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

FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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

Financial Statements and
Management's Discussion and Analysis

June 30, 2021 and 2020

C O N T E N T S

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Holyoke Community College
Holyoke, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Holyoke Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the years ending June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Holyoke Community College Foundation, Inc. (the Foundation) as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 9, 2021

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

Management's Discussion and Analysis

June 30, 2021, 2020 and 2019

(Unaudited)

The following discussion and analysis provides management's view of the financial position of Holyoke Community College (the College) as of June 30, 2021, 2020 and 2019, 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.

GASB Statement No. 68 of the Governmental Accounting Standard Board (GASB), Accounting and Reporting for Pensions establishes new standards for how governmental employers that contribute to pension plans report liabilities and plan details on their financial statements. GASB 68 requires that the Commonwealth report its unfunded pension liability on its statements of net position. As permitted by GASB 68, the Commonwealth will report its net pension liability as of June 30, 2020 on the FY 2021 statements. The pension plan is a cost sharing multiple-employer plan that pools retirement assets to pay benefits to any participating plan members. GASB 68 requires that pension liabilities and costs must be allocated to participating employers including Holyoke Community College. Holyoke Community College's FY 21 statements reflect the implementation of GASB 68. Please see footnote 11, on page 44.

GASB Statement No. 75 of the Governmental Accounting Standard Board (GASB), Accounting and Reporting for Postemployment Benefits Other Than Pensions completes the previously implemented GASB No. 68 (for pensions) standard for reporting the Commonwealth's unfunded postemployment liabilities on its statements of net position. Please see footnote 12, on page 50.

The College is a public institution of higher education serving approximately 7,130 students, with 107 full time faculty and 236 full time staff, as well as part time faculty and employees. The campus is located in Holyoke, Massachusetts. The College offers more than 81 programs of study leading to an associate's degree, certificate programs and noncredit programs.

Financial Highlights

- At June 30, 2021, the College's assets of $109,740,702 and deferred outflows of resources of $5,612,512, totaling $115,353,214 exceeded its liabilities of $39,360,383 and deferred inflows of resources of $13,138,293 by $62,854,538. At June 30, 2020, the College's assets of $102,661,458 and deferred outflows of resources of $6,302,055, totaling $108,963,513 exceeded its liabilities of $44,358,125 and deferred inflows of resources of $9,985,123 by $54,620,265. At June 30, 2019, the College's assets of $93,980,712 and deferred outflows of resources of $7,819,215, totaling $101,799,927 exceeded its liabilities of $50,791,629 and deferred inflows of resources of $3,221,555 by $47,786,743. These resulting net assets are summarized into the following categories:

	2021	2020	2019
Net invested in capital assets	$ 72,268,406	$ 71,007,138	$ 63,800,079
Restricted, expendable	1,756,424	1,266,505	1,051,672
Unrestricted	(11,170,292)	(17,653,378)	(17,065,008)
Total net position	$ 62,854,538	$ 54,620,265	$ 47,786,743

- The Restricted, expendable net assets may be expended at the discretion of the Board of Trustees, but only for the purposes for which the donor or grantor intended.
- Total Net Position reflects the impact of the College's portion of the Commonwealth's unfunded pension liability of $8,713,578 in FY21 $8,393,946 in FY20, and $10,032,605 in FY19. The FY19 net position was reduced $748,069 due to a post-employment benefit (OPEB) restatement. Significantly impacting the College's net position in FY 2018 was the recognition of unfunded post employment benefits other than pensions in the amount of $17,372,753.
- The FY21 increase is attributable to capital appropriations of $4,184,881, investment gains of $2,669,587, net operating gains (including non-capital appropriations) of $2,344,767. This increase of $9,199,235 was negatively impacted by unfunded liabilities expenses (net) of $398,869 for pensions and $565,092 for post-employment benefits other than pensions, totaling $963,961. These results combined to increase the College's Net Position by $8,234,274. The FY20 increase is attributable to an increase in capital appropriations of $11,299,867, investment gains of $522,883, and net operating deficits (including non-capital appropriations) of $4,308,614. The net increase of $7,514,136 was negatively impacted by unfunded liabilities expenses (net) of $373,563 for pensions and $307,051 for postemployment benefits other than pensions, totaling $680,614. These results combined to increase the College's Net Position by $6,833,522. The FY19 increase of $11,255,459 is due to capital appropriations of $15,559,657, investment gains of $972,473, and net operating deficits (including non-capital appropriations) $3,764,936. This increase of $12,767,194 in FY19 was negatively impacted by unfunded liabilities expenses (net) of $614,988 for pensions and $896,747 totaling $1,511,735 resulting in an increase in the College's Net Position of $11,255,459. The FY19 Net Position also reflects a restatement of $748,069 for postemployment benefits other than pensions from prior periods, having a total negative impact $2,259,804.

- More information can be found in the capital assets discussion in this report and footnote 5 on page 38.
- The Holyoke Community College Life Sciences Grant contributed $3.2 million towards the increase in capital as part of the Marieb Building renovations and the “Clean Room” training facility. The total cost of the renovations was $5.8 million and the project was completed for occupancy in January 2019.
- The Holyoke Community College Campus Center underwent a major renovation and the project was completed in the summer of 2019 and ready for occupancy in the July 2019. The project was completed for $35.0 million $8.5 million under budget.
- An energy project was completed this year that upgraded campus lighting, air handlers, and mechanicals to make the campus more energy efficient. The project was completed for $6,650,820, $3,655,113 was funded by the state with the remaining $2,995,707 funded with financing provided by the Commonwealth’s Division of Capital Asset Management.
- The Holyoke Community College/MGM Culinary Arts Institute in downtown Holyoke opened in the fall 2017. The Institute is supported by a combination of state, federal and private funding estimated at approximately $6.7 million. The total project cost is supported by $1.55 million construction grant to the Foundation from the U.S. Department of Commerce, a $1.75 million equipment grant from the Massachusetts Executive Office of Housing and Economic Development, $400,000 from the City of Holyoke through the City’s surrounding communities agreement with MGM, $100,000 directly from MGM, and $2.9 million from HCC and the HCC Foundation. The College will lease the space, approximately 19,888 square feet in a former industrial building in the Holyoke Innovation District, from the HCC Foundation. During the first two years of occupancy, the rent will include the College’s financial contribution of $1.9 million to the construction of the space, paid as supplemental rent. The facility includes a production kitchen, demonstration kitchen, bakery lab, hot lab, dining room, and laundry area, along with classrooms, offices, conference space and various support spaces.

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.

In May 2002, GASB issued Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Determining Whether Certain Organizations are Component Units (an amendment of GASB 14)*. GASB 39 establishes new criteria for evaluating the need to include component units of the College. The College adopted GASB 39 as of July 1, 2003.

The Holyoke Community College Foundation (Foundation) is a legally separate tax-exempt component unit of Holyoke Community 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 directors 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 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 presents information on all of the College's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

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

The Statements of Cash Flows is 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). The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the *Statements of Cash Flows*.

The financial statements can be found on pages 21-24 of this report.

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

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. The notes to the financial statements can be found on pages 25-59 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. The College's assets exceeded liabilities by $62,854,538, $54,620,265 and $47,786,743 at the close of FY21, FY20 and FY19, respectively.

The largest portion of the College's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. In FY21, investment in capital assets totaled $72,268,406 or 63% of total assets. In FY20, investment in capital assets totaled $71,007,138 or 65% of total assets. In FY19, investment in capital assets totaled $63,800,079 or 63% of total assets. The College uses these capital assets to provide services to students, faculty, administration, and the community. 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. Also, 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 by the Commonwealth are not reflected in these financial statements.

The restricted portion of the College's net position represents resources that are subject to external restrictions on how they must be used. In FY21, restricted net position totaled $1,756,424 or 1.5% of total assets. In FY20, restricted net position totaled $1,266,505 or 1.2% of total assets. In FY19, restricted net position totaled $1,051,672 or 1.0% of total assets.

Unrestricted net position reflects the impact of unfunded postemployment benefits totaling $19,925,910. The accumulated impact of the GASB 68 and 75 postemployment benefit accounting on net position is $8,713,578 for pensions and $11,212,332 for other postemployment benefits. In FY21, unrestricted net position is a negative $11,170,292 in FY20, unrestricted net position is a negative $17,653,378 and in FY19, unrestricted net position is a negative $17,065,008.

The College's net position increased $8,234,273 in fiscal 2021, $6,833,522 in fiscal 2020, $11,255,459 in fiscal 2019.

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

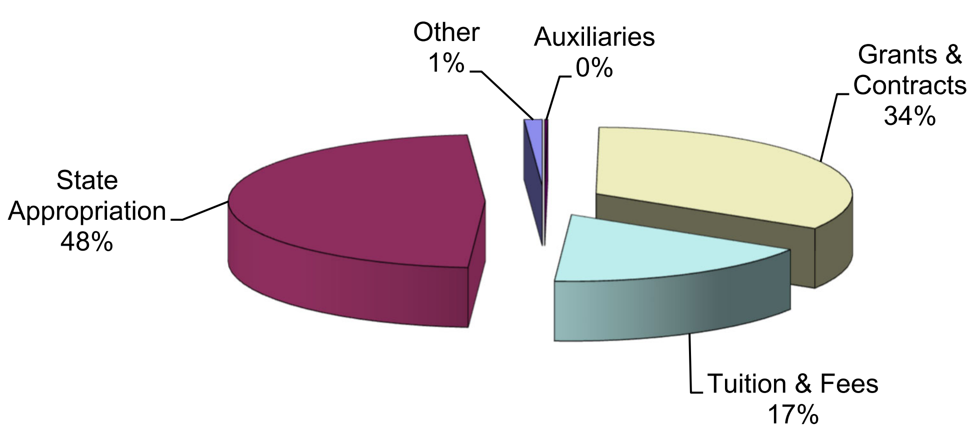
Management's Discussion and Analysis - Continued

June 30, 2021, 2020 and 2019

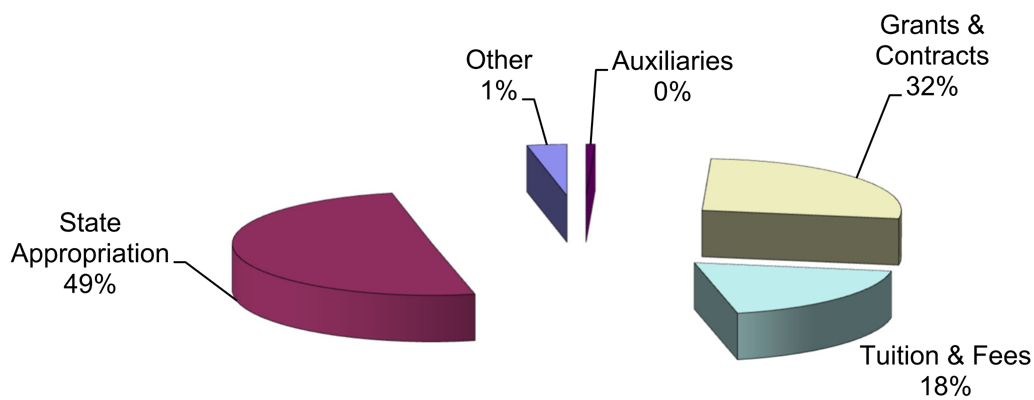
(Unaudited)

Changes in Net Position	2021	2020	2019
Operating revenues:			
Tuition and fees, net of tuition waivers, and remissions	$ 11,320	$ 11,192	11,395
Other operating sources	15,539	19,879	17,561
Total operating revenues	26,859	31,071	28,956
Operating expenses:	63,785	67,756	64,199
Net operating loss	(36,926)	(36,685)	(35,243)
Nonoperating revenues (expenses):			
State appropriation	31,289	30,911	30,197
Other nonoperating income (expenses)	9,686	1,308	742
Total nonoperating revenues	40,975	32,219	30,939
Income (loss) before other revenues, expenses, gains, or losses	4,049	(4,466)	(4,304)
Capital revenues (expenses):			
State capital appropriations	4,185	11,299	15,560
Net capital revenues	4,185	11,299	15,560
Increase (decrease) in net position	8,234	6,833	11,256
Net position:			
Beginning of year	54,620	47,787	36,531
End of year	$ 62,854	$ 54,620	47,787

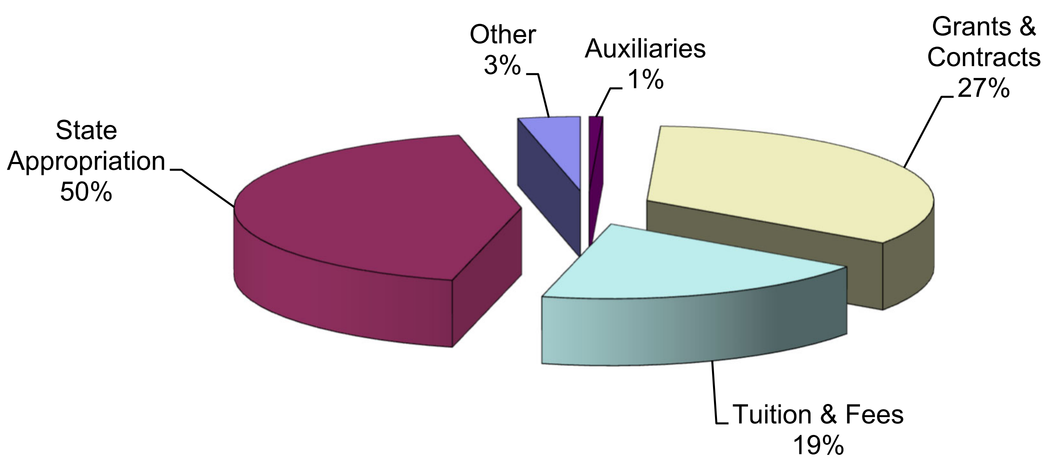
Sources of Revenue - FY21



Sources of Revenue - FY20



Sources of Revenue - FY19



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

Management's Discussion and Analysis - Continued

June 30, 2021, 2020 and 2019

(Unaudited)

Revenue from all sources (excluding capital appropriations) totaled $68,121,766, $63,795,557, $60,125,293 and in FY21, FY20, and FY19, respectively.

Highlights of revenue include:

- State appropriations, which include the cost of fringe benefits (excluding capital appropriations), totaled $31,289,590, $30,911,569, and $30,197,275 in FY21, FY20, and FY19, respectively, and amount to 45.9%, 48.5%, and 50.2% of all revenue in FY21, FY20, and FY19, respectively. In FY21, the State Appropriation increased $378,021 or 1.2% from prior year. In FY20, the State Appropriation increased $714,294 or 2.4% from prior year. In FY19, the State Appropriation decreased $3,585,429 or 13.47% from prior year.
- The category tuition and fees represents approximately 34% of our unrestricted revenue and totaled $18,700,852, $21,759,173, and $22,604,228 in FY21, FY20, and FY19, respectively. Of this amount, $7,381,327, $10,567,480, and $11,209,338 are tuition and fees paid by various financial aid programs including local funds designated by the College. In FY21, tuition and fees per credit hour were increased $11 or 4%; this increase was substantially offset by a 18% decline in student enrollment and an 19% decline in credit hours enrollment, resulting in a net 14.1% decrease before allowances and discounts. In FY20, tuition and fees per credit hour were increased $8 or 4%; this increase was substantially offset by a 6% decline in student enrollment and an 8% decline in credit hours enrollment, resulting in a net 3.7% decrease before allowances and discounts. In FY19, tuition and fees per credit hour were increased $10 or 5.5%; this increase was substantially offset by an 7.9% decline in credit hours enrollment, resulting in a net 3% decrease before allowances and discounts.
- We are projecting credit hour enrollment to be level for the coming fiscal year, FY22 which is 3% below the FY21 budget. The College did not increase Tuition and rates for FY2022. While we believe our enrollment projections are conservative, the COVID 19 pandemic continues to be of concern for the up coming year.

- The category Grants and Contracts totaled $14,672,118, $18,899,737, and $16,155,725 in FY21, FY20, and FY19 respectively, of which $8,543,930 (excluding $3.7 million of CARES/HEERF federal student aid), $11,609,799, and $12,771,725 was grant and contract student financial aid. In FY21 the college was reimbursed $6,913,975 in federal HEERF aid for COVID 19 related costs and direct aid to students. In FY20 the college was reimbursed $1,290,351 in federal CARES Act aid for COVID 19 related costs and direct aid to students. Grants and contracts for college programs were $6,128,188 in FY21, $6,898,970 in FY20, and $3,384,000 in FY19. In FY20, the college became the regional lead for several state grants including the Early Education and Care Career Pathways for $2 million. In FY19, the decrease is principally due to state grant funding in FY18 for the Marieb Building renovations and Capital Skills equipment funding.
- Auxiliary enterprises revenue is comprised of College bookstore operation, which was contracted to Barnes and Noble in FY20 and is reported net of sales that are paid by financial aid in the prior year. Auxiliary revenue totaled $124,560, $132,537, and $434,997 in FY21, FY20, and FY19, respectively. There were no textbook sales in FY21 and FY20 due to contracting out of the college bookstore. Sales were $169,695 in FY19, and $191,124 in FY18. Sales decreased by $7,977, $302,460, and $41,343 in FY21, FY20, and FY19, respectively.
- Other sources of revenues in this discussion include the Other Sources reported under Operating Revenues, in the Statement of Revenues and Expenses, and represents Sales and Services of Educational Departments and Commissions. Other operating revenues amounted to $741,825, $846,787, and $969,933 in FY21, FY20, and FY19, respectively.

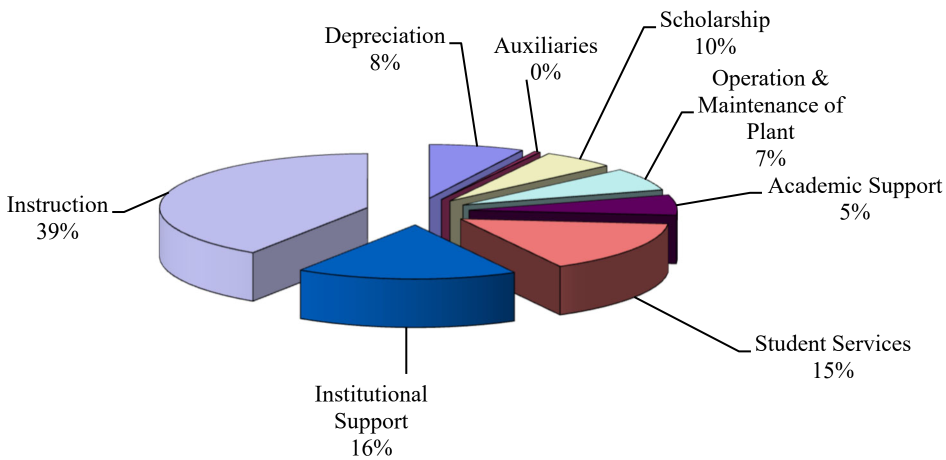
HOLYOKE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

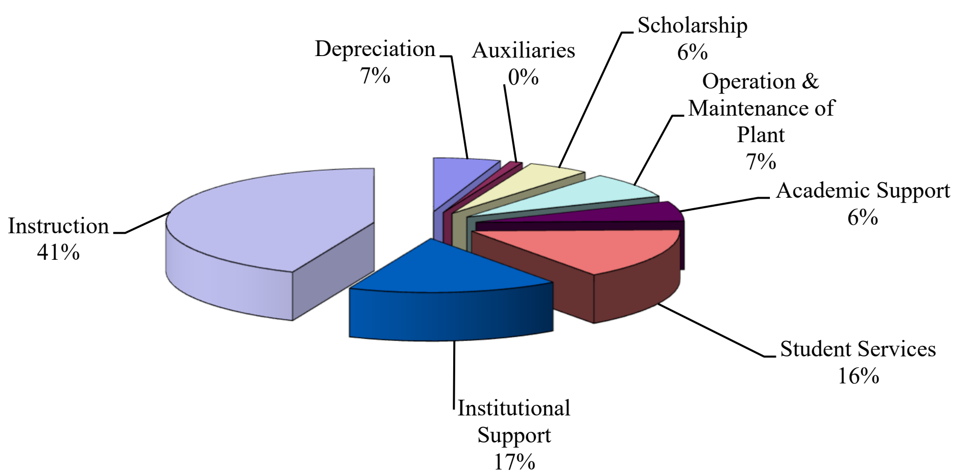
June 30, 2021, 2020 and 2019

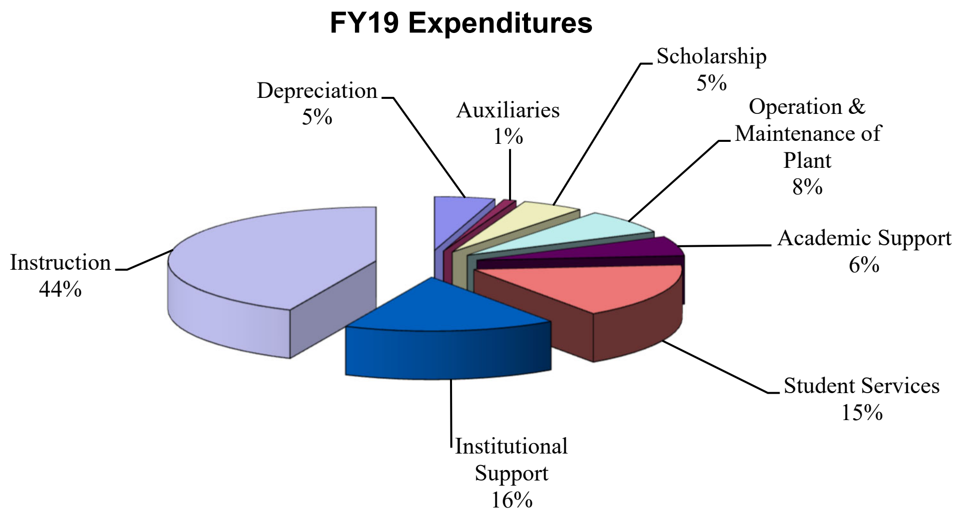
(Unaudited)

FY21 Expenditures



FY20 Expenditures





Highlights of expenditures include:
In the current year, the College had a net postemployment benefit expense of $963,961, resulting from the College's allocation of the Commonwealth's Net Pension and Other Postemployment Benefit Liability impacting all expense categories except Scholarships and Depreciation. In the prior year, the College had a net postemployment benefit expense of $680,614, resulting from the College's allocation of the Commonwealth's Net Pension and Other Postemployment Benefit Liability impacting all expense categories except Scholarships and Depreciation. The following program expense category results are as follows:

- ***Instruction, Academic Support, and Student services*** in the current year costs decreased by $4,693,539. This was principally due to retirements, retrenchments, unfilled vacancies and a reduction in hiring of part time faculty and staff positions totaling $3.7 million. In FY20, costs increased by $470,318. This was due to faculty and professional staff receiving contractual pay increases retroactive to July 1, 2018 that was partially offset by lower part time faculty costs and part time staff reductions due to the lower enrollment. In FY19, costs for Postemployment Other than Pensions Benefit costs and the unfunded pension liability totaled $1,511,735.

- ***Scholarships*** (payments directly to students) in the current year increased $2,409,485. This increase was due to federal Higher Education Emergency Relief Fund payments to students of $2.7 million offset by lower local and state grants. In FY20, scholarships increased $810,216. This was due to HEERF emergency federal aid of $874,650 for COVID 19 related costs. In FY19, scholarships increased $52,848. This is principally due to the Pell federal grant decreasing by $565,845 being offset by increased state grant funding.

- ***Operation and maintenance of plant*** increased by $90,468 in the current year, primarily due to an increase in cleaning supply and equipment purchases required to adhere to safety protocols related to the COVID 19 pandemic partially offset by lower $395,228 compensation and utility costs. In FY20, this category decreased by $283,678, primarily due to lower non-capital physical plant expenditures. In FY19, this category increased by $330,770, primarily due to higher energy and construction costs.

- ***Institutional support*** decreased by $1,315,340 in the current year principally due to retirements, retrenchments, unfilled vacancies and a reduction in part-time staff. Additionally, there was a reduction in supply costs due to continued remote learning as a result of the COVID 19 pandemic. In FY20, this category increased by $1,149,855 principally due to increased costs arising from the disruption caused by COVID 19 and the need to transition to remote learning. Filling open positions accounted for $320 thousand of the increase. In FY19, this category increased by $118,171 principally due to increased expense for unfunded pension liabilities of $138,996 and postemployment benefits other than pension expense or $94,707 that was offset by lower salaries due to open positions.

Expenditure classifications are defined below:

- ***Instruction***—costs directly related to the classroom, i.e., faculty salaries, instructional supplies, and equipment.

- ***Academic support***—academic computing, library, academic administration.

- ***Student services***—Admissions, Registrar, and Financial Aid offices, as well as counseling, tutoring, interpreters and athletics.

- ***Scholarships***—all student aid including federal, state, and private grants, i.e., Pell, S.E.O.G., Mass State Cash Grants and Mass State Scholarship which was not used to pay tuition and fees.

- ***Public services***—includes funds expended for activities established primarily to provide non-instructional service programs to individuals and groups external to the institution.

- ***Operation and maintenance of plant***—all costs of operating and direct maintenance of the physical plant and grounds.

- ***Institutional support***—President's office, business operations, development office, and all other administrative functions including campus police.

- ***Auxiliary***—Bookstore. Because dining services is operated by a private contractor, any expenses related to this activity are categorized under Institutional Support.

Non-operating Revenues and Expenses

For non-operating revenues and expenses, the Commonwealth's unrestricted appropriation increased $706,815 or 2.3% in FY21, increased $1,881,723, or 6.7% in FY20, and decreased $1,772,006, or 6.7% in FY19. The unrestricted state appropriation is the primary funding provided by the Commonwealth to support the operation of the College.

In FY21, the college utilized $6,913,975 of Higher Education Emergency Relief Funds (HEERF) to cover COVID 19 related expenses and represents a $5,623,624 increase from prior year of $1,290,351.

In FY21, the total interest expense was $287,622 compared to prior year $337,578 was results from reducing principal by $629,832.

Investment gains were $2,669,587, $522,883, and $972,473 in FY21, FY20, and FY19, respectively.

In FY20, Interest expense increased $107,021 due to the Accelerated Energy Program financing provided by The Massachusetts Department of Capital Maintenance & Management (DCAMM).

In FY 20, a complete renovation of the Campus Center resulted in the disposal of fixed assets and the college recorded a loss of $167,757.

Loss from Operations

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Board of Higher Education sets tuition. The College sets fees and other charges. Commonwealth appropriations to the College make up the loss from operations not covered by tuition and fees. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to adequately manage the operation of the institution taking into consideration such issues as physical plant maintenance, delivery of instruction and student services, long range plans, and enrollment growth.

The following schedule presents the College's incurred losses from operations for the fiscal years ended June 30, 2021, 2020, and 2019 before pension and OPEB adjustment:

		Year ended June 30		
		2021	**2020**	**2019**
Tuition and fee revenue	$	11,319,526	11,191,693	11,394,889
Other revenue		15,538,503	19,879,061	17,560,654
Operational expenses		(62,820,791)	(66,433,861)	(62,687,198)
Operating loss		(35,962,762)	(35,363,107)	(33,731,655)
Commonwealth direct appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth		31,289,590	30,911,569	30,197,275
Federal Grants		7,304,561	1,290,351	0
Other non-operating revenues, net		2,381,965	17,548	741,916
Net change before capital appropriations	$	5,013,354	(3,143,639)	(2,792,464)

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2021, 2020, and 2019 amounts to $72,268,406, $71,007,138, and $63,800,080, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings (including improvements), furnishings, and equipment (including the cost of capital leases). Capital assets increased by $1,261,268 or 1.8% in FY21, $7,207,059 or 11.3% in FY20, and $14,266,558 or 28.8% in FY19. In FY20, a complete renovation of the Campus Center was completed which resulted in the disposal of fixed assets and the college recorded a loss of $167,757.

The College used operating funds and proceeds from bond financing to invest in capital projects that enhance student services and learning.

In FY 2021, the College substantially completed replacement of the Bartley Athletic Center roof and HVAC system at a cost of $2.3 million. The following building improvements were done in FY21: $1.0 million to replace steam lines and the main switch gear, and renovations in the Frost-Donohue-Fine Arts buildings totaling $1.3 million that included a new dog kennel.

The College received a $3,800,000 grant from Massachusetts Center for Life Sciences to renovate 13,000 square feet of space in the Marieb building to create a Center for Life Sciences. The Center for Life Sciences is a $4,550,000 project that included the only clean room in Western Massachusetts to support training for students, faculty, and industry partners. The schematic design of the project began during the summer of 2015, construction started in the third calendar quarter of 2017 with occupancy in fall 2018.

In August of 2015, Governor Baker announced that the state would fund $2,500,000 for the design phase of improvements to the Campus Center. Additional funds of approximately $8,500,000 were approved in March of 2016 to move the project forward. The construction will include new exterior sheathing, new windows and doors, and new mechanical and electrical systems. Once the campus center is completed it will house the college store, admissions, student activities, testing and advising services, and expanded cafeteria seating and food service area. This overall $43,500,000 project began during summer of 2017, and was substantially completed in July of 2019, with operations beginning fall semester of 2019. In FY 2021, $456,126 was expended on open items not completed at opening.

The Massachusetts Department of Capital Maintenance & Management (DCAMM) and Holyoke Community College are collaborating on an Accelerated Energy Program for the campus. The total cost of the project is approximately $6.7 million. Holyoke Community College has pledged to reimburse DCAMM $3.0 million of the total project cost over the next 20 years with the funds realized from energy cost savings. The project includes a new energy management system and new mechanical equipment including digital variable air volume controllers, pump motors, and related controls. The project also includes LED lighting upgrades, and a hybrid solar voltaic/hot water system.

All capital asset purchases are budgeted in the College's annual spending plan, which is approved by the board of trustees. Additional information about the College's capital assets can be found in note 5 on page 38 of this report.

Long-Term Liabilities

In preparation for the acquisition and renovation of the new Center for Health Education, the College borrowed $7 million in October 2012 through the Massachusetts Development Finance Agency (MDFA). The bonds will be paid over a twenty-year period.

The College retired in FY13 the 2003 Series Bond balance of $3,600,000 with the proceeds from the 2012 MDFA Revenue Bonds. The College carries debt balances of $6,170,000 for the 2012 series MDFA Revenue Bond, $2,769,388 for a Commonwealth of MA energy improvement loan and $4,085,970 for compensated absences and workers compensation. The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College's payroll.

In FY20, the college began paying off the $3.0 million energy improvements loan from the Commonwealth with a 20 year term at 3.0% interest.

Economic Factors and Next Year's Tuition and Student Fee Rates

The Governor and Legislature continue to strive to support public higher education in Massachusetts by increasing funding to the College by $1.8 million in FY19, $1.9 million in FY20, and $0.7 million in FY21. Tuition and Fees were increased $11 per credit hour in FY21, $8 per credit hour in FY20, and $10 per credit hour in FY19 in order to balance the budget. The College continues to be conservative in hiring only personnel essential to support students, purchase only necessary supplies, and improve processes to reduce costs. The college continues to investigate new ways to meet capital funding demands. The Board of Trustees, in FY15, approved a $1,000,000 transfer from college reserves to set up a Capital Project Revolving Fund. Funding utilized from the revolving fund will be repaid over a 10-year period. Funds repaid to the revolving fund are utilized for additional capital projects.

For FY22, the Board did not increase the Educational Service Fee maintaining the Colleges mid to lower position among Massachusetts Community Colleges. For FY21, the Board of increased the Educational Service Fee by $11 to $188 per credit hour. For FY20, the Board of increased the Educational Service Fee by $8 to $201 per credit hour. For fiscal year 2019, the Board increased the Education Service Fee by $10 to $193 per credit hour. The College will continue to strive to make educational opportunities affordable to all who seek them while simultaneously working to raise sufficient revenues to support the mission of the institution.

Requests for Information

This financial report is designed to provide a general overview of the College's finances 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 Office of the Vice President for Administration and Finance, Holyoke Community College, 303 Homestead Avenue, Holyoke, Massachusetts 01040.

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

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2021 College	2020 College	**2021 Foundation**	2020 Foundation
Assets:				
Current Assets:				
Cash and equivalents	**$ 4,652,501**	$ 2,346,021	**$ 462,130**	$ 123,571
Cash held by State Treasurer	**1,063,660**	908,157	**-**	-
Short-term investments	**-**	336,840	**-**	-
Accounts receivable, net	**7,072,398**	5,435,137	**192,901**	192,901
Due from College/Foundation	**183,821**	-	**-**	42,113
Prepaid expenses and other current assets	**545,870**	378,617	**51,217**	28,153
Total Current Assets	**13,518,250**	9,404,772	**706,248**	386,738
Non-Current Assets:				
Long-term investments	**13,841,384**	11,306,553	**17,983,644**	14,292,726
Prepaid rent	**1,163,274**	1,363,775	**-**	-
Pledges receivable	**-**	-	**23,765**	51,678
Capital assets, net of accumulated depreciation	**81,217,794**	80,586,358	**4,054,529**	4,634,787
Total Non-Current Assets	**96,222,452**	93,256,686	**22,061,938**	18,979,191
Deferred Outflows of Resources:				
Pension related	**1,849,653**	2,037,637	**-**	-
OPEB related	**3,762,859**	4,264,418	**-**	-
Total Deferred Outflows of Resources	**5,612,512**	6,302,055	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 115,353,214**	$ 108,963,513	**$ 22,768,186**	$ 19,365,929

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2021 College	2020 College	**2021 Foundation**	2020 Foundation
Liabilities:				
Current Liabilities:				
Accounts payable and accrued liabilities	**$ 2,340,965**	$ 3,100,834	**$ 3,950**	$ -
Accrued payroll	**2,389,437**	2,396,524	**-**	-
Compensated absences and other	**2,439,034**	2,531,336	**-**	-
Accrued interest payable	**73,441**	78,394	**-**	-
Student deposits and unearned revenues	**1,595,272**	788,665	**-**	-
Due to College/Foundation	**-**	42,113	**183,821**	-
Current portion of note payable	**118,277**	114,832	**-**	-
Current portion of bond payable	**515,000**	515,000	**-**	-
Total Current Liabilities	**9,471,426**	9,567,698	**187,771**	-
Non-Current Liabilities:				
Compensated absences and other	**1,646,936**	1,623,063	**-**	-
Unearned rent revenue	**-**	-	**1,163,274**	1,363,775
Long-term portion of note payable	**2,651,111**	2,769,388	**-**	-
Long-term portion of bond payable	**5,665,000**	6,180,000	**-**	-
Net pension liability	**8,713,578**	8,393,956	**-**	-
Net OPEB liability	**11,212,332**	15,824,020	**-**	-
Total Non-Current Liabilities	**29,888,957**	34,790,427	**1,163,274**	1,363,775
Total Liabilities	**39,360,383**	44,358,125	**1,351,045**	1,363,775
Deferred Inflows of Resources:				
Pension related	**2,239,215**	2,347,952	**-**	-
OPEB related	**10,899,078**	7,637,171	**-**	-
Total Deferred Inflows of Resources	**13,138,293**	9,985,123	**-**	-
Net Position:				
Net investment in capital assets	**72,268,406**	71,007,138	**4,054,529**	4,634,787
Restricted:				
Nonexpendable	**-**	-	**7,382,956**	6,957,912
Expendable	**1,756,424**	1,266,505	**9,791,341**	6,842,674
Unrestricted	**(11,170,292)**	(17,653,378)	**188,315**	(433,219)
Total Net Position	**62,854,538**	54,620,265	**21,417,141**	18,002,154
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 115,353,214**	$ 108,963,513	**$ 22,768,186**	$ 19,365,929

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2021 College	2020 College	**2021 Foundation**	2020 Foundation
Operating Revenues:				
Tuition and fees	**$ 18,700,852**	$ 21,759,173	**$ -**	$ -
Less: scholarship allowances	**(7,381,327)**	(10,567,480)	**-**	-
Net student fees	**11,319,525**	11,191,693		
Federal, State, local and private grants and contracts	**14,672,118**	18,899,737	**-**	500
Auxiliary enterprises, net	**124,560**	132,537	**-**	-
Other operating revenues	**741,825**	846,787	**475,987**	507,672
Total Operating Revenues	**26,858,028**	31,070,754	**475,987**	508,172
Operating Expenses:				
Instruction	**24,779,442**	27,620,037	**56,594**	152,574
Academic support	**3,330,916**	4,105,354	**-**	-
Student services	**9,456,779**	10,535,285	**-**	-
Scholarships	**6,296,650**	3,887,165	**328,979**	325,359
Operation and maintenance of plant	**4,712,737**	4,622,269	**-**	-
Institutional support	**10,322,937**	11,638,277	**599,396**	576,589
Depreciation and amortization	**4,885,291**	5,016,808	**580,258**	580,258
Auxiliary enterprises	**-**	331,372	**-**	-
Total Operating Expenses	**63,784,752**	67,756,567	**1,565,227**	1,634,780
Net Operating Loss	**(36,926,724)**	(36,685,813)	**(1,089,240)**	(1,126,608)
Non-Operating Revenues (Expenses):				
Federal grants	**7,304,561**	1,290,351	**-**	-
State appropriations - unrestricted	**30,845,703**	30,138,888	**-**	-
State appropriations - restricted	**443,887**	772,681	**-**	-
Net investment income	**2,669,587**	522,883	**3,792,824**	596,940
Interest expense	**(287,622)**	(337,578)	**-**	-
Loss on Disposition of Capital Assets	**-**	(167,757)	**-**	-
Gifts and contributions	**-**	-	**711,403**	684,448
Net Non-Operating Revenues	**40,976,116**	32,219,468	**4,504,227**	1,281,388
Change in Net Position Before Other Revenues	**4,049,392**	(4,466,345)	**3,414,987**	154,780
Capital Appropriations	**4,184,881**	11,299,867	**-**	-
Total Change in Net Position	**8,234,273**	6,833,522	**3,414,987**	154,780
Net Position, Beginning of Year	**54,620,265**	47,786,743	**18,002,154**	17,847,374
Net Position, End of Year	**$ 62,854,538**	$ 54,620,265	**$ 21,417,141**	$ 18,002,154

See accompanying notes to the financial statements.

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

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2021 College	2020 College
Cash Flows from Operating Activities:		
Tuition and fees	**$ 11,658,979**	$ 11,330,559
Grants and contracts	**16,286,973**	16,700,070
Payments to suppliers	**(11,632,386)**	(9,422,278)
Payments to employees	**(34,134,721)**	(38,869,859)
Payments to students	**(6,296,650)**	(3,887,165)
Other cash receipts	**617,006**	1,207,682
Net Cash Applied to Operating Activities	**(23,500,799)**	(22,940,991)
Cash Flows from Non-Capital Financing Activities:		
Federal grants	**4,684,379**	1,290,351
State appropriations	**23,567,488**	23,527,812
Tuition remitted to the State	**(506,428)**	(480,465)
Net Cash Provided by Non-Capital Financing Activities	**27,745,439**	24,337,698
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	**(1,331,846)**	(465,270)
Principal paid on bond payable	**(515,000)**	(515,000)
Principal paid on note payable	**(114,832)**	(111,487)
Interest on debt	**(292,576)**	(297,018)
Net Cash Applied to Capital and Related Financing Activities	**(2,254,254)**	(1,388,775)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**2,081,516**	2,570,021
Purchases of investments	**(1,599,319)**	(1,373,739)
Interest on investments	**(10,600)**	70,022
Net Cash Provided by Investing Activities	**471,597**	1,266,304
Net Increase in Cash and Equivalents	**2,461,983**	1,274,236
Cash and Equivalents, Beginning of Year	**3,254,178**	1,979,942
Cash and Equivalents, End of Year	**$ 5,716,161**	$ 3,254,178

HOLYOKE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	Primary Government	
	2021 College	2020 College
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	**$ (36,926,724)**	$ (36,685,813)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	**4,885,291**	5,016,808
Fringe benefits provided by the State	**8,228,530**	7,864,222
Net pension activity	**398,869**	373,563
Net OPEB activity	**(848,222)**	268,530
Governmental voluntary non-exchange transaction	**-**	(129,234)
Bad debts	**(209,549)**	212,776
Changes in assets and liabilities:		
Accounts receivable, net	**1,192,470**	(1,819,934)
Due from Foundation	**(225,934)**	183,495
Prepaid expenses and other current assets	**(167,253)**	4,684
Prepaid rent	**200,501**	(108,267)
Accounts payable and accrued liabilities	**(759,869)**	1,753,425
Accrued payroll	**(75,516)**	311,612
Students' deposits and unearned revenues	**806,607**	(186,858)
Net Cash Applied to Operating Activities	**$ (23,500,799)**	$ (22,940,991)
Reconciliation Cash and Equivalents to the Statement of Net Position, End of Year		
Cash and equivalents	**$ 4,652,501**	$ 2,346,021
Cash held by State Treasurer	**1,063,660**	908,157
Total Cash and Equivalents	**$ 5,716,161**	$ 3,254,178
Non-Cash Transactions:		
Fringe benefits provided by the State	**$ 8,228,530**	$ 7,864,222
Capital appropriation	**$ 4,184,881**	$ 11,299,867

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2021 and 2020

Note 1 - **<u>Summary of Significant Accounting Policies</u>**

<u>Organization</u>
Holyoke Community College (the "College") is a state-supported comprehensive community college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With its main campus located in Holyoke, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers evening, weekend, and web-based credit and noncredit courses, as well as community service programs.

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

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

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

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award, and the MSI funds can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 31, 2022, while the MSI funding must be spent by August 3, 2022.

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

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	$ 1,842,695	$ 1,842,695	$ 637,701	$ 4,323,091
CRRSAA	1,842,695	5,804,975	-	7,647,670
ARPA	6,809,629	6,482,028	689,119	13,980,776
Total	$ 10,495,019	$ 14,129,698	$ 1,326,820	$ 25,951,537

The College has recognized the following funds as non-operating Federal grants for the years ended June 30, 2021 and 2020.

For the Year Ended June 30, 2021				
	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	$ 968,045	$ 1,426,994	$ 1,500	$ 2,396,539
CRRSAA	1,761,138	2,757,798	-	4,518,936
ARPA	-	-	-	-
Total	$ 2,729,183	$ 4,184,792	$ 1,500	$ 6,915,475

For the Year Ended June 30, 2020				
	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	$ 874,650	$ 415,701	$ -	$ 1,290,351
CRRSAA	-	-	-	-
ARPA	-	-	-	-
Total	$ 874,650	$ 415,701	$ -	$ 1,290,351

As of June 30, 2021 and 2020, the College received $389,086 and $0 in Governor's Emergency Education Relief Funds ("GEERF") as a pass-through from the State of Massachusetts.

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

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

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. The College presents statements of revenues, expenses, changes in net position, and cash flows on a combined College-wide basis.

The College's policy is to define operating activities in the statements of revenues and expenses as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities, including the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

The Holyoke Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt organization. The Foundation was formed in 1972 to render financial assistance and support to the educational programs and development 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. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2021 and 2020 and is therefore discretely presented in the College's financial statements. Complete financial statements can be obtained from the Foundation's administrative offices in Holyoke, Massachusetts.

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

> Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.
>
> Restricted - nonexpendable: Net position subject to externally imposed conditions such that the College must maintain them in perpetuity.
>
> Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.
>
> Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees.

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

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

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

Cash Held by State Treasurer
Deposits held represent funds accessible by the College held by the Commonwealth of Massachusetts (the "Commonwealth") for payments on payroll.

Investments
Investments in marketable securities are stated at fair value.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues and expenses. 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.

Prepaid Expenses and Other Current Assets
Other current assets primarily consist of inventories of books, publications, and supplies which are stated at the lower of cost or market.

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

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the State's capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. Library materials are generally capitalized and amortized over a five-year period. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. 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.

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

Fringe Benefits
The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation benefits and certain post-employment benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

Compensated Absences
Employees earn the right to be compensated during absences for vacation leave and sick leave, along with compensatory time. Accrued vacation is the amount earned by all eligible employees through June 30, 2021 and 2020. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2021 and 2020. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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

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

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

Student 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 operating expenses.

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

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

New Governmental Accounting Pronouncements

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

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this standard and its applicability.

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

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

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

Management is in the process of evaluating these pronouncements and has not yet determined their impact on the financial statements.

Note 2 - **Cash and Investments**

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

Deposits and investments	2021	2020
Cash on deposit	**$ 1,607,252**	$ 2,254,139
Money market funds	**3,045,249**	91,882
Total deposits	**4,652,501**	2,346,021
Debt securities	**4,114,425**	4,497,914
Equity investments	**9,726,959**	7,145,479
Total investments	**13,841,384**	11,643,393
Total deposits and investments	**$ 18,493,885**	$ 13,989,414

Custodial Credit Risk
Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its deposits that are in the possession of the outside parties. The College's policy is to mitigate as much custodial credit risk associated with its cash assets as possible. The College deposits funds with a banking institution that obtained specific depository insurance to mitigate the College's credit risk associated with funds deposited in excess of federally insured levels.

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2021 and 2020, the carrying amount of the College's deposits were $4,652,501 and $2,346,021, respectively, and the bank balances of the College's deposits were $4,934,851 and $2,552,021, respectively, none of which were exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk

The College places no limit on the amount it may invest in any one issuer. The following investments represent more than 5 percent of the College's investments as of June 30,:

	2021	2020
Common Fund:		
Multi-Strategy Bond Fund	**29.7%**	34.3%
Core Equity Fund	**20.5%**	25.4%
Multi-Strategy Equity Fund	**27.8%**	24.0%
Eaton Vance		
Equities	**19.7%**	10.7%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting the College's exposure to interest rate risk, the College diversifies its investments by security type and limits holdings in any one type of investment with any one issuer. The College coordinates its investment maturities to closely match cash flow needs.

Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, the College's 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 investment, and (5) diversification. The Board of Trustees will support the investment of trust funds in a variety of domestic and international 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 will, from time to time, establish investment fund ceilings and broad asset allocation guidelines, and delegates to the President of the College or his designee the authority to determine the exact dollar amounts to be invested within those established limits and guidelines.

The following is the quality ratings for the College's debt investments as of June 30,:

2021

Debt investments	Fair Value	Quality ratings AAA	AA/AA-	A/A-	BBB-+&-	Unrated
Common Fund:						
Multi-Strategy Bond Fund	**$ 4,114,425**	**$ -**	**$ -**	**$ 4,114,425**	**$ -**	**$ -**

2020

Debt investments	Fair Value	Quality ratings AAA	AA/AA-	A/A-	BBB-+&-	Unrated
U.S. Treasury Notes and Government securities 1.38% to 2.13%	$ 288,944	$ 288,944	$ -	$ -	$ -	$ -
Corporate Debt securities 1.95% to 4.40%	151,021	5,020	36,385	73,853	35,763	-
Fixed Income Mutual Funds	64,062	-	-	64,062	-	-
Common Fund:						
Multi-Strategy Bond Fund	3,993,887	-	-	3,993,887	-	-
	$ 4,497,914	$ 293,964	$ 36,385	$ 4,131,802	$ 35,763	$ -

Maturities of Debt Securities

The following is the investment maturities for the Colleges fixed income investments as of June 30,:

2021

Investment type	Fair value	Investment maturities (in years) Less than 1	1 to 5	6 to 10
Debt securities				
Common Fund:				
Multi-Strategy Bond Fund	**$ 4,114,425**	**$ -**	**$ -**	**$ 4,114,425**
Other Investments				
Equity Investments				
Common Fund:				
Core Equity Fund	**2,838,884**			
Multi-Strategy Equity Fund	**3,845,368**			
Equities	**2,850,969**			
Foreign Mutual Funds	**191,738**			
	9,726,959			
Total	**$ 13,841,384**			

2020				
		Investment maturities (in years)		
Investment type	Fair value	Less than 1	1 to 5	6 to 10
Debt securities				
U.S. Treasury Notes and Government Securities 1.38% to 2.13%	$ 288,944	$ 237,467	$ 51,477	$ -
Corporate Debt Securities 1.95% to 4.40%	151,021	35,311	110,302	5,408
Fixed Income Mutual Funds	64,062	64,062	-	-
Common Fund:				
Multi-Strategy Bond Fund	3,993,887	-	-	3,993,887
	4,497,914	336,840	161,779	3,999,295
Other Investments				
Equity Investments				
Common Fund:				
Core Equity Fund	2,959,073			
Multi-Strategy Equity Fund	2,793,554			
Equities	1,310,925			
Foreign Mutual Funds	81,927			
	7,145,479			
Total	$ 11,643,393			

Fair Value Hierarchy

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

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

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

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

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Treasury and agency securities: Securities issued by the U.S. Government, its agencies, authorities, and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate debt instruments: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds are open-end funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.

At June 30, 2021 and 2020, all investments are categorized in Level 1 of the fair value hierarchy except corporate debt securities, which are valued at Level 2.

Investments of the Foundation

	Fair Value at June 30, 2021	Fair Value at June 30, 2020
Eaton Vance Trust Company:		
Money Market Fund	**$ 300,704**	$ 337,683
Fixed Income	**4,459,497**	3,882,034
Equities	**11,181,895**	9,006,067
Foreign Assets		
Corporate Obligations	**307,241**	32,458
Equities	**756,294**	481,841
Mutual Funds	**978,013**	552,643
Total	**$ 17,983,644**	$ 14,292,726

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

Note 3 - Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $1,063,660 and $908,157 at June 30, 2021 and 2020, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	2021	2020
Student accounts receivable	$ 4,058,029	$ 4,778,976
Grants receivable	2,915,136	450,211
State receivables	1,479,762	2,024,302
Other receivables	845,181	616,907
Less: allowance for doubtful accounts	(2,225,710)	(2,435,259)
	$ 7,072,398	$ 5,435,137

Note 5 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2021:

	Estimated lives (in years)	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Capital assets not depreciated:						
Land		$ 264,421	$ -	$ -	$ -	$ 264,421
Construction in progress		7,573,414	5,400,727	-	-	12,974,141
Total not depreciated		7,837,835	5,400,727	-	-	13,238,562
Capital assets depreciated:						
Buildings, including improvements	20-40	128,275,121	-	-	-	128,275,121
Furnishings and equipment (including cost of capital leases)	3-10	13,132,051	116,000	-	-	13,248,051
Books	5	1,216,331	-	-	-	1,216,331
Total depreciated		142,623,503	116,000	-	-	142,739,503
Less: accumulated depreciation						
Building, including improvements		(57,508,571)	(4,060,343)	-	-	(61,568,914)
Furnishings and equipment		(11,150,078)	(824,948)	-	-	(11,975,026)
Books		(1,216,331)	-	-	-	(1,216,331)
Total accumulated depreciation		(69,874,980)	(4,885,291)	-	-	(74,760,271)
Capital assets, net		$ 80,586,358	$ 631,436	$ -	$ -	$ 81,217,794

Capital assets of the College consist of the following at June 30, 2020:

	Estimated lives (in years)	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Capital assets not depreciated:						
Land		$ 264,421	$ -	$ -	$ -	$ 264,421
Construction in progress		38,296,995	7,155,508	-	(37,879,089)	7,573,414
Total not depreciated		38,561,416	7,155,508	-	(37,879,089)	7,837,835
Capital assets depreciated:						
Buildings, including improvements	20-40	92,143,639	4,433,265	(6,127,509)	37,825,726	128,275,121
Furnishings and equipment (including cost of capital leases)	3-10	13,083,198	176,364	(180,874)	53,363	13,132,051
Books	5	1,216,331	-	-	-	1,216,331
Total depreciated		106,443,168	4,609,629	(6,308,383)	37,879,089	142,623,503
Less: accumulated depreciation						
Building, including improvements		(59,545,710)	(3,922,613)	5,959,752	-	(57,508,571)
Furnishings and equipment		(10,236,757)	(1,094,195)	180,874	-	(11,150,078)
Books		(1,216,331)	-	-	-	(1,216,331)
Total accumulated depreciation		(70,998,798)	(5,016,808)	6,140,626	-	(69,874,980)
Capital assets, net		$ 74,005,786	$ 6,748,329	$ (167,757)	$ -	$ 80,586,358

Note 6 - **Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current portion	Long-term portion
Bonds and Notes Payable:						
Notes payable	**$ 2,884,220**	**$ -**	**$ (114,832)**	**$ 2,769,388**	**$ 118,277**	**$ 2,651,111**
Bonds payable	**6,695,000**	**-**	**(515,000)**	**6,180,000**	**515,000**	**5,665,000**
Total notes payable	**9,579,220**	**-**	**(629,832)**	**8,949,388**	**633,277**	**8,316,111**
Liabilities for compensated absences and other:						
Accrued sick and vacation	**3,779,536**	**39,991**	**(143,759)**	**3,675,768**	**2,389,606**	**1,286,162**
Workers' compensation	**374,893**	**54,112**	**(18,803)**	**410,202**	**49,428**	**360,774**
Net pension liability	**8,393,956**	**319,622**	**-**	**8,713,578**	**-**	**8,713,578**
Net OPEB liability	**15,824,020**	**-**	**(4,611,688)**	**11,212,332**	**-**	**11,212,332**
Total liabilities	**28,372,405**	**413,725**	**(4,774,250)**	**24,011,880**	**2,439,034**	**21,572,846**
Total long-term liabilities	**$37,951,625**	**$ 413,725**	**$(5,404,082)**	**$32,961,268**	**$ 3,072,311**	**$29,888,957**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current portion	Long-term portion
Bonds and Notes Payable:						
Notes payable	$ 2,995,707	$ -	$ (111,487)	$ 2,884,220	$ 114,832	$ 2,769,388
Bonds payable	7,210,000	-	(515,000)	6,695,000	515,000	6,180,000
Total notes payable	10,205,707	-	(626,487)	9,579,220	629,832	8,949,388
Liabilities for compensated absences and other:						
Accrued sick and vacation	3,539,349	247,870	(7,683)	3,779,536	2,463,105	1,316,401
Workers' compensation	415,574	40,681	(81,362)	374,893	68,231	306,662
Net pension liability	10,032,605	-	(1,638,649)	8,393,956	-	8,393,956
Net OPEB liability	21,914,883	-	(6,090,863)	15,824,020	-	15,824,020
Total liabilities	35,902,411	288,551	(7,818,557)	28,372,405	2,531,336	25,841,039
Total long-term liabilities	$ 46,108,118	$ 288,551	$ (8,445,044)	$ 37,951,625	$ 3,161,198	$ 34,790,427

Operating Leases

The College leases classrooms and office space for its Ludlow and Intermodal Campuses and also leases office equipment under operating leases. Rent expense for operating leases was $471,697 for the years ended June 30, 2021 and 2020. The following schedule summarizes future minimum payments under non-cancelable leases as of June 30, 2021:

Years Ending June 30,	Operating Leases
2022	$ 315,183
2023	292,554
2024	290,659
2025	297,810
2026	261,000
2027-2028	522,000
	$ 1,979,206

The College has a ten-year lease agreement with the Foundation to lease classroom space in downtown Holyoke. The agreement calls for monthly rental payments of approximately $100,000 for the first two years of the agreement before reducing to $22,000 per month with incremental increases at 3% each year thereafter. The College and Foundation recognize rental income and expense, respectively, on the straight-line basis over the lease term regardless of the actual cash payments. As a result, the individual statements of net position for each entity could include prepaid rent for payments less than the straight-line amortization, or accrued rent expense for payments less than the straight-line amortization.

Bonds Payable
In October 2012, the College borrowed $10,300,000 in a bond issue (Series 2012) through the Massachusetts Development Finance Agency ("MDFA"). The bonds are payable annually commencing on November 1, 2013 through 2032 in principal repayment amounts of $515,000. Interest is payable semi-annually (November 1 and May 1) at a predetermined fixed rate of 3.08% through 2022, at which time a recalculation, based on the Federal Home Loan Bank Rate, will fix the rate for the remainder of the term of the bond.

Note Payable
The College was involved with an Energy Equipment Design-Build Project on-site through the Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"). The goal of the project was to make the facilities at the College more energy efficient, thus reducing utility expenses. The project was partially financed by Commonwealth General Obligation bond funds and utility incentives, with the balance being loaned to the College from the Clean Energy Investment Program ("CEIP") Fund. The total value of the project was $6,100,208, with the CEIP loan to the College totaling $2,995,707, at a fixed interest rate of 3%, to be repaid over 20 years after DCAMM closes the project. The College makes annual payments of $201,359.

As of June 30, 2021, principal and interest payments on the bond and loan payable for the next five years and in subsequent five-year periods are as follows:

	Principal	Interest*
Fiscal year ending June 30,:		
2022	$ 633,277	$ 268,094
2023	636,825	248,464
2024	640,480	229,123
2025	644,244	208,880
2026	648,122	188,920
2027-2031	3,302,965	641,231
2032-2036	1,873,910	195,224
2037-2039	569,565	34,511
	$ 8,949,388	$ 2,014,447

*Based on current 3.08% interest rate for the bond and 3.0% fixed interest rate for the note payable.

Note 7 - **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, and are restricted for instructional, department, and scholarship purposes.

The Foundation's restricted – nonexpendable net position consists of endowment funds to be held in perpetuity, whose income is mainly used for various scholarships.

Note 8 - **Contingencies**

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

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College. 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"). The Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept from the Program as payment of tuition the amount determined by the Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of 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.

Note 9 - Operating Expenses

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

	2021	2020
Compensation and benefits	**$ 41,838,372**	$ 47,687,786
Supplies and services	**10,764,439**	11,164,808
Depreciation and amortization	**4,885,291**	5,016,808
Scholarships	**6,296,650**	3,887,165
	$ 63,784,752	$ 67,756,567

Note 10 - State Appropriation

The College's State appropriations are composed of the following for the years ended June 30,:

	2021	2020
Direct unrestricted appropriations:	**$ 23,123,601**	$ 22,755,131
Add: fringe benefits for benefited employees on the state payroll	**8,228,530**	7,864,222
Less: day school tuition remitted to the state and include in tuition and fee revenue	**(506,428)**	(480,465)
Total unrestricted appropriations	**30,845,703**	30,138,888
Restricted appropriations:	**443,887**	772,681
Capital appropriations		
Department of Capital Asset Management Allocation	**4,184,881**	11,299,867
Total appropriations	**$ 35,474,471**	$ 42,211,436

Note 11 - **Pensions**

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

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

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

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

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by State appropriations. Pension funding for employees paid from State appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $3,315,843, $3,120,861, and $2,520,190, for the years ended June 30, 2021, 2020 and 2019, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate; the rate was 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal year ended June 30, 2021, 2020 and 2019, respectively. The College contributed $269,590, $548,811, and $571,187 for the fiscal year ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2021 and 2020, the College reported a liability of $8,713,578 and $8,393,956, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020.

The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.051% and 0.057%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized pension expense of $668,461 and $922,373, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

Deferred Outflows of Resources

	2021	2020
Difference between expected and actual experience	**$ 277,253**	$ 278,765
Net differences between projected and actual earnings on pension plan investments	**478,989**	-
Change in pension plan actuarial assumptions	**494,047**	622,196
Changes in proportion from Commonwealth	**6,581**	14,820
Changes in proportion due to internal allocation	**323,193**	573,045
Contributions subsequent to the measurement date	**269,590**	548,811
Total deferred outflows of resources related to pension	**$ 1,849,653**	$ 2,037,637

Deferred Inflows of Resources

	2021	2020
Difference between expected and actual experience	**$ 56,383**	$ 109,168
Net differences between projected and actual earnings on pension plan investments	**-**	125,207
Changes in proportion from Commonwealth	**21,238**	426
Changes in proportion due to internal allocation	**2,161,594**	2,113,151
Total deferred inflows of resources related to pension	**$ 2,239,215**	$ 2,347,952

The College's contributions of $269,590 and $548,811 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as decreases in pension expense as follows:

Years Ending June 30,		
2022	$	(195,429)
2023		(85,326)
2024		(70,588)
2025		(193,726)
2026		(114,083)
	$	(659,152)

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

Measurement date	June 30, 2020	June 30, 2019
Inflation on the first $13,000 of allowance	3.00%	3.00%
Salary Increases	4.0% to 9.00%	4.0% to 9.00%
Investment rate of return	7.15%	7.25%
Interest rate credited to annuity savings fund	3.50%	3.50%

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

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

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

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

	2021		2020	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	**39%**	**4.80%**	39%	4.90%
Portfolio Completion Strategies	**15%**	**0.70%**	15%	1.30%
Core Fixed Income	**13%**	**8.20%**	13%	8.20%
Private Equity	**11%**	**3.20%**	11%	3.90%
Real Estate	**10%**	**3.50%**	10%	3.60%
Value Added Fixed Income	**8%**	**4.20%**	8%	4.70%
Timberland / Natural Resources	**4%**	**4.10%**	4%	4.10%
Total	**100%**		100%	

Discount Rate

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

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

	2021	
	Current	
1.00% Decrease	**Discount Rate**	**1.00% Increase**
6.15%	**7.15%**	**8.15%**
$11,480,678	**$8,713,578**	**$6,439,238**

	2020	
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
3.25%	7.25%	8.25%
$11,172,628	$8,393,956	$6,019,714

Note 12 - **Other Post-Employment Benefits ("OPEB")**

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

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

Management of the SRBT is vested with the Board of Trustees, which consists of 7 members, including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor, and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board. The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

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, 2021 and 2020, and as of the valuation date January 1, 2019, participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The College contributed $141,565 and $284,298 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for each year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2021 and 2020, the College reported a liability of $11,212,332 and $15,824,020, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively.

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.054% and 0.087%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized OPEB benefit of $693,563 and OPEB expense of $655,596, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources

	2021	2020
Difference between expected and actual experience	**$ 309,439**	$ 634,617
Net differences between projected and actual earnings on OPEB plan investments	**32,419**	-
Change in OPEB plan actuarial assumptions	**923,354**	12,176
Changes in proportion from Commonwealth	**16,993**	38,584
Changes in proportion due to internal allocation	**2,339,089**	3,294,743
Contributions subsequent to the measurement date	**141,565**	284,298
Total deferred outflows of resources related to OPEB	**$ 3,762,859**	$ 4,264,418

Deferred Inflows of Resources

	2021	2020
Difference between expected and actual experience	**$ 276,758**	$ 20,264
Net differences between projected and actual earnings on OPEB plan investments	**-**	7,278
Change in OPEB plan actuarial assumptions	**1,083,633**	2,379,526
Changes in proportion from Commonwealth	**38,079**	-
Changes in proportion due to internal allocation	**9,500,608**	5,230,103
Total deferred inflows of resources related to OPEB	**$10,899,078**	$ 7,637,171

The College's contributions of $141,565 and $284,298 made during the fiscal year 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as decreases in OPEB expense as follows:

Years Ending June 30,	
2022	$ (1,850,619)
2023	(1,798,282)
2024	(1,620,635)
2025	(1,609,630)
2026	(398,618)
	$ (7,277,784)

Actuarial Assumptions

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

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15% net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Healthcare Costs Trends	Developed based on the most recent published GAO-Getzen trend model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%.	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024, then decreasing 0.25% each year to an ultimate rate of 4.5% in 2026 for Medical 5.0% for EGWP through 2025, then 4.5% in 2026;

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

The actuarial assumptions used in the January 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

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

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

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

Discount Rate
The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date," when projected benefits are not covered by projected assets, is 2028 and 2029 for the fiscal years 2021 and 2020, respectively.

Therefore, the long-term expected rate of return on OPEB plan investments is 7.15% and 7.25%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	2021	
	Current	
1.00% Decrease	**Discount Rate**	**1.00% Increase**
1.28%	**2.28%**	**3.28%**
$13,474,090	**$11,212,332**	**$9,425,268**

	2020	
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
$18,888,766	$15,284,020	$13,400,875

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

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

2021

1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 9,107,010	**$ 11,212,332**	**$ 14,009,437**

2020

1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 13,040,992	$ 15,824,020	$ 19,495,928

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

Note 13 - **Fringe Benefits Provided by State**

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, and workers' compensation benefits. Health insurance for active employees are 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 administers a plan included within the State Retirement Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution rates.

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 14 - **Massachusetts Management Accounting and Reporting System ("MMARS")**

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

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

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

	2021	2020
Revenue per MMARS	$ 41,844,336	$ 41,300,171
Revenue per College	41,844,336	41,300,171
Difference	$ -	$ -

Note 15 - **Pass-Through Grants**

The College distributed $3,391,699 and $4,734,259 for the years ended June 30, 2021 and 2020, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

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

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

Massachusetts State Employees' Retirement System

Report date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 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	0.051%	0.057%	0.076%	0.070%	0.069%	0.081%	0.068%
Proportionate share of the collective net pension liability	$ 8,713,578	$ 8,393,956	$ 10,032,605	$ 8,931,989	$ 9,496,282	$ 9,174,886	$ 5,028,761
Covered payroll	$ 3,897,805	$ 4,736,211	$ 5,886,740	$ 5,472,402	$ 5,233,111	$ 4,856,747	$ 5,024,426
Proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Year Ended June 30,

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 269,590	$ 548,811	$ 571,187	$ 693,458	$ 544,504	$ 494,529	$ 504,616
Contributions in relation to the statutorily required contribution	(269,590)	(548,811)	(571,187)	(693,458)	(544,504)	(494,529)	(504,616)
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,838,950	$ 3,897,805	$ 4,736,211	$ 5,886,740	$ 5,472,402	$ 5,233,111	$ 4,856,747
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2021

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

Measurement date – June 30, 2020
The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2019
The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018
The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017
The mortality rates were changed in the January 1, 2017 Actuarial Valuation 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

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

Measurement date – June 30, 2016
The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service.

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

Measurement date – June 30, 2015
The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

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

The mortality rates were changed as follows:

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

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

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

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

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.054%	0.087%	0.118%	0.099%
Proportionate share of the collective net OPEB liability	$ 11,212,332	$ 15,824,020	$ 21,953,240	$ 17,372,753
College's covered payroll	$ 3,897,805	$ 4,736,211	$ 5,886,740	$ 5,472,402
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	6.01%	5.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Schedules of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	2021	2020	2019	2018
Statutorily required contribution	$ 141,565	$ 284,298	$ 416,506	$ 525,030
Contributions in relation to the statutorily required contribution	(141,565)	(284,298)	(416,506)	(525,030)
Contribution (excess)/deficit	$ -	$ -	$ -	$ -
College's covered payroll	$ 1,838,650	$ 3,897,805	$ 4,736,211	$ 5,886,740
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

For the Year Ended June 30, 2021

Note 1 - <u>**Change in Plan Assumptions**</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 return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs
The original healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

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

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

Fiscal year June 30, 2019

Assumptions:
Change in Trend on Future Costs
The healthcare trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

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

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

Change in Discount Rate
The discount rate was increased to 3.95% (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%.

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Holyoke Community College
Holyoke, 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 of Holyoke Community College (the "College"), which comprise the statements of net position as of June 30, 2021 and the related statements of revenues and expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 9, 2021. Our report includes a reference to other auditors who audited the financial statements of the Holyoke Community College Foundation. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting
In planning and performing our audits of the financial statements, we considered the College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 9, 2021