

Operating Expenses





Highlights of operating expense activity include:

- Instruction expenses increased by $1,839,183 or 8.2% in FY22 over FY21. This increase was primarily due to increases in contracted faculty expenses and increase in uncollectible accounts expense as compared to the prior year. These increases were mitigated by favorable adjustment in pension and OPEB actuarial estimates in FY22.
- Academic support increased by $415,668 or 4.9%, in FY22 over FY21 expenses. Contributing to this increase was an increase in fulltime salaries as the College filled high level positions that were vacant in FY21 and an increase in health services program supplies and materials funded by private and state supported grants. These increases were mitigated by change in pension and OPEB actuarial estimates in this category and a decrease in part-time employees.
- Student support services increased in FY22 by $721,913 or 7.5% over the prior year. This increase was primarily due to expenses related to faculty stipends for converting curriculum to new modalities and additional part-time employee expenses funded by the Supporting Urgent Community College Equity through Student Services fund, (SUCCESS). This increase was mitigated by a favorable adjustment to the pension and OPEB actuarial estimates for FY22.
- The scholarships and fellowships category represents student aid including federal, state, and private awards that was not used to pay tuition and fees and refunded to students. Expenses increased in FY22 by $239,302 or 8.2% over FY21. The increase can be attributed to an increase in state and federal student awards.
- Operation and maintenance of plant expenses decreased by $363,011 or 7.5% in FY22 over FY21 primarily due to favorable pension and OPEB actuarial adjustments, but also decreases in space rental and increased capital expenses. These decreases were balanced by an increase in food service costs due to the reopening of the cafeterias on both campuses.
- Institutional support expenses decreased in FY22 by $118,001 or 1.4% primarily due to favorable pension and OPEB actuarial adjustments.

Non-operating revenues and expenses, including capital appropriations, increased by $9,802,352 or 22.7% in FY22 over FY21. The College recognized $13,714,922 in HEERF funding in the current year, an increase of $6,720,845 over the prior year. In addition, the College saw an increase in state support through unrestricted and restricted appropriations for payroll and non-capital expenses in the amount of $4,329,932. State supported capital expenses funded through the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") decreased over the prior year by $1,317,927.

The Commonwealth's fringe benefits provided for employees on the Commonwealth's payroll increased in FY22 by $562,024 or 6.5% to $9,191,725 compared to $8,629,702 in FY21. The increase is primarily the result of additional payroll funded through restricted and grant state appropriations. In FY22, the fringe benefit and payroll tax rate combined was 39.88% an increase of 4.1% over the same rate applied in FY21 of 36.38%.

Loss from Operations

Because generally accepted accounting principles requires state appropriations to be presented as non-operating revenues, the College incurred a loss from operations in FY22 and FY21. The Massachusetts Board of Higher Education presets tuition rates, and the College's Board of Trustees sets fees and other charges. Commonwealth appropriations to the College made up the loss from operations not made up by tuition and fees.

The College, with the purpose of balancing educational and operational needs with tuition and fee revenues, approves budgets to mitigate losses after Commonwealth Appropriations.

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2022 and 2021 amounts to $85,042,320 and $85,185,647, respectively, net of accumulated depreciation. Investments in capital assets includes land, building (including improvements), furnishings, and equipment.

The College continued projects for HVAC for both campuses spending a little over $2M in FY22 and also invested approximately $1M in information technology equipment to support academic and administrative operations.

In FY21, the college invested in an electrical infrastructure project for the Lynn campus and the computer science and networking lab (LW329), Lynn East End Plaza ADA upgrades, the Danvers Math and Science building HVAC replacement project, Danvers McGee central air handling project and upgrade to the Danvers campus fire alarm system and upgrades to the CCTV security system.

The College recognized $570,014 in capital assets funded by the DCAMM in FY22 and $1,887,941 in FY21. In FY22, the funding was for small maintenance and repair projects for both campuses, including renovations to the Lynn campus east entrance. In FY21, the majority of this represented the Lynn campus electrical infrastructure upgrade project which was completed in that year.

Debt

The College carries long-term debt, other than pensions, accruals for compensated absences, workers compensation, and other long-term settlement obligations. Included in debt are $7,675,000 Series B bonds issued in March of 1998, which are payable semiannually through FY2022 in principal repayment amounts between $170,000 and $555,000. Interest is payable semiannually (April 2 and October 2) at fixed rates between 3.5% and 5.0%.

In December 2013, a refinancing of the Massachusetts Health and Educational Facilities Series B and Series C bonds was completed through Massachusetts Development Finance Agency. After the RFP process, Century Bank proved to offer the best new financing for the debt obligations. Series B bonds were rolled into the new Series E bonds and Series C bonds were rolled into the new Series F bonds. The Series B and Series C bonds were liquidated, and the escrows were used to pay down the new debt. Century Bank offered the best fixed interest rates at 3.08% for the Series E obligations and 3.79% for the Series F obligations. Interest is payable monthly, and principle is payable semiannually. The terms on the debt did not change and will end in October 2022 for the Series E bonds and in October 2026 for the Series F bonds. Refinancing at the lower rates will save North Shore Community College $1.7 million over the life of the debt.

In 2012, the College added $1,966,772 to its debt obligations for a 10-year note for the Clean Energy Investment Program ("CEIP"). The first payment for the note, in February of 2012, was in the amount of $97,532 for interest only. The note represents 53% of the anticipated total obligation of $3,686,772 for equipment, design, and installation of mechanical, electrical, controls and plumbing conservation measures at the Lynn and Danvers Campuses. The remaining 47% or $1,600,000 will be paid for by DCAMM.

In 2011, the College issued $148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027. The Bond is designated a "clean renewable energy bond" pursuant to Section 54C of the Internal revenue Code of 1986, and shall bear interest at a rate of 3.5%.

The debt was to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry building. The total project cost is estimated to be $559,000, which will be funded from two sources: (1) grants from DCAMM in the amount of $410,950 and (2) a financing agreement with Century Bank secured by the College in the amount of $148,050.

In 2008, the College issued $190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually commencing on December 31, 2007 through December 31, 2021 and does not bear interest.

The bond proceeds plus a grant in the amount of $358,100 from the Massachusetts Technology Collaborative was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium.

The noncurrent accrual for pensions and compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College's payroll.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, North Shore Community College, One Ferncroft Road, Danvers, Massachusetts 01923.

NORTH SHORE COMMUNITY COLLEGE

Statement of Net Position

June 30, 2022

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government 2022 College
Current Assets:	
Cash and equivalents	$ 38,672,976
Cash held by State Treasurer	1,284,638
Investments	379,901
Accounts receivable, net	5,866,515
Other current assets	929,332
Total Current Assets	47,133,362
Noncurrent Assets:	
Funds held by bond trustee - restricted	2
Capital assets, net	85,042,318
Total Noncurrent Assets	85,042,320
Total Assets	132,175,682
Deferred Outflows of Resources:	
Pension related, net	603,125
OPEB related, net	1,571,041
Total Deferred Outflows of Resources	2,174,166
Total Assets and Deferred Outflows of Resources	$ 134,349,848

The accompanying notes are an integral part of the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government
	2022 College
Current Liabilities:	
Accounts payable and accrued liabilities	$ 2,142,600
Accrued payroll	2,189,715
Compensated absences and workers' compensation	2,645,573
Students' deposits and unearned revenues	889,170
Current portion of lease liability	16,936
Current portion of bonds payable	537,148
Total Current Liabilities	8,421,142
Noncurrent Liabilities:	
Compensated absences and workers' compensation	2,006,623
Lease liability	76,824
Bonds payable	1,229,639
Net pension liability	3,296,080
Net OPEB liability	5,787,151
Total Noncurrent Liabilities	12,396,317
Total Liabilities	20,817,459
Deferred Inflows of Resources:	
Pension related, net	4,771,344
OPEB related, net	11,770,182
Total Deferred Inflows of Resources	16,541,526
Total Liabilities and Deferred Inflows of Resources	37,358,985
Net Position:	
Net investment in capital assets	83,181,773
Restricted:	
Expendable	853,519
Unrestricted	12,955,571
Total Net Position	96,990,863
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 134,349,848

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30,

	Primary Government
	2022
	College
Operating Revenues:	
Tuition and fees	$ 21,558,827
Less: scholarship allowances	(13,736,899)
Net tuition and fees	7,821,928
Grants and contracts	14,798,655
Other	30,170
Total Operating Revenues	22,650,753
Operating Expenses:	
Instruction	24,177,778
Academic support	8,843,281
Student services	10,386,818
Scholarships and fellowships	3,168,438
Operation and maintenance of plant	4,446,672
Institutional support	8,274,620
Depreciation	4,307,864
Total Operating Expenses	63,605,471
Operating Loss	(40,954,718)
Nonoperating Revenues (Expenses):	
Federal grants	13,714,922
State appropriations - unrestricted	34,592,743
State appropriations - restricted	3,862,848
Net investment income	9,446
Interest expense	(92,029)
Payments from Foundation	251,036
Net Nonoperating Revenues	52,338,966
Change in Net Position Before Capital Appropriations	11,384,248
Capital Appropriations	570,014
Change in Net Position	$ 11,954,262
Net Position, Beginning of Year	85,036,601
Net Position, End of Year	$ 96,990,863

The accompanying notes are an integral part of the financial statements.

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flow

For the Year Ended June 30,

	Primary Government 2022 College
Cash Flows from Operating Activities:	
Tuition and fees	$ 7,414,886
Grants and contracts	16,464,414
Payments to suppliers	(16,012,722)
Payments to employees	(34,759,658)
Payments to students	(3,168,438)
Other cash receipts	18,617
Net Cash Used by Operating Activities	(30,042,901)
Cash Flows from Noncapital Financing Activities:	
Federal grants	9,929,281
State appropriations	29,263,866
Payments from Foundation	251,036
Net Cash Provided by Noncapital Financing Activities	39,444,183
Cash Flows from Capital Financing Activities:	
Purchases of capital assets	(3,500,761)
Principal paid on capital debt	(972,551)
Interest paid on capital debt	(92,029)
Net Cash Used by Capital Financing Activities	(4,565,341)
Cash Flows from Investing Activity:	
Interest on investments	8,789
Net Change in Cash and Equivalents	4,844,730
Cash and Equivalents, Beginning of Year	35,112,884
Cash and Equivalents, End of Year	$ 39,957,614

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flow - Continued

For the Year Ended June 30,

	Primary Government **2022** **College**
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	**$ (40,954,718)**
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	**4,307,864**
Bad debt	**96,855**
Fringe benefits provided by the State	**9,191,725**
Pension activity	**(1,399,136)**
OPEB activity	**(2,277,783)**
Changes in assets and liabilities:	
Accounts receivable	**1,258,569**
Other current assets	**(705,593)**
Accounts payable and accrued liabilities	**639,354**
Accrued payroll	**(242,313)**
Compensated absences and workers' compensation	**150,536**
Students' deposits and unearned revenues	**(108,261)**
Net Cash Used by Operating Activities	**$ (30,042,901)**
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:	
Cash and equivalents	**$ 38,672,976**
Cash held by State Treasurer	**1,284,638**
Cash and Equivalents, End of Year	**$ 39,957,614**
Noncash Transactions:	
Fringe benefits provided by the State	**$ 9,191,725**
Capital appropriations used to acquire capital assets	**$ 570,014**
Acquisition of leased asset	**$ 93,760**
Unrealized gain on marketable securities	**$ 657**

The accompanying notes are an integral part of the financial statements.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Financial Position

June 30,

Assets

	Component Unit 2022
Current Assets:	
Cash and equivalents	$ 1,141,821
Restricted cash	159,205
Current portion of pledges receivable	10,700
Total Current Assets	1,311,726
Other Assets:	
Pledges receivable, net of current portion	27,462
Investments	9,736,182
Total Assets	$ 11,075,370

Liabilities and Net Assets

	Component Unit 2022
Current Liabilities:	
Accounts payable	$ 17,116
Funds held for others	159,205
Total Current Liabilities	176,321
Net Assets:	
Without donor restrictions	1,032,128
With donor restrictions	9,866,921
Total Net Assets	10,899,049
Total Liabilities and Net Assets	$ 11,075,370

The accompanying notes are an integral part of the financial statements.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Activities and Changes in Net Assets

For the Year Ended June 30,

	Component Unit 2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue:			
Contributions and gifts of cash and other financial assets	$ 265,536	$ 794,859	$ 1,060,395
Event revenue	-	204,835	204,835
Contributions and gifts of nonfinancial assets	160,242	-	160,242
Net assets released from restrictions	689,417	(689,417)	-
Investment return, net	88,378	(1,590,079)	(1,501,701)
Total Revenue	1,203,573	(1,279,802)	(76,229)
Expenses:			
Program services	923,082	-	923,082
Management and general	143,701	-	143,701
Fundraising	94,799	-	94,799
Total Expenses	1,161,582	-	1,161,582
Changes in Net Assets	41,991	(1,279,802)	(1,237,811)
Net Assets, Beginning of Year	990,137	11,146,723	12,136,860
Net Assets, End of Year	$ 1,032,128	$ 9,866,921	$ 10,899,049

The accompanying notes are an integral part of the financial statements.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2022

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

Organization
North Shore Community College (the "College") is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With campuses located in Danvers and Lynn, Massachusetts, as well as an instructional location in Middleton, Massachusetts, 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 day and evening credit and noncredit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

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. North Shore Community College 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.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses 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.

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

Basis of Presentation - continued
The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements including the College's discretely presented component units and required supplementary information. The College presents statements of net position, revenues and 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 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, gifts, certain Federal grants, and interest expense.

The College's financial statements are prepared in accordance with GAAP. GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising 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 the activities of the College by the donors. 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.

Because these 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.

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

Basis of Presentation - continued
During the year ended June 30, 2022, the Foundation provided $251,036 to the College for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained from the College at: One Ferncroft Road, Danvers, MA 01923.

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

Net investment in capital assets: Funds held by bond trustee, capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

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

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

Cash and Equivalents
The College considers cash held by the State Treasurer and all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and equivalents.

Investments
Investments in marketable securities are stated at fair value.

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

Investments - continued
Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues and expenses, and changes in net position. Any net earnings not expended are included in net position categories as follows:

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;

(ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College has relied upon the Massachusetts Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted - expendable; and

(iii) as increases in unrestricted net position in all other cases.

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined based on 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 value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. College capital assets, except for land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Amortization of leased assets is included in deprecation expense.

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

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

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

Students' Deposits and Unearned Revenue
Deposits and advance payments received for tuition and fees related to certain summer programs, and tuition received for the following academic year, are deferred and are recorded as related services are provided.

Fringe Benefits
The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, workers' compensation, and certain post-employment benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its participating employers on a self-insured basis.

Workers' Compensation
The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

Compensated Absences
Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through 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, 2022. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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

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

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

Student Tuition and 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 a governmental component unit 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 GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension, OPEB, and lease liabilities.

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

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

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

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

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 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.

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

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds ("HEERF") and funds for Minority Serving institutions ("MSI") 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 MSI can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The Department of Education has extended the deadline to spend the student and institutional award by June 30, 2023.

The College has been awarded the following HEERF and MSI funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	$ 1,723,366	$ 1,723,366	$ 216,919	$ 3,663,651
CRRSAA	1,723,366	5,797,376	404,788	7,925,530
ARPA	6,720,954	6,516,130	690,159	13,927,243
Total	$ 10,167,686	$ 14,036,872	$ 1,311,866	$ 25,516,424

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2022

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

COVID-19 - Continued
The College has recognized the following as non-operating Federal grants for the year ended June 30, 2022:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CRRSAA	$ 772,357	$ 2,479,073	$ 216,535	$ 3,467,965
ARPA	6,321,443	3,925,194	320	10,246,957
Total	$ 7,093,800	$ 6,404,267	$ 216,855	$ 13,714,922

As of June 30, 2022 the College has $131,125 and $2,990,447 of unspent CRRSAA and ARPA funds, respectively. The College has spend all CARES funds.

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

As of July 1, 2021, the College implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The was no change to net position as of July 1, 2021, upon the implementation of GASB 87 since the College did not have any arrangements that met the definition of a lease.

Note 3 - <u>Cash and Investments</u>

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principal objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investments and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of investment vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality, and mutual funds holding any or all of the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but delegates to the President of the College or her designee, the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

The Treasurer of the Commonwealth oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high-quality money market instruments. The MMDT is not a bank, savings institution or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is $1 per share.

<u>Summary of Deposits and Investments</u>
Deposits and investments consist of the following at June 30, 2022:

Cash on deposit	$37,223,386
MMDT Trust Fund	1,449,590
Total Cash and Equivalents	38,672,976
Certificates of Deposit	379,901
Funds Held by Bond Trustee	2
Total Deposits and Investments	$ 39,052,879

Note 3 - **Cash and Investments - Continued**

Concentration of Credit Risk
Concentration of credit risk is assumed to arise when the amount of investments that the College has with one issuer exceeds 5% or more of the total value of the College's cash and investments. The College does not have a formal policy for concentration of credit risk and has no investments exceeding the 5% threshold.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank's failure, the College's deposits and investments might not be recovered. Deposits and investments are made in domestic banks that are federally insured, including some Massachusetts banks that are insured with supplemental insurance for those accounts exceeding the federally insured limits. The bank balances of the deposits and investments at June 30, 2022 amounted to $37,975,304, of which $677,736, was exposed to custodial credit risk. The College does not have a written policy to mitigate custodial credit risk.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All investments at June 30, 2022 have an original maturity of one year or less. The College does not have a written policy to mitigate interest rate risk.

Disclosure of Credit Risk of Debt Securities
Credit risk of debt securities is the risk of default on a debt security that may arise from an issuer or other counterparty to a debt security not fulfilling its payment obligations. The College does not have a written policy to mitigate credit risk of debt securities. The following is a listing of credit quality ratings of the College's investments in debt securities as of June 30, 2022:

		Quality Ratings	
Rated Debt Investments	Fair Value	AAA	Unrated
Certificates of deposit	$ 379,901	$ -	$ 379,901

Certificates of deposit have an original maturity of one year. Historically, they have been automatically renewed annually for an additional year.

Note 3 - **Cash and Investments - Continued**

Fair Value Hierarchy
The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

Certificates of Deposit: Valued at initial investment cost plus accrued interest.

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

At June 30, 2022, all investments are categorized in Level 2 of the fair value hierarchy and mature in less than one year.

Investments of the Foundation
The Foundation's investments consist of the following at June 30, 2022:

Equity securities	$ 3,666,671
Fixed income securities	6,069,511
	$ 9,736,182

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $1,284,638 at June 30, 2022. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Accounts Receivable**

Accounts receivable include the following at June 30, 2022:

Student accounts receivable	$ 2,245,431
Grants receivable	5,077,763
Other receivables	9,976
	7,333,170
Less: allowance for doubtful accounts	(1,466,655)
	$ 5,866,515

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2022

Note 6 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2022:

	Estimated lives (in years)	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land		$ 13,842,077	$ -	$ -	$ 13,842,077
Construction in progress	-	533,725	2,179,594	(363,125)	2,350,194
Total non-depreciable assets		14,375,802	2,179,594	(363,125)	16,192,271
Capital assets, depreciated:					
Buildings and improvements	20-40	128,334,532	785,858	363,125	129,483,515
Furnishings and equipment	3-10	12,836,357	1,105,323	-	13,941,680
Educational resource materials	5	505,463	-	-	505,463
Leased equipment	5	-	93,760	-	93,760
Total depreciable assets		141,676,352	1,984,941	363,125	144,024,418
Total capital assets		156,052,154	4,164,535	-	160,216,689
Less: accumulated depreciation:					
Buildings and improvements		(58,854,946)	(3,760,860)	-	(62,615,806)
Furnishings and equipment		(11,506,098)	(547,004)	-	(12,053,102)
Educational resource materials		(505,463)	-	-	(505,463)
Leased equipment		-	-	-	-
Total accumulated depreciation		(70,866,507)	(4,307,864)	-	(75,174,371)
Capital assets, net		$ 85,185,647	$ (143,329)	$ -	$ 85,042,318

Note 7 - **Long-Term Liabilities**

Long-term liabilities of the College consist of the following at June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable:					
Bonds payable	$ 2,499,336	$ -	$ 732,549	$ 1,766,787	$ 537,148
Notes payable	240,002	-	240,002	-	-
Total bonds and notes payable	2,739,338	-	972,551	1,766,787	537,148
Other long-term liabilities:					
Lease liability	-	93,760	-	93,760	16,936
Compensated absences	3,887,246	212,280	-	4,099,526	2,578,948
Workers' compensation	614,414	-	61,744	552,670	66,625
Net pension liability	7,261,893	-	3,965,813	3,296,080	-
Net OPEB liability	9,344,354	-	3,557,203	5,787,151	-
Total other long-term liabilities	21,107,907	306,040	7,584,760	13,829,187	2,662,509
Total long-term liabilities	$ 23,847,245	$ 306,040	$ 8,557,311	$ 15,595,974	$ 3,199,657

Bonds Payable

On December 30, 2013, the College issued $3,288,490 of Series E and $4,494,695 of Series F bonds with fixed rates of 3.08% and 3.79%, respectively (at a true cost of 3.685%). The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the 2010 Series B and Series C bonds. Principal is payable semi-annually through October 1, 2026 for the Series E bonds and October 1, 2022 for the Series F bonds. Interest is payable monthly. The refunding did not result in a material difference between the reacquisition price and the net carrying amount of the previous debt. The College completed the refunding to reduce its total debt service payments over the next 14 years by $1,391,155 and to obtain an economic gain of $697,971. The balance of the Series E and F bonds at June 30, 2022 was $1,738,549.

Note 7 - **Long-Term Liabilities - Continued**

In 2011, the College issued $148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027 and bears interest at a rate of 3.5%. The debt proceeds plus a grant of $410,950 from the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") was used to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry Building. The balance of the Series 2010A-9 bonds at June 30, 2022 was $28,238.

In 2008, the College issued $190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal was payable annually through December 31, 2021 and does not bear interest. The bond proceeds, plus a grant in the amount of $358,100 from the Massachusetts Technology Collaborative, was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium. The balance of the Series 2007A bonds was paid off during fiscal year 2022.

Notes Payable
In fiscal 2011, the College entered into an agreement with DCAMM to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. The College added $1,966,772 to its debt obligations for a 10-year note for the CEIP. The note represents 55% of the total obligation of $3,566,772 for equipment, design and installation of mechanical, electrical, controls, and plumbing conservation measures at the Lynn and Danvers Campuses. Under the terms of the agreement, the remaining 45%, or approximately $1,600,000, of the obligation is the responsibility of DCAMM. The balance of this note was paid off during fiscal year 2022.

Note 7 - **Long-Term Liabilities - Continued**

Principal and Interest
Principal and interest due on bonds payable subsequent to June 30, 2022 are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2023	$ 537,148	$ 57,162
2024	354,455	41,772
2025	354,455	28,066
2026	347,857	14,471
2027	172,872	2,220
	$ 1,766,787	$ 143,691

Total interest expense was $92,029 for the year ending June 30, 2022.

Note 8 - **Leases**

A summary of the College's leases at June 30, 2022 is as follows:

Description	Date	Terms	Payment Amount	Interest Rate	6/30/2022 Lease Liability	FY 2022 Additional Outflows
Office equipment	June 2022	60 months	$ 5,327	5%	$ 93,760	-

In June 2022, the College entered into a five-year lease agreement for office equipment. Payments of $5,327 are due quarterly. The College did not incur additional payments other than the monthly payment. The College does not have an option to purchase the equipment or extend the lease. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

Note 8 - **Leases - Continued**

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal Amount	Interest Amount
2023	$ 16,936	$ 4,374
2024	17,799	3,511
2025	18,706	2,604
2026	19,659	1,651
2027	20,660	650
	$ 93,760	$ 12,790

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 ("SERS") – 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 a stand-alone financial statement. Additional information regarding the plan is contained in the Commonwealth's financial statements, which is available online from the Office of the State Comptroller's website.

Note 9 - **Pension - Continued**

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

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

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

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

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

Note 9 - **Pension - Continued**

Contributions - continued
The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $3,952,984 for the year ended June 30, 2022.

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 16.11%, 14.66% and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. The College contributed $261,294 for the fiscal year ended June 30, 2022, equal to 100% of the required contribution for each year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2022, the College reported a liability of $3,296,080, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2022. The College's proportionate share was based on actual employer contributions to the SERS for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022, the College's proportion was 0.032%.

Note 9 - **Pension - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued
For the year ended June 30, 2022, the College recognized pension income of $1,137,840. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2022:

Deferred Outflows of Resources Related to Pension	
Contributions subsequent to the measurement date	$ 261,294
Differences between expected and actual experience	113,730
Changes in proportion from Commonwealth	1,318
Changes in plan actuarial assumptions	224,707
Changes in proportion due to internal allocation	2,076
Total deferred outflows of resources related to pension	$ 603,125
Deferred Inflows of Resources Related to Pension	
Net differences between projected and actual investment earnings on pension plan investments	$1,292,254
Differences between expected and actual experience	238,633
Changes in proportion from Commonwealth	10,414
Changes in proportion due to internal allocation	3,230,043
Total deferred inflows of resources related to pension	$4,771,344

Note 9 - **Pension - Continued**

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

The College's contributions of $261,294 made during the fiscal year ending 2022, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding year.

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

Years Ending June 30,	
2023	$ (984,985)
2024	(975,820)
2025	(1,052,397)
2026	(1,190,465)
2027	(225,846)
	$ (4,429,513)

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, 2021
Inflation on the first $13,000 of allowance	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Investment rate credited to annuity savings fund	3.50%

Note 9 - **Pension - Continued**

Actuarial Assumptions - continued

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

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

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

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

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

Note 9 - **Pension - Continued**

Actuarial Assumptions - continued
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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.80%
Core Fixed Income	15%	0.30%
Private Equity	13%	7.80%
Portfolio Completion Strategies	11%	2.90%
Real Estate	10%	3.70%
Value Added Fixed Income	8%	3.90%
Timber/Natural Resources	4%	4.30%
	100%	

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

Note 9 - **Pension - Continued**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30, 2022:

1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
$ 5,045,138	$ 3,296,080	$ 1,858,491

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

Defined Benefit 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 defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the Trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the Board. The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

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

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, 2022, and as of the valuation date (January 1, 2021), participants contributed 10% to 20%, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.65% of annual covered payroll for the fiscal year ended June 30, 2022.

The College contributed $124,092 for the fiscal year ended June 30, 2022, 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, 2022 the College reported a liability of $5,787,151, 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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

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

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

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2021. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2021 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022, the College's proportion was 0.036%.

For the year ended June 30, 2022, the College recognized OPEB income of $2,144,338.

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

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

The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2022:

Deferred Outflows of Resources Related to OPEB	
Contributions made subsequent to the measurement date	$ 124,092
Changes in proportion from Commonwealth	6,488
Differences between expected and actual experience	147,726
Changes in OPEB plan actuarial assumptions	486,027
Changes in proportion due to internal allocation	806,708
Total deferred outflows of resources related to OPEB	$ 1,571,041
Deferred Inflows of Resources Related to OPEB	
Net differences between projected and actual investment earnings on OPEB plan investments	$ 70,327
Differences between expected and actual experience	1,018,723
Changes in OPEB plan actuarial assumptions	1,138,420
Changes in proportion from Commonwealth	25,135
Changes in proportion due to internal allocation	9,517,577
Total deferred inflows of resources related to OPEB	$ 11,770,182

The College's contributions of $124,092 made during the fiscal year 2022, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

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

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 June 30,	
2023	$ (2,465,791)
2024	(2,347,212)
2025	(2,339,867)
2026	(2,311,999)
2027	(858,364)
	$ (10,323,233)

Actuarial Assumptions

The total OPEB liability for 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021
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 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%

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

Actuarial Assumptions - continued
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 are assumed to elect coverage at retirement.
- Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- 100% of spouses are assumed to elect to continue coverage after the retiree's death.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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

Actuarial Assumptions - continued
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2022, are the same as discussed in the pension footnote.

Discount Rate
The discount rate used to measure the total OPEB liability for 2022 was 2.77%. This rate was based on a blend of the Bond Buyer Index rate (2.16%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date," when projected benefits are not covered by projected assets, is 2041 for the fiscal year 2022. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% 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:

1.00% Decrease 1.77%	Current Discount Rate 2.77%	1.00% Increase 3.77%
$ 6,875,090	$ 5,787,151	$ 4,910,838

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

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

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 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

1.00% Decrease (B)	Current Health care Cost Trend Rate (A)	1.00% Increase (C)
$ 4,738,487	$ 5,787,151	$ 7,153,913

(A) - Current health care cost trend rate, as disclosed in the actuarial assumptions
(B) - 1-percentage decrease in current health care cost trend rate, as disclosed in the actuarial assumptions
(C) - 1-percentage increase in current health care cost trend rate, as disclosed in the actuarial assumptions

Note 11 - **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. At June 30, 2022, the restricted net position was for instructional and departmental uses.

Note 12 - Operating Expenses

The College's operating expenses, on a natural classification basis, are composed of the following for the years ended June 30, 2022:

Compensation and benefits	$ 43,474,222
Supplies and services	12,654,947
Depreciation	4,307,864
Scholarships and fellowships	3,168,438
	$ 63,605,471

Note 13 - State Appropriation

The College's state appropriation is composed of the following for the years ending June 30, 2022:

	2022
Direct unrestricted appropriations	$ 25,666,233
Add: Fringe benefits for benefited employees on the state payroll	8,926,510
Total unrestricted appropriations	34,592,743
Restricted appropriations	3,597,633
Add: Fringe benefits for benefited employees on the state payroll	265,215
Total restricted appropriations	3,862,848
Capital appropriations	570,014
Total Appropriations	$ 39,025,605

No timing differences occurred where the College had additional revenue that was reported to MMARS after June 30, 2022.

Note 14 - **Other Fringe Benefits**

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

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

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2022, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans.

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

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

Note 15 - **Pass-Through Loans**

The College distributed $3,041,939 during fiscal year 2022, for student loans through the U.S. Department of Education Direct Loan Program for student loans. 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**

Various lawsuits are pending or threatened against the College that arose from the ordinary course of operations. In the opinion of management, no litigation is now 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"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept, as payment of tuition, the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. 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 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.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	**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, 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, 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	**0.032%**	0.042%	0.051%	0.075%	0.075%	0.075%	0.106%	0.970%
Proportionate share of the collective net pension liability	**$ 3,296,080**	$ 7,261,893	$ 7,516,002	$ 9,893,341	$ 9,655,877	$ 10,321,326	$ 12,077,736	$ 7,222,922
College's covered payroll	**$ 2,562,769**	$ 3,248,430	$ 4,240,828	$ 5,805,025	$ 5,915,910	$ 5,687,757	$ 6,393,378	$ 7,216,427
College's proportionate share of the net pension liability as a percentage of its covered payroll	**128.61%**	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	**77.54%**	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	**$ 261,294**	$ 375,702	$ 457,379	$ 511,444	$ 683,826	$ 588,633	$ 537,493	$ 664,272
Contributions in relation to the statutorily required contribution	**(261,294)**	(375,702)	(457,379)	(511,444)	(683,826)	(588,633)	(537,493)	(664,272)
Contribution (excess)/deficit	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 1,621,937**	$ 2,562,769	$ 3,248,430	$ 4,240,828	$ 5,805,025	$ 5,915,910	$ 5,687,757	$ 6,393,378
Contribution as a percentage of covered payroll	**16.11%**	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2022

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.

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

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

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females.

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females.

- Disability – did not change.

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.

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

Measurement Date – June 30, 2015 - continued
The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	**June 30, 2021**	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	**January 1, 2021**	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	**0.036%**	0.045%	0.077%	0.117%	0.107%
Proportionate share of the collective net OPEB liability	**$ 5,787,151**	$ 9,344,354	$ 14,168,924	$ 21,648,505	$ 18,780,725
College's covered payroll	**$ 2,562,769**	$ 3,248,430	$ 4,240,828	$ 5,805,025	$ 5,915,910
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	**225.82%**	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	**10.70%**	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2022	2021	2020	2019	2018
Statutorily required contribution	**$ 124,092**	$ 197,285	$ 236,934	$ 372,942	$ 517,472
Contributions in relation to the statutorily required contribution	**(124,092)**	(197,285)	(236,934)	(372,942)	(517,472)
Contribution (excess)/deficit	**$ -**	$ -	$ -	$ -	$ -
College's covered payroll	**$ 1,621,937**	$ 2,562,769	$ 3,248,430	$ 4,240,828	$ 5,805,025
Contribution as a percentage of covered payroll	**7.65%**	7.70%	7.29%	8.79%	8.91%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2022

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2022
Assumptions:
Change in per capita claims costs
Per capita claims costs were updated 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
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%.

Note 1 - **Change in Plan Assumptions - Continued**

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
The original health care 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 health care trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2022

Note 1 - **Change in Plan Assumptions - Continued**

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

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

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

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%.

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

O'Connor & Drew P.C.
Certified Public Accountants

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

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and business-type activities of North Shore Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered North Shore 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 25, 2022