NORTHERN ESSEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

withum
ADVISORY TAX AUDIT

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

Financial Statements and
Management's Discussion and Analysis

June 30, 2023

C O N T E N T S

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-13
Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16-17
Notes to the Financial Statements	18-51
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability (Unaudited)	52
Schedule of Pension Contributions (Unaudited)	53
Notes to the Required Supplementary Information - Pension (Unaudited)	54-56
Schedule of Proportionate Share of the Net OPEB Liability (Unaudited)	57
Schedule of OPEB Contributions (Unaudited)	58
Notes to the Required Supplementary Information - OPEB (Unaudited)	59-61
Additional Report:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	62-63

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

January 18, 2024

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

The following discussion and analysis provide an overview of the financial position and activities of Northern Essex Community College (The "College" or "NECC") as of June 30, 2023 for the fiscal year then ended. The objective of the Management Discussion and Analysis ("MD&A") section is to provide information that enables an individual to read the College's financial statements and come away with a clear understanding of the College's financial position and how resources are used to support the College's Mission.

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

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

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

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

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

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

($ in thousands)	FY23	FY22	Change FY23-FY22	%
Current assets	**$ 25,555**	**$ 28,048**	$ (2,493)	
Non-current assets	**88,783**	**84,850**	3,933	
Total assets	**114,338**	**112,898**	1,440	**1.3%**
Deferred outflows of resources				
Pension allocation	**1,020**	**963**	57	
OPEB allocation	**1,833**	**2,075**	(242)	
Total deferred outflows of resources	**2,853**	**3,038**	(185)	**-6.1%**
Total assets & deferred outflows	**$ 117,191**	**$ 115,936**	$ 1,255	**1.1%**
Current liabilities	**13,811**	**14,824**	(1,013)	
Non-current liabilities	**19,128**	**19,200**	(72)	
Total liabilities	**32,939**	**34,024**	(1,085)	**-3.2%**
Deferred inflows of resources				
Service concession arrangements	**75**	**116**	(41)	
Pension allocation	**2,340**	**4,815**	(2,475)	
OPEB allocation	**9,802**	**12,227**	(2,425)	
Total deferred inflows of resources	**12,217**	**17,158**	(4,941)	**-28.8%**
Invested in capital assets	**67,048**	**66,085**	963	
Restricted, expendable	**1,242**	**639**	603	
Unrestricted	**3,745**	**(1,970)**	5,715	
Total net position	**72,035**	**64,754**	7,281	**11.2%**
Total liabilities, deferred inflows & net position	**$ 117,191**	**$ 115,936**	$ 1,255	**1.1%**

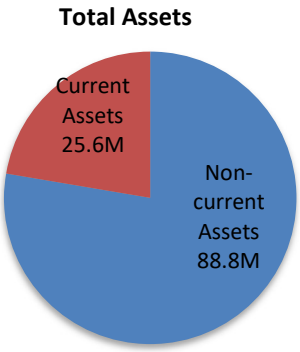
Total Assets

Total assets represent property, facilities, and equipment owned or controlled by the College, along with payments due to the College for services rendered prior to the end of the fiscal year. Total assets on June 30, 2022 were $114.3 million, an increase of $1.4 million or 1.3% from the prior year.

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

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

The value of current assets on June 30 was $25.6 million, a decrease of $2.5 million or 8.76% compared to the prior year. Total Cash and Cash Equivalents totaled $22.2 million, $1.0 million or a 4.8% increase from last year primarily due to the slight decrease in cash expended from operations and the net cash provided to investing activities during FY23.



The value of non-current assets at year-end was $88.8 million, an increase of $3.9 million or 4.6% from the prior year. Buildings are the largest component of non-current assets.

The increase in non-current assets of $3.9 million is primarily related to the increase of net investments of $2.8 million and the increase of capital assets, net of $1.1 million. Additional information on capital assets is available in Footnote 8: Capital Assets.

Total Liabilities

Total liabilities at the end of FY23 were $32.9 million, a decrease of $1.1 million or (3.2%) from the prior year. Additional information pertaining to these liabilities may be found in Footnote 9.

Total liabilities represent what the College owes to others.

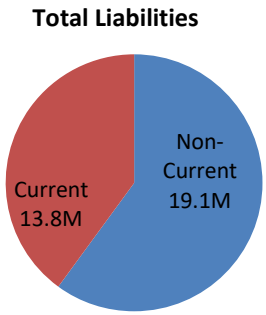
There are three primary components of College liabilities.

(a) Salaries and compensated absences;

(b) outstanding accounts payable; and

(c) deferred revenue.

The calculated liability for compensated absences and workers' compensation, both current and non-current, is $4.1 million, a decrease of $55k from the prior year. The total liability averages approximately $9.7k per employee.



Outstanding accounts payable reflect goods and services received during the fiscal year for which payment has not been made as of June 30. The balance of accounts payable at the end of the year was $6.9 million. This is an increase of $5.3 million over the prior year. The increase is comprised of various amounts of current vendor payments and lease rent payments due in July 2023.

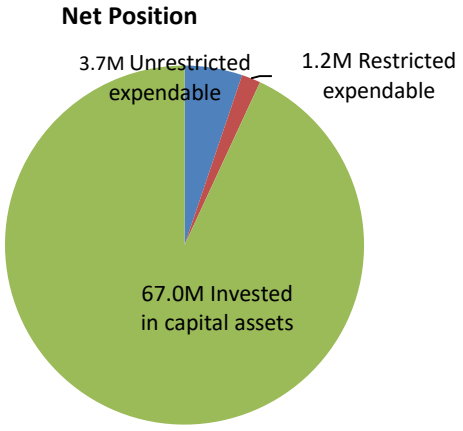
Student deposits and unearned revenue on June 30 was $1.8 million, which was a decrease of $5.6 million or 75.8% from the prior year. Approximately $525k represents student tuition and fees collected for the FY24 summer sessions. Due to the timing of the fiscal year, payments for these classes and when classes are provided cross fiscal years. Prior year had included Fall Semester Unearned Revenue, current year does not include Fall Semester Unearned Revenue. Unearned revenue reflects the value of classes which will be held in FY24. Grant revenue received but not yet earned equals $1.3 million, of which $287k relates to Higher Education Emergency Relief Funds ("HEERF") draw down but not yet expended.

Net Position

Net Position represents resources currently available to the College. At the end of FY23, net position was $72.0 million. This is $7.3 million or 11.2% higher as compared to last year. There are two measures of the financial health of the institution based on net position: (a) the current ratio; which measures the degree to which current assets are available to pay short-term obligations; and (b) the primary reserve ratio; indicating how long the institution could function using its expendable reserves to cover operations. The current ratio for FY23 is 1.9, even with the previous year.

Current ratio = current assets/current liabilities.

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



Current liabilities decreased $1.0M or 6.8%, primarily due to decrease in unearned revenue. The higher the current ratio—for FY23 it is 1.9, the more capable the institution is of paying its obligations; a preferred ratio is 2.0. The primary reserve ratio is 0.08 for FY23 and was (0.02) for FY22: the preferred primary ratio is 40. While the ratios highlight that the College has limited flexibility to endure turbulent economic conditions, enrollment declines, or respond to a significant adverse event, the College continues to strive to improve its financial health by careful monitoring of expenses and increasing its sources of revenue and positive increase in net position.

Statements of Revenues, Expenses, and Changes in Net Position

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

($ in thousands)	FY23	FY22	Change FY23-FY22	%
Operating revenues				
Student tuition and fees	**$ 19,442**	**$ 18,706**	$ 736	
less: Scholarship allowances	**(7,282)**	**(5,405)**	(1,877)	
Net student tuition & fees	**12,160**	**13,301**	(1,141)	**-8.6%**
Federal grants and contracts	**7,242**	**7,972**	(730)	
State grants and contracts	**8,582**	**7,534**	1,048	
Private/local grants and contracts	**1,947**	**1,286**	661	
Other operating revenues	**2,496**	**1,869**	627	
Total operating revenues	**32,427**	**31,962**	465	**1.5%**
Operating expenses	**63,717**	**66,317**	(2,600)	**-3.9%**
Operating loss	**(31,290)**	**(34,355)**	3,065	**-8.9%**
Non-operating revenues (expenses)				
Federal grants	**6,048**	**12,509**	(6,461)	
State appropriations	**30,962**	**31,000**	(38)	
Investment income, net	**1,166**	**(1,261)**	2,427	
Interest on Indebtedness	**(211)**	**(232)**	21	
Net non-operating revenues	**37,965**	**42,016**	(4,051)	**-9.6%**
Net gain (loss) before other revenues	**6,675**	**7,661**	(986)	
Capital appropriations	**606**	**4,686**	(4,080)	
Total increase in net position	**7,281**	**12,347**	(5,066)	**-41.0%**
Net position, Beginning of Year	**64,754**	**52,407**	12,347	
Net position, End of Year	**$ 72,035**	**$ 64,754**	$ 7,281	

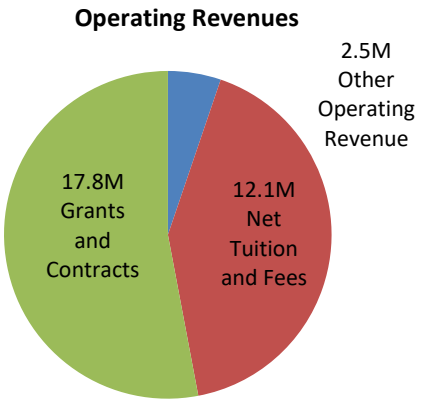
Operating Revenue

Operating revenue reflects income received from primary business activities; due to the comprehensive mission of a community college, this includes revenue from a wide variety of sources, including student charges, grants, and auxiliary-type services like space rental activity. Overall, operating revenues in FY23 were $32.4 million, an increase of $465k million or 1.5% as compared to the prior year.

Total (gross) revenue from student tuition and fees was $19.4 million. This was an increase of $736k million or 3.9% from the prior year.

Revenue reported as federal grants and contracts was $7.2 million, a decrease of $730k (or 9.2%) from the prior year. State grants and contracts totaled $8.6 million, an increase of $1.0M or 13.9% primary due to increase funding for existing grants for FY23.

Other operating revenues reflect commissions received from Follett (bookstore), food service and vending sales; rental of Northern Essex facilities, including Haverhill child care facilities, enterprise activity; and, other non-instructional related activities. Total other operating revenues were $2.5 million, which is an increase of $627k or 33.5%. Donations from the NECC Foundation totaled $660k, compared to $386k in FY22, an increase of $274k or 71% from the prior year. Collections from Intercept Recovery decreased ($60k), Enterprise funds decreased ($35k) and TCBI Contracts increased by $238k.



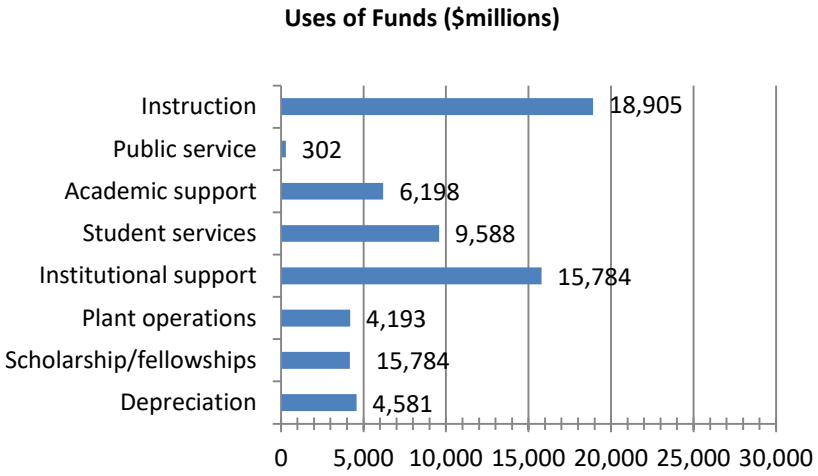
Operating Expenses

Operating expense results from activities directly related to the activities of the College; the eight functional categories within operating expense correspond to those defined by the Integrated Postsecondary Education Data System (IPEDS).

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

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

In FY23, total operating expenses were $63.7 million, a decrease of ($2.6 million) or (3.9%). The area with the largest change was Scholarship which decreased ($7.7) million or (64.9%) from prior year. The expiring HEERF spend on students support decreased by ($7.5) million for FY23. Other significant changes included an increase in Institutional Support by $5.5 million or 53.6%. Change driven by: increases in Fringe Benefit rates, NUPS salary increases, new positions, and promotions.



Employee compensation and benefits totaled $40.3 million, which represented 63.2% of total operating costs.

Spending in Instruction was the highest of the eight IPEDS functional areas and represented 29.7% of the total. Institutional Support was the next highest at 24.8%, followed by Student Services at 15.0%.

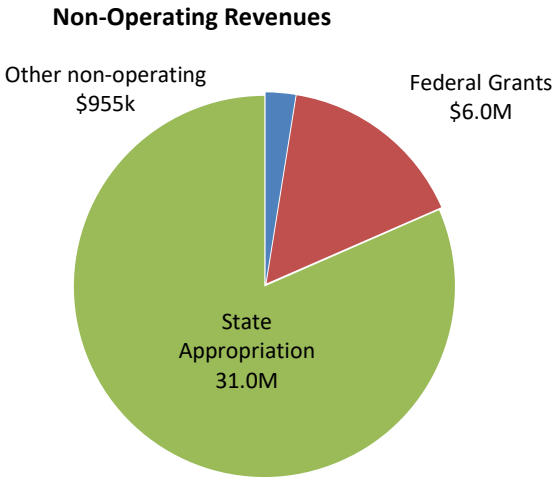
Operating Expenses

($ in thousands)	**FY23**	**FY22**	Change FY23-FY22	%
Instruction	**$ 18,905**	**$ 20,405**	$ (1,500)	-7.4%
Academic services	**6,198**	**6,649**	(451)	-6.8%
Student services	**9,588**	**9,047**	541	6.0%
Public service	**302**	**221**	81	36.7%
Plant operations	**4,192**	**4,066**	126	3.1%
Institutional support	**15,784**	**10,273**	5,511	53.6%
Depreciation	**4,581**	**3,786**	795	21.0%
Scholarships and fellowships	**4,167**	**11,870**	(7,703)	-64.9%
Total Operating Expenses	**$ 63,717**	**$ 66,317**	$ (2,600)	-3.9%

Operating expenses by natural classification are reported in the Financial Section, Footnote 17.

Non-Operating Revenue

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



Federal grant non-operating revenue is entirely made up of HEERF money recognized in FY23.

State appropriations as reported on the financial statements include GAA, fringe benefits paid by the state on behalf of NECC employees, less tuition remitted back to the general fund of the state (remitted tuition). Overall state support decreased in FY23 by $39k or 0.1% due to the decreased appropriation and decrease in fringe benefit paid by state on behalf of NECC.

Statement of Cash Flows
The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. At the end of FY23, cash on hand was $22.2 million. This is an increase of $1.0 million or 4.8% higher than FY22.

($ in thousands)	FY23	FY22	Change FY23-FY22
Cash received from operations	**$ 32,007**	**$ 27,515**	$ 4,492
Cash expended from operations	**51,499**	**59,993**	(8,494)
Net cash applied to operating activities	**(19,492)**	**(32,478)**	12,986
Net cash provided by noncapital financing activities	**27,304**	**37,410**	(10,106)
Net cash provided by (applied to) capital and related financing activities	**(5,116)**	**(905)**	(4,211)
Net cash provided by (applied to) investing activities	**(1,672)**	**(5,524)**	3,852
Net increase in cash and cash equivalents	**1,024**	**(1,497)**	2,521
Cash and cash equivalents, beginning of FY	**21,196**	**22,693**	(1,497)
Cash and cash equivalents, end of FY	**$ 22,220**	**$ 21,196**	$ 1,024

Major Projects

Collaboration

In June 2021, Northern Essex Community College was awarded a Workforce Innovation and Opportunity Act ("WIOA") subrecipient contract extension, via an RFP process for this program, from the City of Lawrence/Merrimack Valley Workforce Investment Board ("WIB") to act as administrator of WIOA funds and operate a One-Stop Career Center ("MassHire"). The contract runs from July 1, 2021 – June 30, 2025. NECC approved an allocation of approximately $3.1 million from the WIOA funds as well as other funding for the program for contract year 2. The purpose of the program is to provide cost effective workforce development services that foster economic opportunity. Services must help increase employment, job retention, and earning potential. Funding sources are primarily federal with some Massachusetts grants. All employees of MassHire became NECC employees effective July 1, 2021, and all revenue and expenses are processed through NECC financial systems. NECC annually reviews its records that pertain to MassHire with the WIB to verify proper documentation is on hand.

Requests for Information

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

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

Statements of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

	College	Foundation
Current Assets:		
Cash and cash equivalents	**$ 21,531,949**	**$ 394,236**
Restricted cash and cash equivalents	**225,181**	**1,315,015**
Deposits held by State Treasurer	**324,552**	**-**
Deposits held by DCAMM	**33,116**	**-**
Cash held by State Treasurer	**105,428**	**-**
Accounts receivable, net	**2,987,308**	**-**
Other current assets	**347,482**	**1,308,433**
Total Current Assets	**25,555,016**	**3,017,684**
Non-Current Assets:		
Investments	**13,862,035**	**6,572,312**
Capital assets, net	**74,921,159**	**-**
Total Non-Current Assets	**88,783,194**	**6,572,312**
Total Assets	**114,338,210**	**9,589,996**
Deferred Outflows of Resources:		
Deferred outflows of resources related to pension	**1,020,007**	**-**
Deferred outflows of resources related to OPEB	**1,833,245**	**-**
Total Deferred Outflows of Resources	**2,853,252**	**-**
Total Assets and Deferred Outflow of Resources	**$ 117,191,462**	**$ 9,589,996**

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	College	Foundation
Current Liabilities:		
Accounts payable and accrued expenses	**$ 6,856,907**	**$ 14,100**
Accrued salaries and wages	**1,247,179**	**-**
Accrued compensated absences	**2,562,130**	**-**
Accrued workers' compensation	**38,204**	**-**
Current portion of notes payable	**223,794**	**-**
Current portion of lease liability	**662,211**	**-**
Current portion of SBITA liability	**421,982**	**-**
Student deposits and unearned revenues	**1,798,694**	**7,330**
Total Current Liabilities	**13,811,101**	**21,430**
Non-Current Liabilities:		
Accrued compensated absences	**1,245,883**	**-**
Accrued workers' compensation	**287,004**	**-**
Notes payable, net of current position	**2,475,595**	**-**
Lease liability, net of current position	**3,627,196**	**-**
SBITA liability, net of current position	**495,002**	**-**
Net pension liability	**4,869,298**	**-**
Net OPEB liability	**6,127,966**	**-**
Total Non-Current Liabilities	**19,127,944**	**-**
Total Liabilities	**32,939,045**	**21,430**
Deferred Inflows of Resources:		
Public-private partnerships	**74,662**	**-**
Deferred inflows of resources related to pension	**2,340,312**	**-**
Deferred inflows of resources related to OPEB	**9,802,152**	**-**
Total Deferred Inflows of Resources	**12,217,126**	**-**
Total Liabilities and Deferred Inflows of Resources	**45,156,171**	**21,430**
Net Position:		
Net investment in capital assets	**67,048,495**	**-**
Restricted:		
Nonexpendable	**-**	**6,049,431**
Expendable	**1,242,261**	**1,882,963**
Unrestricted	**3,744,535**	**1,636,172**
Total Net Position	**72,035,291**	**9,568,566**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 117,191,462**	**$ 9,589,996**

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2023

	Primary Government	Component Unit
	College	Foundation
Operating Revenues:		
Tuition and fees	$ 19,441,984	$ -
Less: scholarships and allowances	(7,281,963)	-
Net tuition and fees	12,160,021	-
Gifts and contributions	-	2,310,146
Federal grants and contracts	7,241,686	-
State grants and contracts	8,582,685	
Private and local grants and contracts	1,946,858	-
Other operating revenues	2,495,711	-
Total Operating Revenues	32,426,961	2,310,146
Operating Expenses:		
Instruction	18,905,159	-
Academic support	6,197,458	-
Student services	9,588,494	-
Public service	302,359	-
Operations and maintenance	4,191,481	-
Institutional support	15,783,691	262,448
Depreciation and amortization	4,580,949	-
Scholarships and fellowships	4,167,436	1,093,059
Total Operating Expenses	63,717,027	1,355,507
Net Operating Income (Loss)	(31,290,066)	954,639
Non-Operating Revenues (Expenses):		
Federal grants	6,048,180	-
State appropriations, net	30,962,003	-
Investment income (loss), net	1,166,002	548,554
Interest expense	(211,058)	-
Total Non-Operating Revenues (Expenses)	37,965,127	548,554
Net Changes in Net Position Before Capital Appropriations	6,675,061	1,503,193
Capital appropriations	605,939	-
Changes in Net Position	7,281,000	1,503,193
Net Position, Beginning of Year	64,754,291	8,065,373
Net Position, End of Year	$ 72,035,291	$ 9,568,566

See accompanying notes to the financial statements.

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

Statement of Cash Flows

For the Year Ended June 30, 2023

	College
Cash Flows from Operating Activities:	
Tuition and fees	**$ 11,497,985**
Grants and contracts	**18,098,936**
Payments to suppliers	**(9,624,055)**
Payments to students	**(4,167,436)**
Payments to employees	**(37,707,681)**
Other operating revenues	**2,409,914**
Net Cash Applied to Operating Activities	**(19,492,337)**
Cash Flows from Non-Capital Financing Activities:	
Federal grants	**4,248,635**
State appropriations	**23,151,578**
Tuition remitted to state	**(95,820)**
Net Cash Provided by Non-Capital Financing Activities	**27,304,393**
Cash Flows from Capital Financing Activities:	
Purchases of capital assets	**(3,535,158)**
Principal payments on lease liabilities	**(623,463)**
Principal payments on SBITA liabilities	**(531,830)**
Payment on notes payable	**(214,980)**
Interest paid	**(211,058)**
Net Cash Applied to Capital Financing Activities	**(5,116,489)**
Cash Flows from Investing Activities:	
Proceeds from sale of investments	**2,650,965**
Interest and dividends on investments, net	**404,406**
Purchases of investments	**(4,727,344)**
Net Cash Applied to Investing Activities	**(1,671,973)**
Net Increase in Cash and Cash Equivalents	**1,023,594**
Cash and Cash Equivalents, Beginning of Year	**21,196,632**
Cash and Cash Equivalents, End of Year	**$ 22,220,226**

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2023

	College
Reconciliation of Net Operating Loss to:	
Net Cash Applied to Operating Activities:	
Net operating loss	**$ (31,290,066)**
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation and amortization	**4,580,949**
Net pension activity	**(1,551,733)**
Net OPEB activity	**(2,884,274)**
Amortization of deferred inflows of resources	**(45,725)**
Fringe benefits provided by the state	**7,906,245**
Recovery of bad debts	**390,262**
Changes in assets and liabilities:	
Accounts receivable	**(1,430,009)**
Other current assets	**55,541**
Accounts payable and accrued expenses	**5,235,810**
Accrued salaries and wages	**(1,069,781)**
Accrued compensated absences and workers' compensation	**(54,903)**
Student deposits and unearned revenue	**665,347**
Net Cash Applied to Operating Activities	**$ (19,492,337)**
Reconciliation of Cash and Cash Equivalents Balance to the Statements of Net Position:	
Cash and cash equivalents	**$ 21,531,949**
Restricted cash and cash equivalents	**225,181**
Deposits held by State Treasurer	**324,552**
Deposits held by DCAMM	**33,116**
Cash held by State Treasurer	**105,428**
Cash and Cash Equivalents, End of Year	**$ 22,220,226**
Non-Cash Transactions:	
Fringe benefits provided by the state	**$ 7,906,245**
Capital appropriations used to purchase capital assets	**$ 605,939**
Unrealized loss on investments	**$ 1,162,751**

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2023

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

Organization

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

COVID-19

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

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The Department of Education has extended the deadline to spend the student and institutional award through June 30, 2023 and also extended the deadline to spend the MSI award through June 30, 2023. As of June 30, 2023, the entire allocation of CARES and CRRSAA funding has been spent. As of June 30, 2023, the College has $256,592 of unspent ARPA funds, including $145,554 of unspent MSI funds.

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

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

The College has recognized the following funds as non-operating Federal grants for the year ended June 30, 2023, and the cumulative total grants recognized:

	For the Year Ended June 30, 2023			
	Student Aid Award	**Institutional Award**	**MSI**	**Total**
CARES	**$ -**	**$ -**	**$ -**	**$ -**
CRRSAA	**-**	**-**	**377,072**	**377,072**
ARPA	**3,987**	**5,167,697**	**499,424**	**5,671,108**
Total	**$ 3,987**	**$ 5,167,697**	**$ 876,496**	**$ 6,048,180**

Basis of Presentation and Accounting

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

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying Statements of Revenues, Expenses, and Changes in Net Position demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function.

Items not meeting the definition of program revenues are instead reported as general revenues.

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

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

The Northern Essex Community College Foundation, Inc. (the "Foundation"), a discretely presented component unit of the College, was formed in 1975 to render financial assistance and support to the educational programs and development of the College. The Foundation is legally separate from the College, but in accordance with GASB, has been included in these financial statements because of the nature and significance of its relationship with the College.

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

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

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

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

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

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

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

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

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

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

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

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

Investments
The College categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles as prescribed by the GASB. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value as further discussed in Note 7.

Student Deposits and Unearned Revenues
Deposits and advance payments received for tuition and fees related to certain summer programs, and tuition received for the following academic year, will be recorded as revenue as the related services are provided. Additionally, monies drawn down but not yet spent from the Higher Education Emergency Relief Funds ("HEERF") awarded to the College are included in the unearned revenue balance for the year ended June 30, 2023.

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. Interest costs on debt related to capital assets are expensed during the construction period. Library materials are no longer capitalized and amortized. 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 2 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Amortization of leased and subscription-based information technology arrangement assets is included in depreciation expense.

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

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

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

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

Upon retirement, these employees are entitled to receive payment of their accrued balance.

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

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

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

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

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

Use of Estimates

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

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

New Governmental Accounting Pronouncements

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

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

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

Note 2 - Implementation of Newly Effective Accounting Standard

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

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96, since the adjustment for the right to use assets – SBITAs of $1,448,814 was completely offset by the adjustment for the SBITA liability. The right of use assets and liability for SBITAs was previously $0 as of July 1, 2022.

As of July 1, 2021, the University implemented GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP)*. GASB 94 provides 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. The implementation of this standard did not have a material impact on the financial statements.

Note 3 - Cash and Equivalents

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

The bank balance of the deposits and investments at June 30, 2023 amounted to $21,983,815, of which $6,616,783 was exposed to custodial credit risk and uncollateralized. As of June 30, 2023, the College had a balance of $13,303,467 that was uninsured but fully collateralized under various agreements with TD Bank.

Note 4 - Cash and Deposits Held by State Treasurer

Accrued payroll and related expenses to be funded from state funds totaled $105,428 at June 30, 2023. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Accounts payable and accrued salaries to be funded by cash forwarded by the College to the State Treasurer held for payment of so-called "non-appropriated" liabilities at June 30, 2023 through the Commonwealth's Statewide Accounting System,

Massachusetts Management Accounting and Reporting System ("MMARS"), was recorded in the sums of $324,552.

Note 5 - **Deposits Held by Department of Capital Assets Management and Maintenance ("DCAMM")**

A total of $33,116 was held by DCAMM on behalf of the College at June 30, 2023. The balance was allocated by DCAMM for multiple projects on the Haverhill and Lawrence campuses for the year ended June 30, 2023. These include a variety of deferred maintenance projects.

Note 6 - **Accounts Receivable**

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

	2023
Student accounts receivable	$ 2,015,705
Grants receivable	1,612,685
Other receivables	673,024
	4,301,414
Less: allowance for doubtful accounts	1,314,106
	$ 2,987,308

Note 7 - **Investments**

College

The College categorizes short-term investments according to the level of risk assumed by the College. At June 30, 2023, the entire balance of investments of $13,862,035 represents investments that are insured, registered, or held by the College's agent in the College's name. Investment income is presented net of related expenses. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts. The College has a formal investment policy; however, the policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of June 30, 2023, one federal entity made up 10% of the market value of the College's investment portfolio.

Investments of the College are stated at fair market value and consist of the following at June 30, 2022:

Investment Maturities (in Years)

Investment Type	Fair Value	1-5	6-10	More Than 10
Debt Securities:				
U.S. Government and Agencies	$ 3,044,164	$ 322,684	$ 426,050	$ 2,295,430
Municipal bonds	298,193	-	144,379	153,814
Corporate bonds	1,849,525	971,183	524,222	354,120
Total	5,191,882	$ 1,293,867	$ 1,094,651	$ 2,803,364
Other Investments:				
Equity Securities	8,670,153			
Total	$ 13,862,035			

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

Quality Ratings

2023

Rated Debt Investments	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
U.S. Government and Agencies	$ 3,044,164	$ 3,044,164	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal Bonds	298,193	-	-	179,560	53,030	-	65,603	-	-	-	-
Corporate bonds	1,849,525	51,190	-	101,808	50,601	358,341	77,813	155,081	264,522	423,832	366,337
	$ 5,191,882	$ 3,095,354	$ -	$ 281,368	$ 103,631	$ 358,341	$ 143,416	$ 155,081	$ 264,522	$ 423,832	$ 366,337

The following schedule summarizes the investment return of the College in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023:

Interest and dividend income	**$ 445,211**
Investment expense	**(69,930)**
Realized gain	**(372,030)**
Unrealized loss	**1,162,751**
	$ 1,166,002

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

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

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

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

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

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

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

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

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

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

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

	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements:				
Debt Securities:				
U.S. Government and Agencies	**$ 3,044,164**	**$ -**	**$ -**	**$ 3,044,164**
Municipal bonds	**-**	**298,193**	**-**	**298,193**
Corporate bonds	**-**	**1,849,525**	**-**	**1,849,525**
Other Investments:				
Equity securities	**8,670,153**	**-**	**-**	**8,670,153**
Total marketable securities at fair value	**$ 11,714,317**	**$ 2,147,718**	**$ -**	**$ 13,862,035**

Investments of the Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2023:

U.S. Government obligations	**$ 446,329**
Mortgage backed securities	**796,334**
Corporate bonds	**800,086**
Municipal bonds	**126,573**
Mutual funds	**894,395**
Equity securities	**3,508,595**
	$ 6,572,312

Note 8 - **Capital Assets**

Capital assets activity for the year ended June 30, 2023 is as follows:

	Estimated Lives (in years)	(Restated) Beginning Balance	Additions	Retire-ments	Reclass-ifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 774,915	$ -	$ -	$ -	$ 774,915
Construction in progress		8,251,772	88,032	-	(1,359,874)	6,979,930
Total capital assets, not depreciated		9,026,687	88,032	-	(1,359,874)	7,754,845
Capital assets, depreciated:						
Buildings and improvements	40	92,708,376	344,910	-	-	93,053,286
Land improvements	20-30	1,554,359	3,168,676	-	1,359,874	6,082,909
Furnishings and equipment	5-20	6,418,824	539,479	-	-	6,958,303
Software arrangements	3-5	1,448,814	-	-	-	1,448,814
Leased buildings	6-9	5,329,764	-	-	-	5,329,764
Leased equipment	2	50,369	86,452	(50,369)	-	86,452
Total capital assets, depreciated		107,510,506	4,139,517	(50,369)	1,359,874	112,959,528
Total capital assets		116,537,193	4,227,549	(50,369)	-	120,714,373
Less: accumulated depreciation:						
Buildings and improvements		36,140,973	2,659,070	-	-	38,800,043
Land improvements		595,302	291,640	-	-	886,942
Furnishings and equipment		3,818,267	494,354	-	-	4,312,621
Software arrangements		-	439,909	-	-	439,909
Leased buildings		674,513	674,513	-	-	1,349,026
Leased equipment		33,579	21,463	(50,369)	-	4,673
Total accumulated depreciation		41,262,634	4,580,949	(50,369)	-	45,793,214
Capital assets, net		$ 75,274,559	$ (353,400)	$ -	$ -	$ 74,921,159

Note 9 - **Long-Term Liabilities**

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

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases, SBITAs, and notes payable:					
Lease liabilities	$ 4,826,417	$ 86,452	$ 623,462	$ 4,289,407	$ 662,211
SBITA liabilities	1,448,814	-	531,830	916,984	421,982
Notes payable	2,914,369	-	214,980	2,699,389	223,794
Total leases, SBITAs, and notes payable	9,189,600	86,452	1,370,272	7,905,780	1,307,987
Other liabilities:					
Compensated absences	3,838,239	-	30,226	3,808,013	2,562,130
Workers' compensation	349,885	-	24,677	325,208	38,204
Net pension liability	3,889,338	979,960	-	4,869,298	-
Net OPEB liability	6,828,775	-	700,809	6,127,966	-
Total other liabilities	14,906,237	979,960	755,712	15,130,485	2,600,334
Total Long-Term Liabilities	$ 24,095,837	$ 1,066,412	$ 2,125,984	$ 23,036,265	$ 3,908,321

Notes Payable

In July 2012, the College entered into an agreement with Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM was responsible for construction of specific energy conservation projects, including the conversion of heating systems from electric to gas, replacement of boilers, updating of lighting, installation of water conservation equipment, and other similar projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. In connection with this agreement, in January 2013, the College issued notes payable to DCAMM in the original amount of $4,585,686, requiring annual payments of $334,469, including principal and interest, at 4.1% per annum through January 2033. The outstanding balance of the note payable is $2,699,389 at June 30, 2023.

Principal and interest on notes payable for the next five years and through maturity are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2024	$ 223,794	$ 110,675	$ 334,469
2025	232,970	101,499	334,469
2026	242,521	91,948	334,469
2027	252,465	82,004	334,469
2028	262,816	71,653	334,469
2029-2033	1,484,823	187,522	1,672,345
Total	$ 2,699,389	$ 645,301	$ 3,344,690

Note 10 - **Leases**

A summary of the College's leases at June 30, 2023 is as follows:

Description	Expiration Dates	Payment Amount	Interest Rate	Lease Liability
Buildings	9/30/2027 & 6/30/2030	$23,083 - $41,882	2.10%	$ 4,204,930
Equipment	5/15/2026	$2,650	4.75%	84,477
				$ 4,289,407

On October 3, 2017, the Division of Capital Asset Management and Maintenance ("DCAMM") executed a lease for ten years on behalf of the College for office space in Lawrence, MA. Monthly payments during fiscal year ended June 30, 2023 were $23,750. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. There are no options to extend or purchase the space.

On December 19, 2018, the Division of Capital Asset Management and Maintenance ("DCAMM") executed a lease for ten years on behalf of the College for classrooms, culinary labs, workforce training, and administrative space in Haverhill, MA. Monthly payments during fiscal year ended June 30, 2023 were $34,475. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. There are no options to extend or purchase the space.

On May 2, 2023 the College entered into a three-year lease for equipment. Monthly payments are $2,650. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. The College did not make payments for the lease other than the monthly payments for the years ended June 30, 2023. There are no options to extend or purchase the equipment.

At June 30, 2023, the total amount of the lease right of use assets and accumulated amortization for leases were $5,416,217 and $1,353,699, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 662,211	$ 85,513	$ 747,724
2025	691,005	70,543	761,548
2026	719,234	54,947	774,181
2027	722,605	39,627	762,232
2028	524,528	25,761	550,289
2029-2030	969,824	21,503	991,327
Total	$ 4,289,407	$ 297,894	$ 4,587,301

Note 11 - **Subscription-Based Information Technology Arrangements**

The College has entered into subscription-based information technology arrangements ("SBITAs") for various software products which have expiration dates ranging from March 2025 to October 2027 and have annual payments ranging from $11,391 to $202,000. An IBR of 4.75% was used to discount all SBITA arrangement payments to

recognize the intangible right to use this asset and the associated SBITA liability. There were no payments made for additional services not included in the annual SBITA payments. The College has no options to renew these agreements and there is no option to purchase the software products.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were $1,448,814 and $439,909, respectively.

A summary of the College's SBITAs is as follows at June 30, 2023:

Description	Expiration Date	Payment Terms	Payment Amount	Interest Rate	SBITA Liability
Blackboard	**6/30/2025**	**36 months**	**$195,500 - $202,000**	**4.75%**	**$ 365,218**
Christie Campus	**7/31/2025**	**35 months**	**$82,643**	**4.75%**	**-**
Evisions	**6/30/2025**	**36 months**	**$43,935 - $47,521**	**4.75%**	**86,799**
Explorance	**10/31/2027**	**61 months**	**$12,500 - $18,995**	**4.75%**	**44,474**
RingCentral	**3/31/2026**	**45 months**	**$11,391**	**4.75%**	**351,728**
Touchnet	**3/31/2025**	**33 months**	**$68,670 - $72,104**	**4.75%**	**68,765**
					$ 916,984

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 421,982	$ 41,502	$ 465,508
2025	371,194	21,016	394,235
2026	111,886	3,131	117,043
2027	11,922	579	14,528
Total	$ 916,984	$ 66,228	$ 993,342

Note 12 - **Pensions**

Defined Benefit Plan Description

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $3,342,640 for the year ended June 30, 2023.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.70% of annual covered payroll for the fiscal year ended June 30, 2023. The College contributed $748,411 for the fiscal year ended June 30, 2023, equal to 100% of the required contribution. Annual covered payroll was approximately 77% of total related payroll for fiscal year ended 2023.

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

At June 30, 2023, the College reported a liability of $4,869,298, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023, relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.035%.

For the year ended June 30, 2023, the College recognized pension benefit of $803,322. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

		2023
Deferred Outflows of Resources Related to Pension		
Contributions subsequent to the measurement date	$	748,411
Differences between expected and actual experience		121,126
Changes in proportion from Commonwealth		333
Changes in plan actuarial assumptions		134,060
Changes in proportion due to internal allocation		16,077
Total deferred outflows of resources related to pension	$	1,020,007
Deferred Inflows of Resources Related to Pension		
Changes in proportion from Commonwealth	$	13,171
Changes in proportion due to internal allocation		2,111,132
Differences between expected and actual experience		190,050
Net differences between projected and actual investment earnings on pension plan investments		25,959
Total deferred inflows of resources related to pension	$	2,340,312

The College's contribution of $748,411 made during the fiscal year ending 2023, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending June 30,	
2024	$ (461,227)
2025	(546,105)
2026	(699,141)
2027	(215,183)
2028	(147,060)
	$ (2,068,716)

Actuarial Assumptions

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

Measurement date	**June 30, 2022**
Inflation	**3.00%**
Salary increases	**4.00% to 9.00%**
Investment rate of return	**7.00%**
Interest rate credited to annuity savings fund	**3.50%**

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

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 set forward 1 year for females.

- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year for females

- Disability - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 set forward 1 year.

Experience studies were performed as follows:

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

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

Investment assets of SERS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, are summarized in the following table:

	2023	
Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	**38.0%**	**4.2%**
Core Fixed Income	**15.0%**	**0.5%**
Private Equity	**15.0%**	**7.3%**
Portfolio Completion Strategies	**10.0%**	**2.7%**
Real Estate	**10.0%**	**3.3%**
Value Added Fixed Income	**8.0%**	**3.7%**
Timberland/Natural Resources	**4.0%**	**3.9%**
	100%	

Discount Rate

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

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

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

	2023	
	Current	
1.00% Decrease	**Discount Rate**	**1.00% Increase**
(6.00%)	**(7.00%)**	**(8.00%)**
$ 6,715,870	**$ 4,869,298**	**$ 3,306,829**

Note 13 - **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 healthcare and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

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

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

Benefits Provided
Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain healthcare and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the healthcare / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions
Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2023 , and as of the valuation date (January 1, 2021), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the fiscal year ended June 30, 2023. The College contributed $326,151 for the fiscal year ended June 30, 2023, equal to 100% of the required contribution for the year.

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

At June 30, 2023, the College reported a liability of $6,127,966 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.046%.

For the year ended June 30, 2023, the College recognized OPEB benefit of $2,485,121. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

		2023
Deferred Outflows of Resources Related to OPEB		
Contributions subsequent to the measurement date	$	326,151
Differences between expected and actual experience		112,808
Net differences between projected and actual investment earnings on OPEB plan investments		9,315
Changes in proportion from Commonwealth		2,816
Changes in OPEB plan actuarial assumptions		451,345
Changes in proportion due to internal allocation		930,810
Total deferred outflows of resources related to OPEB	$	1,833,245

		2023
Deferred Inflows of Resources Related to OPEB		
Differences between expected and actual experience	$	1,014,551
Changes in proportion from Commonwealth		30,263
Changes in OPEB plan actuarial assumptions		2,217,841
Changes in proportion due to internal allocation		6,539,497
Total deferred inflows of resources related to OPEB	$	9,802,152

The College's contributions of $326,151 made during the fiscal year 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending June 30,	
2024	$ (1,960,989)
2025	(1,951,669)
2026	(1,916,309)
2027	(1,875,005)
2028	(591,086)
	$ (8,295,058)

Actuarial Assumptions

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

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	4.0% per year
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published SOA-Getzen trend rate model, version 2022_f4. Medicare and non-medicare benefits range from 3.94% to 9.11%

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year for the measurement date June 30, 2022.

The participation rates are actuarially assumed as below:

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

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

- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2022.

- 85% of current and future contingent eligible participants will elect healthcare benefits at age 55, or current age if later, for the measurement date June 30, 2022.

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

	Retirement Age	
	2023	
	Under 65	Age 65+
Indemnity	**28.0%**	**96.0%**
POS/PPO	**62.0%**	**0.0%**
HMO	**12.0%**	**4.0%**

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

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2022 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, 2023 are the same as discussed in the pension footnote.

Discount Rate

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

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

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

2023		
1.00% Decrease (3.30%)	Current Discount Rate (4.30%)	1.00% Increase (5.30%)
$ 7,148,934	**$ 6,127,966**	**$ 5,289,316**

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:

2023		
1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
$ 5,136,990	**$ 6,127,966**	**$ 7,382,423**

Note 14 - **Public-Private Partnerships**

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

The College has entered into an operating agreement with Follett Higher Education Group ("Follett"). A provision of the agreement is that Follett will make a planned investment in the College bookstore. Specifically, Follett shall provide a one-time contribution of $300,000 to the College for the creation of the new bookstore/café on the Haverhill campus. Additionally, during the fiscal year ended June 30, 2015, the College received $136,280 as a supplemental payment from Follett for modifications to the bookstore. These monies will be amortized into revenue ratably through April 2025, the end of the agreements. In the event of termination, as provided for by either party in the agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Follett to defray costs incurred by the College, as well as revenue sharing. During the fiscal year ended June 30, 2023, such additional payments received aggregated $58,238. The College expects to recognize $40,725 over the next year, with the remaining balance recognized in revenues during the year ended June 30, 2025. There were no other payments received in the year ended June 30, 2023.

The College reports the carrying value of the capital assets relating to the service concession arrangements of approximately $239,954 at June 30, 2023. Depreciation expense on these capital assets amounted to $21,814 during the year ended June 30, 2023.

Note 15 - **Restricted Net Position**

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

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

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

Note 16 - **Contingencies**

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

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

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept as payment of tuition, the amount determined by the Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of the Program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

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

Note 17 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, comprise the following at June 30, 2023:

Compensation and benefits	**$ 40,282,704**
Supplies and services	**14,685,938**
Scholarships and fellowships	**4,167,436**
Depreciation and amortization	**4,580,949**
	$ 63,717,027

Note 18 - **Fringe Benefits**

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

Group Insurance Commission

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

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2022, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount

vision and dental plans, and a pretax healthcare spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

Note 19 - Massachusetts Management Accounting and Reporting System

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

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

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

	2023
Direct unrestricted appropriations	$ 23,151,578
Add:	
Fringe benefits for benefited employees on the state-funded payroll	7,906,245
Less:	
Day school tuition remitted to the state and included in tuition and fee revenue	(95,820)
Total unrestricted appropriations	30,962,003
Capital appropriations	605,939
Total appropriations	$ 31,567,942

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

Revenue per MMARS	$ 29,919,726
Revenue per College	29,919,726
Difference	$ -

Note 20 - **Pass-Through Grants**

The College distributed approximately $1,770,000 for student loans through the U.S. Department of Education Federal Direct Lending Program during the year ended June 30, 2023. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.035%	0.037%	0.046%	0.048%	0.083%	0.080%	0.082%	0.105%	8.200%
Proportionate share of the collective net pension liability	$ 4,869,298	$ 3,889,338	$ 7,869,413	$ 7,035,864	$ 10,973,238	$ 10,315,396	$ 11,288,307	$ 11,931,702	$ 6,105,705
Covered payroll	$ 3,058,386	$ 3,024,038	$ 3,520,192	$ 3,969,917	$ 6,438,676	$ 6,319,979	$ 6,220,481	$ 6,316,080	$ 6,100,441
Proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the plan's total pension liability	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Pension Contributions (Unaudited)

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 748,411	$ 492,706	$ 443,324	$ 495,643	$ 478,772	$ 758,476	$ 628,838	$ 587,850	$ 656,241
Contributions in relation to the contractually required contribution	748,411	492,706	443,324	495,643	478,772	758,476	628,838	587,850	656,241
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,481,503	$ 3,058,386	$ 3,024,038	$ 3,520,192	$ 3,969,917	$ 6,438,676	$ 6,319,979	$ 6,220,481	$ 6,316,080
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2023

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

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

Measurement date – June 30, 2021
The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

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

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

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

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

The mortality rate assumptions were changed as follows:

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

Measurement Date – June 30, 2017

The mortality rates were changed as follows:

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

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

- Disability – did not change

Measurement Date – June 30, 2016

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

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

Measurement Date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

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

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

Note 2 - **Other Information**

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

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

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

State Retirees' Benefit Trust

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.046%	0.043%	0.049%	0.073%	0.129%	0.115%
Proportionate share of the collective net OPEB liability	$ 6,127,966	$ 6,828,775	$ 10,126,090	$ 13,263,795	$ 24,011,542	$ 20,063,487
College's covered payroll	$ 3,058,386	$ 3,024,038	$ 3,520,192	$ 3,969,917	$ 6,438,676	$ 6,319,979
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

NORTHERN ESSEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of OPEB Contributions (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 326,151	$ 233,992	$ 232,795	$ 256,755	$ 349,118	$ 574,256
Contributions in relation to the statutorily required contribution	(326,151)	(233,992)	(232,795)	(256,755)	(349,118)	(574,256)
Contribution (excess)/deficit	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 4,481,503	$ 3,058,386	$ 3,024,038	$ 3,520,192	$ 3,969,917	$ 6,438,676
Contribution as a percentage of covered payroll	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2023

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

Measurement date – June 30, 2022

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Discount Rate

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

Measurement date – June 30, 2021

Change in per Capita Claims Costs

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

Change in Medical Trend Rates

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

Change in Investment Rate

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

Change in Mortality Rates

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

Change in Discount Rate

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

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

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

June 30, 2023

Measurement date – June 30, 2020

Change in per capita claims costs

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

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Measurement date - June 30, 2019

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

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

Measurement date - June 30, 2018
Change in Trend on Future Costs
The healthcare trend rate decreased from 8.5% to 8.0%, which affects the high-cost excise tax.

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

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

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

Measurement date – June 30, 2017
Change in Discount Rate
The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

Note 2 - **Other Information**

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements and business-type activities of Northern Essex Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



January 18, 2024