NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2023

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

Financial Statements

June 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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.

withum

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023 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.

Withum Smith+Brown, PC

November 21, 2023

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2023 and 2022

(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, 2023 and 2022, 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 7,144 credit and 2,252 noncredit students annually with 114 full-time faculty, 138 part-time faculty, 267 full-time staff, and 121 part-time staff members. Campuses are located in Danvers and Lynn Massachusetts. 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 77 credit programs within 26 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 318 noncredit workforce development and recreational courses.

Financial Highlights

- At June 30, 2023 and 2022, the College's assets of $137,133,500 and $132,175,682, respectively, exceeded its liabilities of $18,507,861 and $20,817,459 by $118,625,639 and $111,358,223, 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 $8,873,572 in FY23 compared to an increase of $11,954,262 in FY22. The increase in FY23 was primarily the result of approximately $4.5M from federally funded Higher Education Emergency Relief Funds ("HEERF") grants, approximately $4.9M positive adjustments to the College's Pension and OPEB liabilities estimates. In FY22 the increase was primarily the result of approximately $13.5M from federally funded HEERF grants and approximately $3.7M positive adjustments to the College's Pension and OPEB liabilities estimates.
- The unrestricted net position for FY23 increased by $9,159,743 to $22,115,314 compared to the increase in the unrestricted net position of $11,073,447 to $12,955,571 for FY22. The increase in FY23 is primarily the result of federal HEERF funding, supporting the students and the College of approximately $4.5M and favorable actuarial estimate adjustments for pension and OPEB. The increase in FY22 is primarily the result of federal HEERF funding of approximately $13.5M decreases in unrestricted appropriations, decreases in estimates for pension and OPEB expenses.

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 $105,864,435 and $96,990,863 at the close of FY23 and FY22, 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 2023 and 2022, representing 79% and 86%, or $83,671,097 and $83,181,773, 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, 2023 and 2022

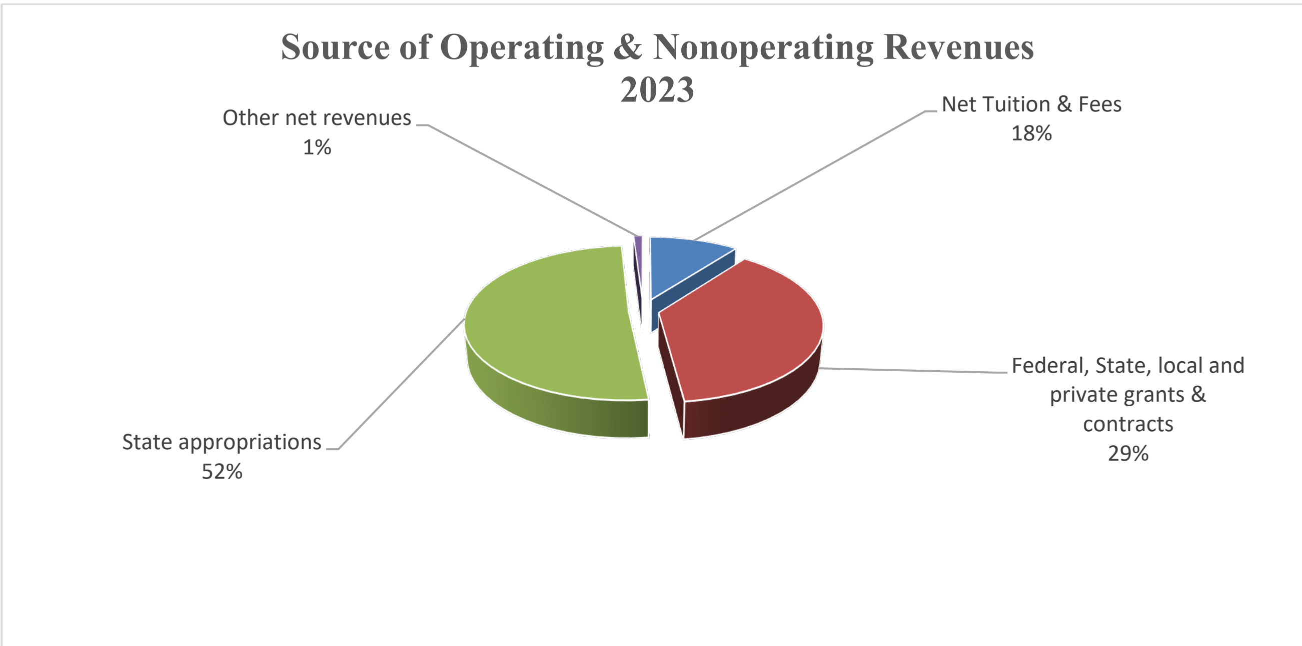
(Unaudited)

Condensed Financial Information

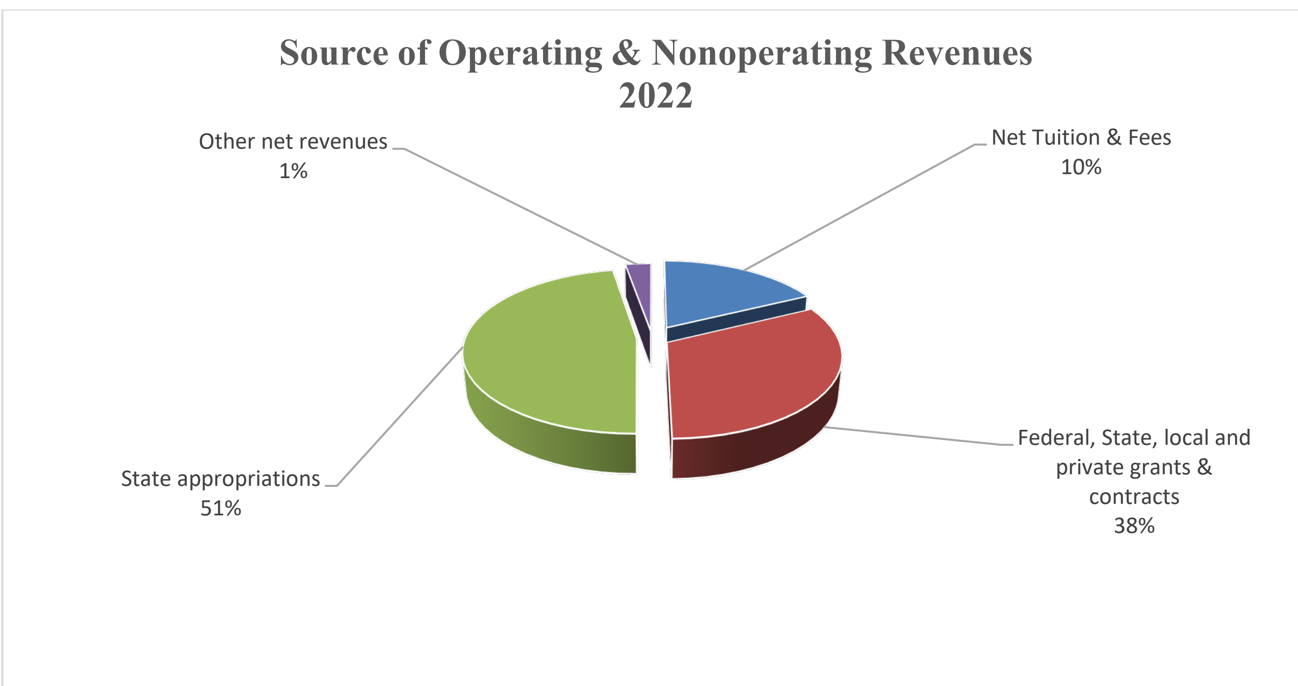
	Fiscal Year 2023	Fiscal Year 2022
Current assets	$ 50,616,172	$ 47,133,362
Noncurrent assets	86,517,328	85,042,320
Deferred Outflows of Resources	1,376,979	2,174,166
Total assets and deferred outflows	$ 138,510,479	$ 134,349,848
Current liabilities	$ 8,515,166	$ 8,421,142
Noncurrent liabilities	9,992,695	12,396,317
Deferred inflows of resources	14,138,183	16,541,526
Total liabilities and deferred inflows	$ 32,646,044	$ 37,358,985
Net position:		
Net investment in capital assets	$ 83,671,097	$ 83,181,773
Restricted, expendable	78,024	853,519
Unrestricted	22,115,314	12,955,571
Total Net Position	$ 105,864,435	$ 96,990,863
Total Operating Revenues	$ 30,888,518	$ 22,650,753
Total Operating Expenses	67,384,351	63,605,471
Net operating loss	(36,495,833)	(40,954,718)
Net nonoperating revenues	45,084,509	52,338,966
Change in net position before capital appropriations	8,588,676	11,384,248
Capital Appropriation	284,896	570,014
Increase in net position	8,873,572	11,954,262
Statement of net position:		
Net Position, Beginning of Year	96,990,863	85,036,601
Net Position, End of Year	$ 105,864,435	$ 96,990,863

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.



Source of Operating & Nonoperating Revenues 2023
Other net revenues 1%
Net Tuition & Fees 18%
Federal, State, local and private grants & contracts 29%
State appropriations 52%



Source of Operating & Nonoperating Revenues 2022
Other net revenues 1%
Net Tuition & Fees 10%
Federal, State, local and private grants & contracts 38%
State appropriations 51%

Highlights of operating revenue activity include:

- Tuition and Fees decreased by $513,435 or 2.4% in FY23, before scholarship allowances as compared to a decrease of $1,307,637 or 5.7% in FY22. For both years, this decrease is due to a decline in enrollment resulting from the challenges of the pandemic.

	June 30		
	2023	**2022**	**Change**
Tuition and fees	$ 21,045,392	$ 21,558,827	$ (513,435)

- Operating grants and contracts from federal, state, and private sources increased significantly by $3,043,256 or 20.6% in FY23, compared to sizable decrease of $1,257,059 or 7.8% in FY22. In FY23, the majority of the increase was a result of an increase in state funded grants including approximately $500,000 for ETF Train and Capacity, $200,000 for Early College Designation, and $175,000 for MA Capital Skills grant. 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.

Major grants and contracts received by the College for FY23 included the following:

<u>The Foundation</u>

- Bertolon Foundation, $244,840
- Smith Family Foundation, $200,077

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

- Career Pathways, $1,596,737

<u>Massachusetts Department of Elementary and Secondary Education</u>

- Vocational Education, $241,366
- Community Adult Learning Center, $514,723
- Gateway to College, $242,022

<u>Massachusetts Department of Higher Education</u>

- STEM Starter Academy, $287,479
- Early College Designation, $661,929
- Supporting Urgent Community College Equity through Student Services (SUCCESS), $139,226

U. S. Department of Education

- Student Support, $593,286
- Talent Search, $339,934
- Upward Bound, $525,451
- Title III, $601,893
- FIPSE Early College, $781,553

Higher Education Emergency Relief Funds - presented in non-operating revenue

- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), $322,380
- American Rescue Plan Act of 2021 (ARPA), $4,226,509
- Mental Health Services Grants, $137,680

U.S. Department of Health and Human Services

- Opioid Workforce Grant, $59,290
- HRSA Lynn Lab, $258,305
- ETF Train and Capacity Grants, $506,578
- MASS Capital Skills Grant, $174,037

NORTH SHORE COMMUNITY COLLEGE

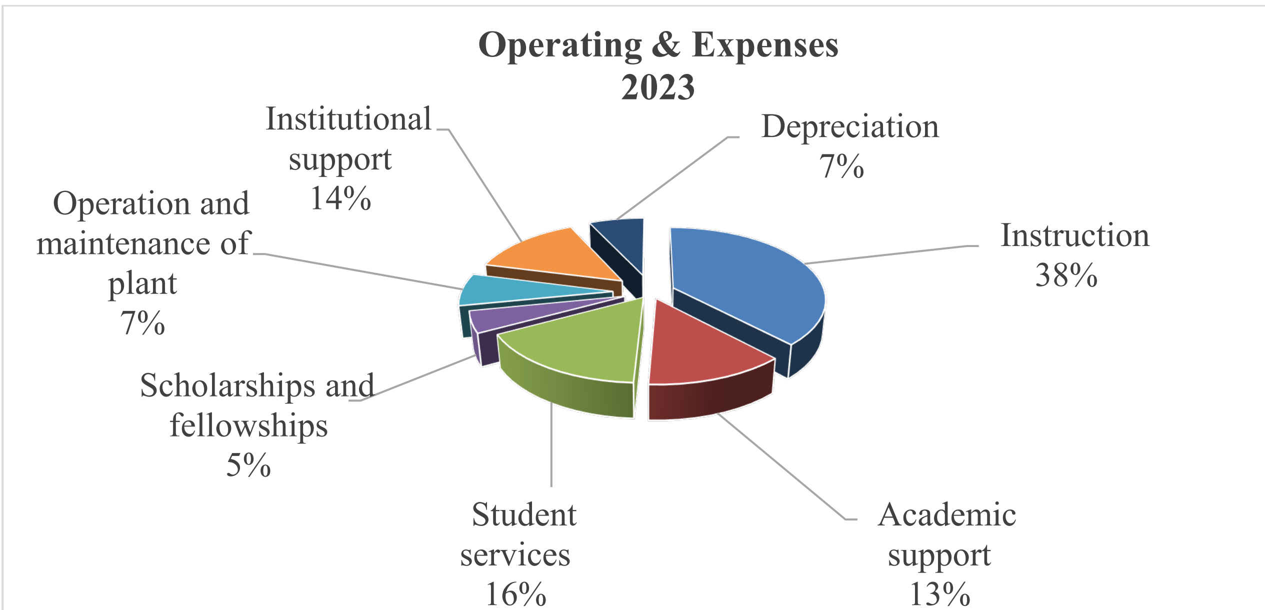
Required Supplementary Information

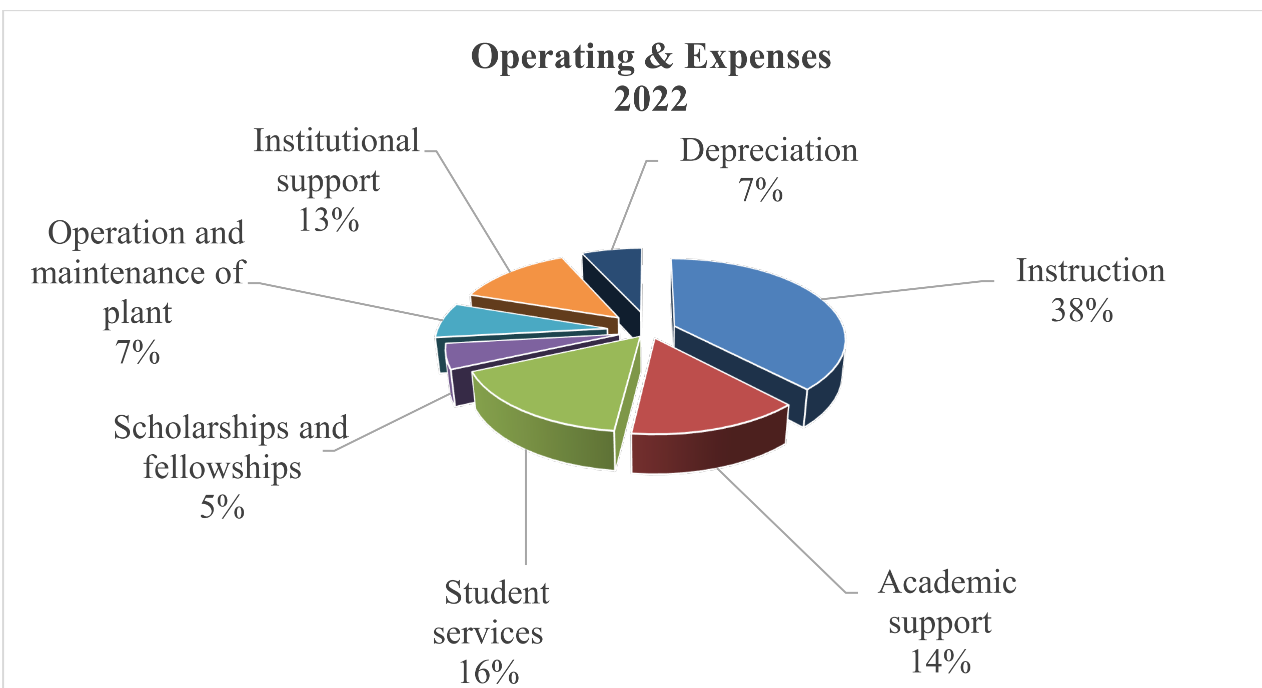
Management's Discussion and Analysis - Continued

June 30, 2023 and 2022

(Unaudited)

Operating Expenses





Highlights of operating expense activity include:

- Instruction expenses increased by $1,467,548 or 6.1% in FY23 over FY22. This increase was primarily due to increases of expenditures towards Career Pathways educational assistant, tuition relief, instructional supplies and equipment, and salary expense. These increases were mitigated by favorable adjustment in pension and OPEB actuarial estimates in FY23 over FY22.
- Academic support decreased by $290,261 or 3.3%, in FY23 over FY22 primarily due to a decrease in the expense for use of contracted employees and favorable changes in pension and OPEB actuarial estimates in FY23 over FY22.
- Student support services increased in FY23 by $608,800 or 5.9% over the prior year. This increase was primarily the result of an increase in grant expenditures to sub-recipient public entities and increase in payroll related expenditures which were partially mitigated by a favorable adjustment to the pension and OPEB actuarial estimates for FY23 over 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 slightly in FY23 by $40,592 or 1.3%.
- Operation and maintenance of plant increased by $409,683 or 9.2% in FY23 over FY22 primarily due to increased capital expenses and cafeteria subsidies in place in FY23.
- Institutional support increased in FY23 over FY22 by $1,187,591 or 14.4% primarily due to increases in payroll related and office and administrative expenditures partially mitigated by the changes in pension and OPEB actuarial adjustments.

Non-operating revenues and expenses, including capital appropriations, decreased by $7,817,193 or 14.8% in FY23 over FY22. The College recognized $4,783,692 in HEERF funding in the current year, a sizable decrease of $9,208,848 over the prior year, which accounts for the majority of the decrease.

The Commonwealth's fringe benefits provided for employees on the Commonwealth's payroll increased in FY23 by $1,191,134 or 13.0% to $10,382,859 compared to $9,191,725 in FY22. The increase is primarily the result of additional payroll funded through restricted and grant state appropriations.

Loss from Operations

Because generally accepted accounting principles require state appropriations to be presented as non-operating revenues, the College incurred a loss from operations in FY23 and FY22. 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, 2023 and 2022 amounts to $86,517,326 and $85,042,318, respectively, net of accumulated depreciation. Investments in capital assets include land, building (including improvements), furnishings, and equipment.

The College recognized $284,896 in capital assets funded by the DCAMM in FY23 and $570,014 in FY22.

Debt

The College carries long-term debt, other than pensions, accruals for compensated absences, workers compensation, and other long-term settlement obligations.

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 principal is payable semiannually. The terms on the debt did not change and ended 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.

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, 2023

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
	2023 College
Current Assets:	
Cash and equivalents	$43,296,912
Cash held by State Treasurer	154,541
Investments	380,414
Accounts receivable, net	5,687,971
Other current assets	1,096,334
Total Current Assets	50,616,172
Noncurrent Assets:	
Funds held by bond trustee - restricted	2
Capital assets, net	86,517,326
Total Noncurrent Assets	86,517,328
Total Assets	137,133,500
Deferred Outflows of Resources:	
Pension related, net	621,101
OPEB related, net	755,878
Total Deferred Outflows of Resources	1,376,979
Total Assets and Deferred Outflows of Resources	$ 138,510,479

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government 2023 College
Current Liabilities:	
Accounts payable and accrued liabilities	**$2,616,145**
Accrued payroll	**1,825,840**
Current portion of compensated absences and workers' compensation	**2,728,473**
Students' deposits and unearned revenues	**690,661**
Current portion of lease liability	**54,639**
Current portion of SBITA liability	**244,953**
Current portion of bonds payable	**354,455**
Total Current Liabilities	**8,515,166**
Noncurrent Liabilities:	
Compensated absences and workers' compensation	**1,968,388**
Lease liability	**152,714**
SBITA liability	**1,164,286**
Bonds payable	**875,184**
Net pension liability	**2,582,310**
Net OPEB liability	**3,249,813**
Total Noncurrent Liabilities	**9,992,695**
Total Liabilities	**18,507,861**
Deferred Inflows of Resources:	
Pension related, net	**3,716,361**
OPEB related, net	**10,421,822**
Total Deferred Inflows of Resources	**14,138,183**
Total Liabilities and Deferred Inflows of Resources	**32,646,044**
Net Position:	
Net investment in capital assets	**83,671,097**
Restricted:	
Expendable	**78,024**
Unrestricted	**22,115,314**
Total Net Position	**105,864,435**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 138,510,479**

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 2023 College
Operating Revenues:	
Tuition and fees	$ 21,045,392
Less: scholarship allowances	(7,827,045)
Net tuition and fees	13,218,347
Grants and contracts	17,564,293
Other	105,878
Total Operating Revenues	30,888,518
Operating Expenses:	
Instruction	25,645,326
Academic support	8,553,020
Student services	10,995,618
Scholarships and fellowships	3,209,030
Operation and maintenance of plant	4,856,355
Institutional support	9,462,211
Depreciation	4,662,791
Total Operating Expenses	67,384,351
Operating Loss	(36,495,833)
Nonoperating Revenues (Expenses):	
Federal grants	4,783,692
State appropriations - unrestricted	35,864,480
State appropriations - restricted	3,841,038
Net investment income	391,418
Interest expense	(64,638)
Payments from Foundation	268,519
Net Nonoperating Revenues	45,084,509
Change in Net Position Before Capital Appropriations	8,588,676
Capital Appropriations	284,896
Change in Net Position	$ 8,873,572
Net Position, Beginning of Year	96,990,863
Net Position, End of Year	$ 105,864,435

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 Flows

For the Year Ended June 30,

	Primary Government
	2023
	College
Cash Flows from Operating Activities:	
Tuition and fees	$ 12,959,415
Grants and contracts	20,482,557
Payments to suppliers	(14,088,677)
Payments to employees	(39,910,925)
Payments to students	(3,209,030)
Other cash receipts	(392,854)
Net Cash Used by Operating Activities	(24,159,514)
Cash Flows from Noncapital Financing Activities:	
Federal grants	2,603,127
State appropriations	29,322,659
Payments from Foundation	268,519
Net Cash Provided by Noncapital Financing Activities	32,194,305
Cash Flows from Capital Financing Activities:	
Purchases of capital assets	(4,090,153)
Principal paid on capital debt	(537,148)
Principal paid on lease and SBITA liability	(239,918)
Interest paid on capital debt and lease and SBITA liability	(64,638)
Net Cash Used by Capital Financing Activities	(4,931,857)
Cash Flows from Investing Activity:	
Interest on investments	390,905
Net Change in Cash and Equivalents	3,493,839
Cash and Equivalents, Beginning of Year	39,957,614
Cash and Equivalents, End of Year	$ 43,451,453

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

Statement of Cash Flows - Continued

For the Year Ended June 30,

	Primary Government 2023 College
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	$ (36,495,833)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,662,791
Bad debt	848,268
Fringe benefits provided by the State	10,382,859
Pension activity	(1,786,729)
OPEB activity	(3,070,535)
Changes in assets and liabilities:	
Accounts receivable	1,510,841
Other current assets	(167,002)
Accounts payable and accrued liabilities	473,545
Accrued payroll	(363,875)
Compensated absences and workers' compensation	44,665
Students' deposits and unearned revenues	(198,509)
Net Cash Used by Operating Activities	$ (24,159,514)
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:	
Cash and equivalents	$ 43,296,912
Cash held by State Treasurer	154,541
Cash and Equivalents, End of Year	$ 43,451,453
Non-Cash Transactions:	
Fringe benefits provided by the State	$ 10,382,859
Capital appropriations used to acquire capital assets	$ 284,896
Capital additions acquired through leases	$ 130,529
Unrealized gain on marketable securities	$ 513
Day school tuition remitted to state	$ 35,598

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 2023
Current Assets:	
Cash and equivalents	$ 2,056,691
Restricted cash	148,624
Current portion of pledges receivable	274,050
Total Current Assets	2,479,365
Other Assets:	
Pledges receivable, net of current portion	254,471
Investments	11,070,085
Total Assets	$ 13,803,921

Liabilities and Net Assets

	Component Unit 2023
Current Liabilities:	
Accounts payable	$ 44,998
Funds held for others	148,624
Total Current Liabilities	193,622
Net Assets:	
Without donor restrictions	956,515
With donor restrictions	12,653,784
Total Net Assets	13,610,299
Total Liabilities and Net Assets	$ 13,803,921

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 2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**
Revenue:			
Contributions and gifts of cash and other financial assets	$ 185,590	$ 2,353,918	$ 2,539,508
Investment return, net	33,581	1,172,702	1,206,283
Contributions and gifts of nonfinancial assets	142,526	-	142,526
Event revenue	-	114,639	114,639
Net assets released from restrictions	854,396	(854,396)	-
Total Revenue	1,216,093	2,786,863	4,002,956
Expenses:			
Program services	1,037,760	-	1,037,760
Management and general	119,952	-	119,952
Fundraising	133,994	-	133,994
Total Expenses	1,291,706	-	1,291,706
Changes in Net Assets	(75,613)	2,786,863	2,711,250
Net Assets, Beginning of Year	1,032,128	9,866,921	10,899,049
Net Assets, End of Year	$ 956,515	$ 12,653,784	$ 13,610,299

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, 2023

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, 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 ("U.S. 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 unit 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 U.S. 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, 2023, the Foundation provided $268,519 to the College for both restricted and unrestricted purposes, respectively.

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, or improvement of those assets. Deferred outflows of resources and deferred inflows of those assets or related debt are included in this component of net position.

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

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

Unrestricted: 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. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/subscription term or useful life of the underlying asset. The 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 and subscription-based information technology arrangement assets is included in depreciation 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.

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

Capital Assets - continued
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.

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, 2023. 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, lease liabities, and SBITA liabilities.

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

Future Governmental Accounting Pronouncements Not Implemented
GASB Statement 100 - *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

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

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

COVID-19
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"), funds for Minority Serving Institutions ("MSI"), and funds for Institutional Resilience and Expended Postsecondary Opportunity ("IREPO") 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, MSI, and IREPO funds can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

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

Notes to the Financial Statements - Continued

June 30, 2023

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

The College has been awarded the following HEERF, MSI, and IREPO funds as of June 30, 2023:

	Student Aid Award	Institutional Award	MSI	IREPO	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	1,082,148	15,009,391
Total	$ 10,167,686	$ 14,036,872	$ 1,311,866	$ 1,082,148	$ 26,598,572

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

	Student Aid Award	Institutional Award	MSI	IREPO	Total
CRRSAA	**$ 1,750**	**$ 128,375**	**$ 192,253**	**$ -**	**$ 322,378**
ARPA	**399,511**	**2,590,936**	**689,334**	**781,533**	**4,461,314**
Total	**$ 401,261**	**$ 2,719,311**	**$ 881,587**	**$ 781,533**	**$ 4,783,692**

As of June 30, 2023, the College has $41,740 of unspent IREPO funds. The College has spent all the student and institutional HEERF and MSI funds that were awarded.

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

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

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the adjustment for the right to use assets - SBITAs of $1,632,221 was completely offset by the adjustment to the SBITA liability. The right of use assets and liability for SBITAs was previously $0 as of July 1, 2022.

Note 3 - **Cash and Investments**

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 their 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.

Summary of Deposits and Investments
Deposits and investments consist of the following at June 30, 2023:

Cash on deposit	**$ 41,788,503**
MMDT Trust Fund	**1,508,409**
Total Cash and Equivalents	**43,296,912**
Certificates of Deposit	**380,414**
Funds Held by Bond Trustee	**2**
Total Deposits and Investments	**$ 43,677,328**

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, 2023 amounted to $43,296,912, of which $806,040 was exposed to custodial credit risk as uninsured and uncollateralized. 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, 2023 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, 2023:

		Quality Ratings	
Rated Debt Investments	**Fair Value**	**AAA**	**Unrated**
Certificates of deposit	**$ 380,414**	**$ -**	**$ 380,414**

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, 2023, 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, 2023:

Equity securities	**$ 3,930,300**
Fixed income securities	**7,139,785**
	$ 11,070,085

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $154,541 at June 30, 2023. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Accounts Receivable**

Accounts receivable include the following at June 30, 2023:

Student accounts receivable	$ 2,814,143
Grants receivable	4,338,467
Other receivables	508,709
	7,661,319
Less: allowance for doubtful accounts	(1,973,348)
	$ 5,687,971

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 6 - **Capital Assets**

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

	Estimated lives (in years)	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land		$ 13,842,077	$ -	$ -	$ 13,842,077
Construction in progress	-	2,350,194	2,813,410	(2,103,133)	3,060,471
Total non-depreciable assets		16,192,271	2,813,410	(2,103,133)	16,902,548
Capital assets, depreciated:					
Buildings and improvements	20-40	129,483,515	1,379,347	2,103,133	132,965,995
Furnishings and equipment	3-10	13,941,680	182,292	-	14,123,972
Educational resource materials	5	505,463	-	-	505,463
Software arrangements	3-5	1,632,221	-	-	1,632,221
Leased equipment	3-5	93,760	130,529	-	224,289
Total depreciable assets		145,656,639	1,692,168	2,103,133	149,451,940
Total capital assets		161,848,910	4,505,578	-	166,354,488
Less: accumulated depreciation:					
Buildings and improvements		(62,615,806)	(3,866,569)	-	(66,482,375)
Furnishings and equipment		(12,053,102)	(662,300)	-	(12,715,402)
Educational resource materials		(505,463)	-	-	(505,463)
Software arrangements		-	(115,170)	-	(115,170)
Leased equipment		-	(18,752)	-	(18,752)
Total accumulated depreciation		(75,174,371)	(4,662,791)	-	(79,837,162)
Capital assets, net		$ 86,674,539	$ (157,213)	$ -	$ 86,517,326

Note 7 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases, SBITAs, and bonds payable:					
Bonds payable	$ 1,766,787	$ -	$ 537,148	$ 1,229,639	$ 354,455
Lease liability	93,760	130,529	16,936	207,353	54,639
SBITAs liability	1,632,221	-	222,982	1,409,239	244,953
Total leases, SBITAs, and bonds payable	3,492,768	130,529	777,066	2,846,231	654,047
Other long-term liabilities:					
Compensated absences	4,099,526	83,646	-	4,183,172	2,668,128
Workers' compensation	552,670	-	38,981	513,689	60,345
Net pension liability	3,296,080	-	713,770	2,582,310	-
Net OPEB liability	5,787,151	-	2,537,338	3,249,813	-
Total other long-term liabilities	13,735,427	83,646	3,290,089	10,528,984	2,728,473
Total long-term liabilities	$ 17,228,195	$ 214,175	$ 4,067,155	$ 13,375,215	$ 3,382,520

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. The refunding did not result in a material difference between the reacquisition price and the net carrying amount of the previous debt.

The College paid the remaining principal balance for the Series E bonds during fiscal year 2023. For the Series F bonds, the principal is payable semi-annually through October 1, 2026 with interest payable monthly. The balance of the Series F bonds at June 30, 2023 was $1,210,110.

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

Bonds Payable - 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, 2023 was $19,529.

Principal and Interest
Principal and interest due on bonds payable subsequent to June 30, 2023 are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2024	$ 354,455	$ 41,772
2025	354,455	28,066
2026	346,802	14,434
2027	173,927	2,258
	$ 1,229,639	$ 86,530

Total interest expense was $64,638 for the year ended June 30, 2023.

Note 8 - **Leases**

In June 2022, the College entered into a five-year lease agreement for office equipment and used a 5.00% discount rate for this arrangement based on the College's estimated incremental borrowing rate to determine the present value of the intangible right-to-use asset and lease liability. 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**

In June 2023, the College entered into a three-year lease agreement for office equipment and used a 7.50% discount rate for this arrangement based on the College's estimated incremental borrowing rate to determine the present value of the intangible right-to-use asset and lease liability. Payments of $3,782 are due monthly. 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.

At June 30, 2023, the total amount of the lease right of use assets and accumulated amortization for leases were $224,289 and $18,752, respectively.

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

Years Ending June 30,	Principal Amount	Interest Amount
2024	$ 54,639	$ 12,051
2025	58,406	8,285
2026	62,441	4,249
2027	31,867	790
	$ 207,353	$ 25,375

Note 9 - **Subscription-Based Information Technology Arrangements**

The College has entered into subscription-based information technology arrangements ("SBITAs") involving its financial managements software and database system.

The financial management software arrangement is a five-year agreement, initiated in fiscal year 2023 with annual payments ranging from $258,812 to $339,249. The College has used a 7.50% discount rate for this arrangement based on the College's estimated incremental borrowing rate to determine the present value of the intangible right-to-use asset and SBITA liability. The College does not have an option to extend this arrangement. There is no option to purchase the software.

Note 9 - **Subscription-Based Information Technology Arrangements - Continued**

The database systems is a three year agreement, initiated in fiscal year 2023 with annual payments ranging from $64,278 to $64,454. The College has used a 7.50% discount rate for this arrangement based on the College's estimated incremental borrowing rate to determine the present value of the intangible right-to-use asset and SBITA liability. The College does not have an option to extend this arrangement. There is no option to purchase the software.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were $1,632,221 and $115,170, respectively.

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

Years Ending June 30,	Principal Amount	Interest Amount
2024	$ 244,953	$ 78,313
2025	279,475	61,731
2026	252,176	44,137
2027	293,386	23,669
2028	339,249	-
	$ 1,409,239	$ 207,850

Note 10 - **Pension**

Defined Benefit Plan Description

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

The Massachusetts State Employees' Retirement System does not issue 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 10 - **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.

Note 10 - **Pension - Continued**

Contributions - continued
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
7/1/2001 to present	11% of regular compensation (for teacher hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of $30,000 except for teachers subject to Chapter 114 of the Acts of 2000

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 $4,389,715 for the year ended June 30, 2023.

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 16.7%, 16.11% and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed $485,593 for the fiscal year ended June 30, 2023, 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, 2023, the College reported a liability of $2,582,310 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

Note 10 - **Pension - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued
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 2023. The College's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.019%.

For the year ended June 30, 2023, the College recognized pension income of $1,301,132. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

Deferred Outflows of Resources Related to Pension	
Contributions subsequent to the measurement date	$ 485,593
Differences between expected and actual experience	64,236
Changes in proportion from Commonwealth	177
Changes in plan actuarial assumptions	71,095
Changes in proportion due to internal allocation	-
Total deferred outflows of resources related to pension	$ 621,101
Deferred Inflows of Resources Related to Pension	
Net differences between projected and actual investment earnings on pension plan investments	$ 13,767
Differences between expected and actual experience	100,788
Changes in proportion from Commonwealth	6,985
Changes in proportion due to internal allocation	3,594,821
Total deferred inflows of resources related to pension	$ 3,716,361

Note 10 - **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 $485,593 made during the fiscal year ended 2023, 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,	
2024	$ (822,219)
2025	(867,232)
2026	(948,390)
2027	(691,736)
2028	(251,276)
	$ (3,580,853)

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

	2023
Measurement date	**June 30, 2022**
Inflation on the first $13,000 of allowance	**3.00%**
Salary increases	**4.00% to 9.00%**
Investment rate of return	**7.00%**
Interest rate credited to annuity savings fund	**3.50%**

Note 10 - **Pension - Continued**

Actuarial Assumptions - continued

For measurement date June 30, 2022, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-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 - RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 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 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 and rolled forward to June 30, 2022.

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

Note 10 - **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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.0%	4.2%
Core Fixed Income	15.0%	0.5%
Private Equity	15.0%	7.3%
Portfolio Completion Strategies	10.0%	2.7%
Real Estate	10.0%	3.3%
Value Added Fixed Income	8.0%	3.7%
Timberland/Natural Resources	4.0%	3.9%
Total	100.0%	

Discount Rate
The discount rate used to measure the total pension liability was 7.00% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the 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 10 - **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, 2023:

1.00% Decrease 6.00%	Current Discount Rate 7.00%	1.00% Increase 8.00%
$ 3,561,593	$ 2,582,310	$ 1,753,694

Note 11 - **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 (or their designee) and includes the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the Board.

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

Note 11 - **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, 2023, and as of the valuation date (January 1, 2022), 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 7.28% of annual covered payroll for the fiscal year ended June 30, 2023.

The College contributed $211,615 for the fiscal year ended June 30, 2023 equal to 100% of the required contribution for the year.

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

At June 30, 2023, the College reported a liability of $3,249,813 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

Note 11 - **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 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.024%.

For the year ended June 30, 2023, the College recognized OPEB income of $2,820,203.

Note 11 - **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, 2023:

Deferred Outflows of Resources Related to OPEB		
Contributions made subsequent to the measurement date	$	211,615
Net differences between projected and actual investment earnings on OPEB plan investments		4,940
Changes in proportion from Commonwealth		1,493
Differences between expected and actual experience		59,825
Changes in OPEB plan actuarial assumptions		239,359
Changes in proportion due to internal allocation		238,646
Total deferred outflows of resources related to OPEB	$	755,878
Deferred Inflows of Resources Related to OPEB		
Net differences between projected and actual investment earnings on OPEB plan investments	$	-
Differences between expected and actual experience		538,042
Changes in OPEB plan actuarial assumptions		1,176,176
Changes in proportion from Commonwealth		16,049
Changes in proportion due to internal allocation		8,691,555
Total deferred inflows of resources related to OPEB	$	10,421,822

The College's contributions of $211,615 made during the fiscal year 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the following year.

Note 11 - **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,	
2024	$ (2,314,027)
2025	(2,309,084)
2026	(2,290,332)
2027	(2,268,428)
2028	(695,688)
	$ (9,877,559)

Actuarial Assumptions

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

Measurement Date	June 30, 2022
Inflation	0.025
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 SAO-Getzen trend rate model, version 2022_f4. Medicare and non-Medicare benefits range from 3.94% to 9.11%

Note 11 - **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 will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to HMO.

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.

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

	2023	
	Under 65	Age 65+
Indemnity	28.0%	96.0%
POS/PPO	62.0%	0.0%
HMO	10.0%	4.0%

The actuarial assumptions used in the January 1, 2022 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2020 through December 31, 2021, depending upon the criteria being evaluated.

Note 11 - **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, 2023, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate (3.54%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets, is 2042 for the fiscal year 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% 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 3.30%	Current Discount Rate 4.30%	1.00% Increase 5.30%
$ 3,791,258	$ 3,249,813	$ 2,805,056

Note 11 - **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 Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 2,724,274	$ 3,249,813	$ 3,915,083

(A) - Current healthcare cost trend rate, as disclosed earlier

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed earlier

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed earlier

Note 12 - **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, 2023, the restricted net position was for instructional and departmental uses.

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

Notes to the Financial Statements - Continued

June 30, 2023

Note 13 - **Operating Expenses**

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

Compensation and benefits	**$ 45,117,310**
Supplies and services	**14,395,220**
Depreciation	**4,662,791**
Scholarships and fellowships	**3,209,030**
	$ 67,384,351

Note 14 - **State Appropriation**

The College's state appropriation is composed of the following for the year ended June 30, 2023:

Direct unrestricted appropriations	**$ 26,262,011**
Add: Fringe benefits for benefited employees on the state payroll	**9,638,067**
Subtract: Day school tuition remitted to the State and included in tuition and fees	**(35,598)**
Total unrestricted appropriations	**35,864,480**
Restricted appropriations	**3,096,246**
Add: Fringe benefits for benefited employees on the state payroll	**744,792**
Total restricted appropriations	**3,841,038**
Capital appropriations	**284,896**
Total Appropriations	**$ 39,990,414**

No timing differences occurred where the College had additional revenue that was reported to MMARS after June 30, 2023 (unaudited).

Note 15 - **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, 2023, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans.

In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax 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 16 - **Pass-Through Loans**

The College distributed $3,222,127 during fiscal year 2023 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 17 - **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, 2023**	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	**January 1, 2022**	January 1, 2021	January 1, 2020	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	**0.019%**	0.032%	0.042%	0.051%	0.075%	0.075%	0.075%	0.106%	0.970%
Proportionate share of the collective net pension liability	**$ 2,582,310**	$ 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	**$ 1,621,937**	$ 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	**159.21%**	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	**71.05%**	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,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	**$ 485,593**	$ 261,294	$ 375,702	$ 457,379	$ 511,444	$ 683,826	$ 588,633	$ 537,493	$ 664,272
Contributions in relation to the statutorily required contribution	**(485,593)**	(261,294)	(375,702)	(457,379)	(511,444)	(683,826)	(588,633)	(537,493)	(664,272)
Contribution (excess)/deficit	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 2,907,743**	$ 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	**16.70%**	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by 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, 2023

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

Measurement date - June 30, 2022
The inflation rate of return changes from 3.00% to 2.50%.

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, 2023**	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	**January 1, 2022**	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	**0.024%**	0.036%	0.045%	0.077%	0.117%	0.107%
Proportionate share of the collective net OPEB liability	**$ 3,249,813**	$ 5,787,151	$ 9,344,354	$ 14,168,924	$ 21,648,505	$ 18,780,725
College's covered payroll	**$ 1,621,937**	$ 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	**200.37%**	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	**13.00%**	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,

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	**$ 211,615**	$ 124,092	$ 197,285	$ 236,934	$ 372,942	$ 517,472
Contributions in relation to the statutorily required contribution	**(211,615)**	(124,092)	(197,285)	(236,934)	(372,942)	(517,472)
Contribution (excess)/deficit	**$ -**	$ -	$ -	$ -	$ -	$ -
College's covered payroll	**$ 2,907,743**	$ 1,621,937	$ 2,562,769	$ 3,248,430	$ 4,240,828	$ 5,805,025
Contribution as a percentage of covered payroll	**7.28%**	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, 2023

Note 1 - <u>**Change in Plan Assumptions**</u>

Fiscal year June 30, 2023
<u>Assumptions:</u>
Change in per capita claims costs
Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

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

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

Fiscal year June 30, 2022
<u>Assumptions:</u>
Change in per capita claims costs
Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

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

Change in Investment Rate
The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates
The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate
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.

Note 1 - <u>**Change in Plan Assumptions - Continued**</u>

Fiscal year June 30, 2021
<u>Assumptions:</u>
Change in per capita claims costs
Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

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

Change in Investment Rate
The investment rate of return decreased from 7.25% to 7.15%.

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

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

Fiscal year June 30, 2020
<u>Assumptions:</u>
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.

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

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.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 21, 2023 .

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Withum Smith+Brown, PC

November 21, 2023