NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2020

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

Financial Statements

June 30, 2020 and 2019

C O N T E N T S

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented major component unit of North Shore Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the years ending June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2020 and 2019, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the financial statements, the Commonwealth of Massachusetts notified the College that the calculation of postemployment benefits other than pensions as of June 30, 2019 was misstated. Our opinion is not modified with respect to that matter.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 20, 2020

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

The following discussion and analysis provide management's view of the financial position of North Shore Community College, (the "College") as of June 30, 2020 and 2019, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

North Shore Community College is a public institution of higher education serving 9,978 credit and noncredit students annually with 118 full-time faculty, 297 part-time faculty, 279 full-time staff and 120 part-time staff members. Campuses are located in Danvers, Lynn, and Middleton, Massachusetts. In addition, the College offers programs and courses in off-site locations throughout the greater North Shore area; courses are offered in many modalities including online, hybrid and traditional classes on its campuses. The College offers 70 credit programs leading to Associate of Arts, Associate of Science, and Associate of Applied Science degrees and one-year certificates. In addition, the College offers approximately 413 noncredit workforce development and recreational courses.

Financial Highlights

- At June 30, 2020 and 2019, the College's assets of $115,372,811 and $106,641,830, respectively, exceeded its liabilities of $33,852,220 and $44,701,286 by $81,520,591 and $61,940,544, respectively. The resulting net position is summarized into the following categories: net investment in capital assets, restricted (expendable and nonexpendable), and unrestricted.
- The College's total net position increased by $10,277,885 in FY20 compared to an increase of $752,938 in FY19 (restated). This increase was primarily the result of an increase of approximately $2.1M restricted and unrestricted State appropriations and $4.7M in State capital appropriations and an increase in grants and contracts of $2.7M in the current year. Please refer to Note 2 – for details of the OPEB calculation adjustment to FY19 and the effects of the correction.
- The unrestricted net position for FY20 increased by $5,063,387 to ($9,590,376) compared to the increase in the unrestricted net position of $1,642,150 to ($14,653,763) for FY19. The decrease in FY20 was primarily the result of increase in investment in capital assets and reductions in bonds payable. The increase in the unrestricted net position in FY19 was primarily due to the recording of the College's OPEB liability.

Overview of the Financial Statements

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

North Shore Community College Foundation (the "Foundation") is a legally separate tax-exempt affiliated unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

The Financial Statements

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

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

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

The Statements of Cash Flows are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services). GASB requires this method to be used. The Foundation is not required to present the statements of cash flows.

The financial statements can be found on pages 14 to 18 of this report.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 19 to 56 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of the North Shore Community College, assets exceeded liabilities and deferred inflows/outflows by $73,882,109 and $63,604,224 at the close of FY20 and FY19, respectively.

Net investment in capital assets represents capital assets net of related debt and is by far the largest portion of the College's net position in fiscal year 2020 and 2019, representing, 111% and 122%, or $82,233,775 and $77,646,099, respectively. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings, which are obligations of the Commonwealth, are not reflected in these financial statements.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2020 and 2019

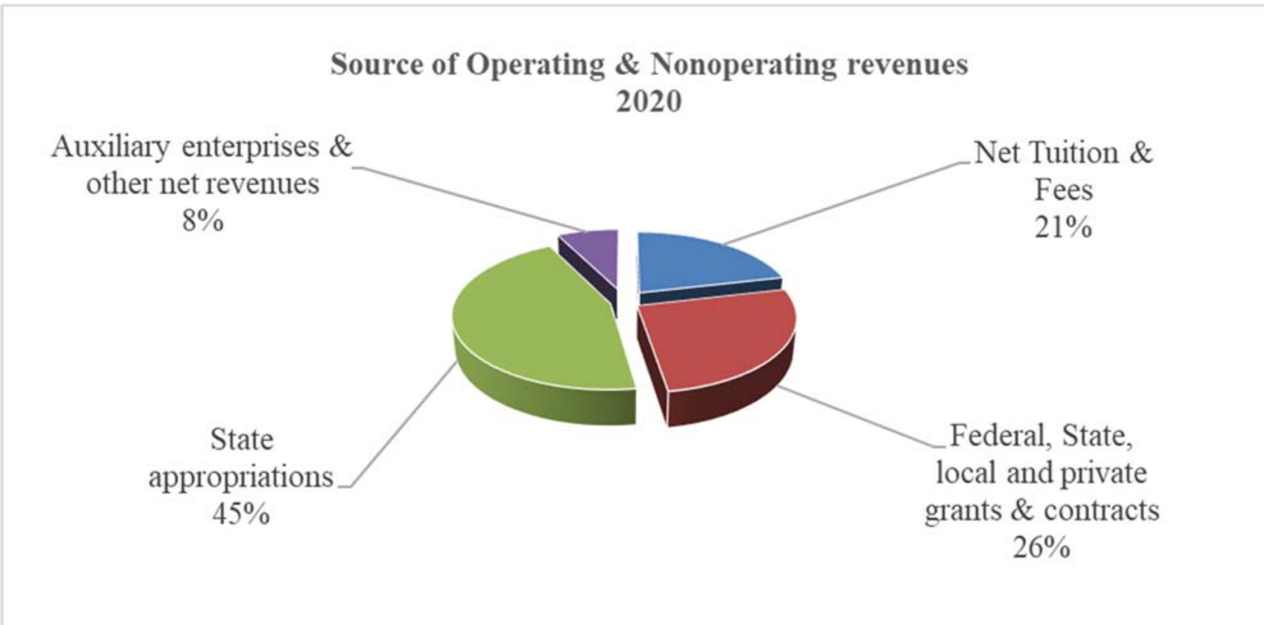
(Unaudited)

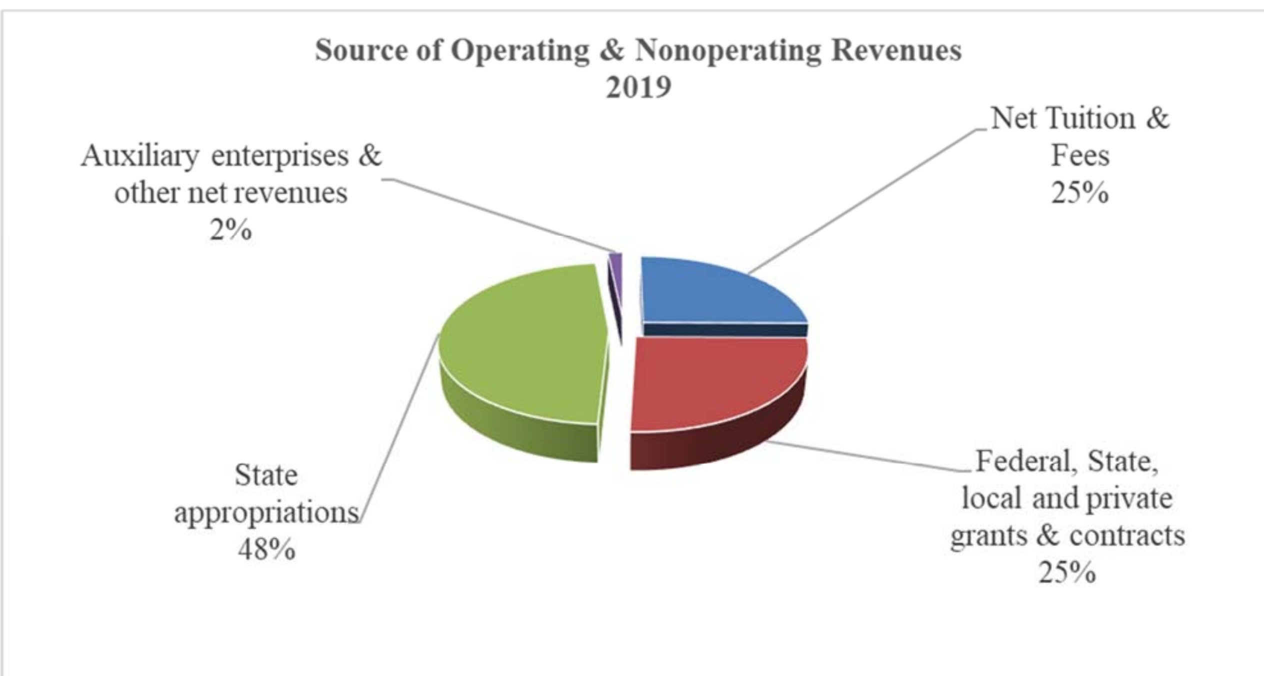
Condensed Financial Information

	Fiscal Year 2020	Restated Fiscal Year 2019	Fiscal Year 2018
Current assets	$ 29,668,627	$ 24,551,325	$ 21,317,883
Noncurrent assets	85,704,184	82,090,505	84,177,111
Deferred Outflows of Resources	4,296,880	5,503,026	4,740,805
Total assets and deferred outflow	$ 119,669,691	$ 112,144,856	$ 110,235,799
Current liabilities	$ 8,147,968	$ 8,181,732	$ 8,451,974
Noncurrent liabilities	25,704,252	32,248,354	34,455,243
Deferred inflows of resources	11,935,362	3,839,346	4,477,296
Total liabilities and deferred inflo	$ 45,787,582	$ 44,269,432	$ 47,384,513
Net position:			
Net investment in capital assets	$ 82,233,775	$ 77,646,099	$ 78,758,708
Resticted, expendable	1,238,710	611,888	388,491
Unrestricted	(9,590,376)	(14,653,763)	(16,295,913)
Total Net Position	$ 73,882,109	$ 63,604,224	$ 62,851,286
Total Operating Revenues	$ 34,670,979	$ 33,569,486	$ 35,023,151
Total Operating Expenses	63,812,586	64,697,819	64,771,339
Net operating loss	(29,141,607)	(31,128,333)	(29,748,188)
Net nonoperating revenues	34,338,190	31,506,597	29,369,656
Change in net position before capital appropriations	5,196,583	378,264	(378,532)
Capital Appropriation	5,081,302	374,674	1,436,409
Increase in net position	10,277,885	752,938	1,057,877
Statement of net position:			
Net Position, Beginning of Year	63,604,224	62,851,286	61,793,409
Net Position, End of Year	$ 73,882,109	$ 63,604,224	$ 62,851,286

Sources of Revenue

Major sources of revenue for the College are Tuition and Fees and the State Appropriation. Tuition is set by the Board of Higher Education at $25.00 per credit for both fiscal year 2020 and 2019. Fees are set by the College's Board of Trustees at $194.00 for FY20 and $190.00 for FY19, per credit for the Fall and Spring semesters.


Source of Operating & Nonoperating revenues
2020
Auxiliary enterprises & other net revenues 8%
Net Tuition & Fees 21%
State appropriations 45%
Federal, State, local and private grants & contracts 26%


Source of Operating & Nonoperating Revenues
2019
Auxiliary enterprises & other net revenues 2%
Net Tuition & Fees 25%
State appropriations 48%
Federal, State, local and private grants & contracts 25%

Highlights of operating revenue activity include:

- A slight decrease of 0.2% or $60,209 in FY20 in tuition and fees before scholarship allowances as compared to a 3.1% decrease or $796,812 in FY19. For both years, this decrease is due to slightly higher fees to offset the decline in enrollment.

	June 30		
	2020	**2019**	**2018**
Tuition and fees	$ 24,995,718	$ 25,055,927	25,852,739

- A significant increase of 16% or $2,721,787 in federal, state, local, and private grants and contracts in FY20, compared to an increase of 0.5% or $85,563 in FY2019. This change is primarily due to an increase in federal funding, including the Higher Ed Emergency Relief CARES act award expenditures and state funding, including a significant increase for Career Pathways.

Major grants and contracts received by the College for FY20 included the following:

<u>The Foundation</u>

- Bertolon Foundation, $306,520
- GE Foundation, $291,500

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

- Career Pathways, $1,807,195

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

- Vocational Education, $265,111

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

- PIF Prior Learning Assessment, $214,199
- STEM Starter Academy, $315,360
- TRAIN, $204,491

<u>Massachusetts Executive Office of Education</u>

- Mass Skills Capital, $323,426

NORTH SHORE COMMUNITY COLLEGE

Major grants and contracts revenue, cont.

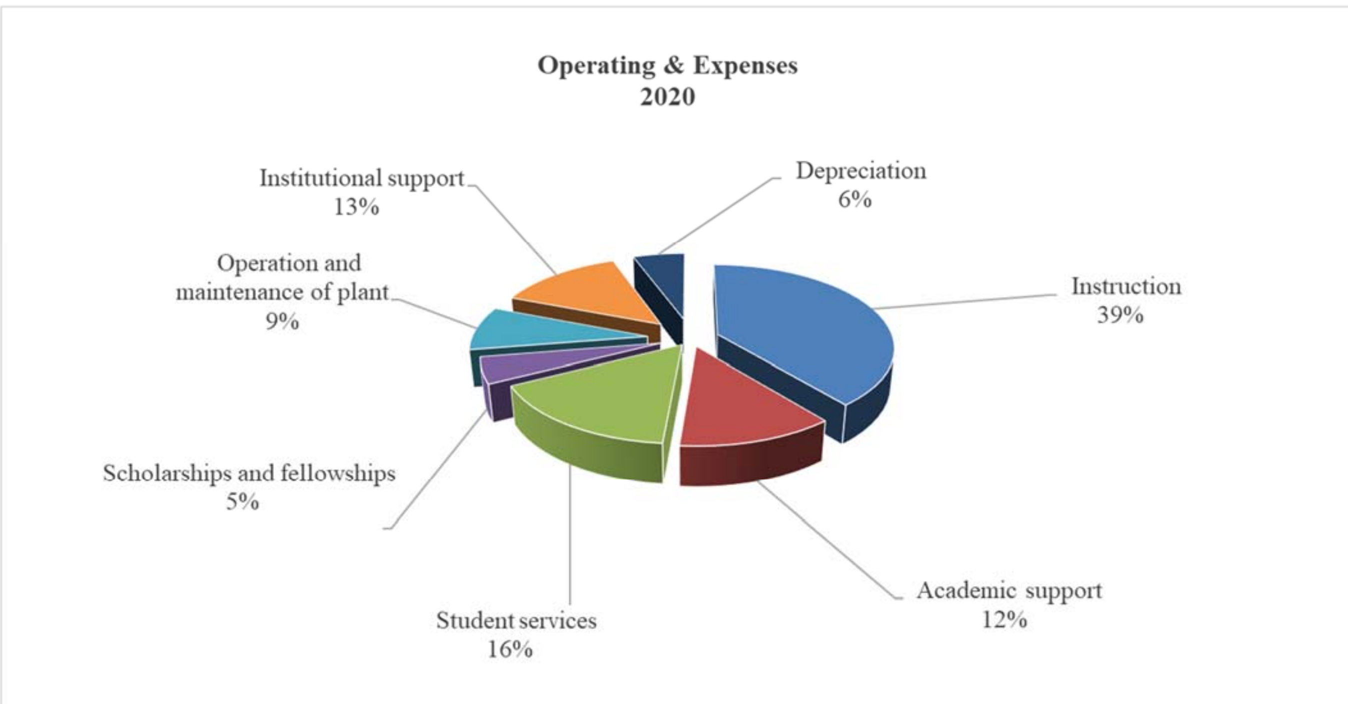
U. S. Department of Education

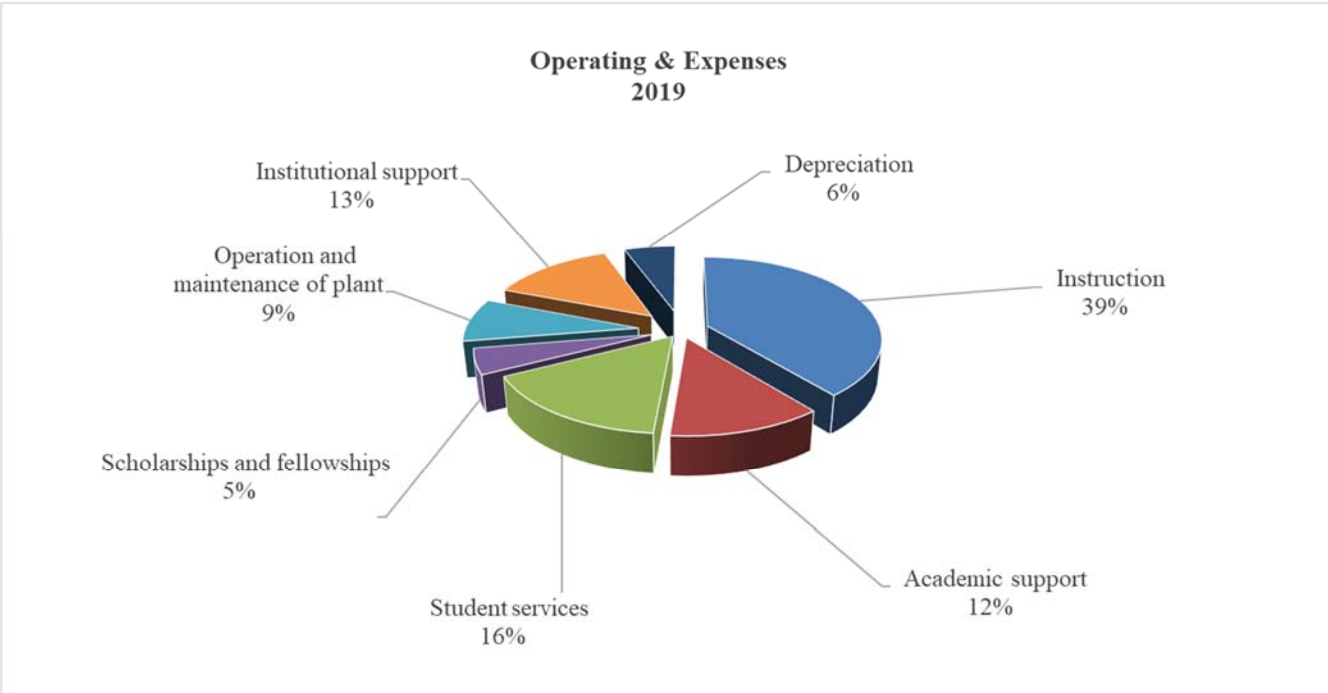
- Student Support, $549,937
- Talent Search, $329,753
- Upward Bound, $414,683
- Title III, 286,128
- Higher Ed Emergency Relief Fund, 742,650
- Higher Ed Relief Fund, $63,478

U. S. Department of Labor

- Tech Hire, $164,234

Operating Expenses





Highlights of operating expense activity include:

- A decrease in instruction expense of 1.3% or $322,032 due to a reduction in pension and OPEB expenses in FY20 over FY19. This compares to an increase in FY19 of 3.1% or $772,775 in instruction expenditures over the prior year for increases in pension and OPEB expenses.
- A slight increase in academic support expenditures of 0.6% or $49,100 in in FY20. This compares to an increase of 10.5% or $753,441 in FY19. The increases for both years are attributed to expenses relating to retention initiatives and adjustments for OPEB benefits expenses.
- A slight increase in student support services of 0.5% or $54,067 in FY20. This compares to an increase of 5.3% or $526,230 in FY19. The increases for both years are the result of continued efforts for student retention and recruitment and adjustments for OPEB benefits expenses. FY20 expenses included tools for students for on-line coursework due to the pandemic.
- A decrease in scholarships and fellowships of 9.1% or $292,924 in FY20 is due in part to less federal grant funding to students. This compares to an increase of 9.8% or $287,392 in FY2019 due to more scholarships and grants awarded to students.
- A slight increase in expenditures for operation and maintenance of plant of 0.5% or $29,317 in FY20 primarily due to pandemic related expenses. This compares to an increase of 3.8% or $203,314 expenditures to complete the new Lynn bookstore space and greenhouse projects.

- A decrease of 4.0% or 345,700 in expenditures for institutional support in FY20 due to purposeful delays in hiring vacant positions and adjustments for OPEB benefits expenses. This compares to a decrease of 6.5% or $607,772 in FY19 due continuing the trend of not backfilling some vacant positions. These measures were put in place to offset decreases in enrollment.

For non-operating revenues and expenses, the Commonwealth's total appropriations increased by 6.8% or $1,205,554 compared to 3% or $980,961 in FY20 and FY19, respectively. This was primarily due to additional grant funding. The College received capital appropriations through the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") of $5,081,302 and $374,674 as of June 30, 2020 and 2019, respectively.

The Commonwealth's fringe benefits provided for employees on the Commonwealth's payroll increased in FY20 by 8.5% or $637,997 to $8,176,637 compared to an increase 4.5% or $329,830 to $7,538,640 in FY19.

In FY20, the fringe benefit rate was 37.91%, a 3.5% increase over FY19. The rate was 36.62% in FY19, which was a slight increase of .35 points to 36.62% from 36.27% in FY18.

Net investment income increased in FY20 by 18% or $16,387 compared to an increase in FY19 100.07% or $46,982.

Loss from Operations

Because generally accepted accounting principles requires state appropriations to be presented as non-operating revenues, the College incurred a loss from operations in FY20 and FY19. The Massachusetts Board of Higher Education presets tuition rates, and the College's Board of Trustees sets fees and other charges. Commonwealth appropriations to the College made up the loss from operations not made up by tuition and fees.

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

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2020 and 2019 amounts to $85,704,182 and $82,090,503, respectively, net of accumulated depreciation. These investments in capital assets includes land, building (including improvements), furnishings, and equipment.

The College recognized $5,081,302, in capital assets funded by the DCAMM in FY20 and $374,674 in FY19. In fiscal year 2020, this amount represented the majority of the work resulting in the Lynn Campus electrical infrastructure upgrade. In fiscal year 2019, the expansion of the Lynn Campus McGee Building was completed, and the Lynn electrical infrastructure upgrade began.

Debt

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

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

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

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

The debt was to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry building. The total project cost is estimated to be $559,000, which will be funded from two sources:

(1) grants from DCAMM in the amount of $410,950 and (2) a financing agreement with Century Bank secured by the College in the amount of $148,050.

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

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

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

Requests for Information

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

NORTH SHORE COMMUNITY COLLEGE

Statements of Net Position

June 30, 2020 and 2019

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

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
		(Restated)		
	2020 College	2019 College	**2020 Foundation**	2019 Foundation
Current Assets:				
Cash and equivalents	**$ 26,027,245**	$ 21,620,236	**$ 808,556**	$ 1,006,315
Cash held by State Treasurer	**1,057,350**	912,211	**-**	-
Investments	**377,785**	372,652	**-**	-
Accounts receivable, net	**1,928,400**	1,378,159	**-**	-
Pledges receivable, current	**-**	-	**335,700**	311,150
Other current assets	**277,847**	268,067	**-**	11,950
Total Current Assets	**29,668,627**	24,551,325	**1,144,256**	1,329,415
Noncurrent Assets:				
Funds held by bond trustee - restricted	**2**	2	**-**	-
Investments	**-**	-	**9,170,739**	8,639,533
Pledges receivable, net of current	**-**	-	**32,535**	7,174
Capital assets, net	**85,704,182**	82,090,503	**-**	-
Total Noncurrent Assets	**85,704,184**	82,090,505	**9,203,274**	8,646,707
Total Assets	**115,372,811**	106,641,830	**10,347,530**	9,976,122
Deferred Outflows of Resources:				
Pension related, net	**1,362,018**	2,119,436	**-**	-
OPEB related, net	**2,934,862**	3,383,590	**-**	-
Total Deferred Outflows of Resources	**4,296,880**	5,503,026	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 119,669,691**	$ 112,144,856	**$ 10,347,530**	$ 9,976,122

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
		(Restated)		
	2020 College	2019 College	**2020 Foundation**	2019 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	**$1,949,309**	$ 1,549,616	**$ 158,892**	$ 133,899
Accrued payroll	**2,161,050**	2,051,020	-	-
Compensated absences and workers' compensation	**2,439,420**	2,362,976	-	-
Students' deposits and unearned revenues	**627,115**	1,233,258	-	-
Current portion of bonds payable	**732,550**	732,550	-	-
Current portion of note payable	**238,524**	241,447	-	-
Total Current Liabilities	**8,147,968**	8,170,867	**158,892**	133,899
Noncurrent Liabilities:				
Compensated absences and workers' compensation	**1,519,991**	1,518,164	-	-
Bonds payable	**2,499,335**	3,231,885	-	-
Notes payable	**-**	238,524	-	-
Net pension liability	**7,516,002**	9,893,341	-	-
Net OPEB liability	**14,168,924**	21,648,505	-	-
Total Noncurrent Liabilities	**25,704,252**	36,530,419	-	-
Total Liabilities	**33,852,220**	44,701,286	**158,892**	133,899
Deferred Inflows of Resources:				
Pension related, net	**3,330,150**	1,932,587	-	-
OPEB related, net	**8,605,212**	1,906,759	-	-
Total Deferred Inflows of Resources	**11,935,362**	3,839,346	-	-
Total Liabilities and Deferred Inflows of Resources	**45,787,582**	48,540,632	**158,892**	133,899
Net Position:				
Net investment in capital assets	**82,233,775**	77,646,099	-	-
Restricted:				
Expendable	**1,238,710**	611,888	**6,835,924**	6,608,243
Nonexpendable	**-**	-	**2,487,192**	2,354,881
Unrestricted	**(9,590,376)**	(14,653,763)	**865,522**	879,099
Total Net Position	**73,882,109**	63,604,224	**10,188,638**	9,842,223
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 119,669,691**	$ 112,144,856	**$ 10,347,530**	$ 9,976,122

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

Statements of Revenues and Expenses

For the Years Ended June 30,

	Primary Government		Component Unit	
	2020 College	(Restated) 2019 College	**2020 Foundation**	2019 Foundation
Operating Revenues:				
Tuition and fees	**$24,995,718**	$ 25,055,927	**$ -**	$ -
Less: scholarship allowances	**(9,175,764)**	(8,574,280)	**-**	-
Net tuition and fees	**15,819,954**	16,481,647	**-**	-
Grants and contracts	**18,586,599**	16,670,940	**-**	-
Other	**256,418**	398,880	**807,991**	1,340,530
Auxiliary operations	**8,008**	18,019	**-**	-
Total Operating Revenues	**34,670,979**	33,569,486	**807,991**	1,340,530
Operating Expenses:				
Instruction	**24,995,414**	25,317,446	**-**	-
Academic support	**7,959,821**	7,910,721	**-**	-
Student services	**10,468,834**	10,414,767	**-**	-
Scholarships and fellowships	**2,923,859**	3,216,783	**594,433**	246,583
Operation and maintenance of plant	**5,527,216**	5,497,899	**-**	-
Institutional support	**8,383,771**	8,729,471	**58,013**	69,500
Depreciation	**3,553,671**	3,610,732	**-**	-
Total Operating Expenses	**63,812,586**	64,697,819	**652,446**	316,083
Operating Loss	**(29,141,607)**	(31,128,333)	**155,545**	1,024,447
Nonoperating Revenues (Expenses):				
Federal grants	**806,128**	-	**-**	-
State appropriations - unrestricted	**31,757,468**	30,826,255	**-**	-
State appropriations - restricted	**1,588,447**	382,893	**-**	-
Net investment income	**107,268**	90,881	**433,790**	602,770
Interest expense	**(164,041)**	(188,693)	**-**	-
Payments from Foundation	**242,920**	395,261	**(242,920)**	(395,261)
Net Nonoperating Revenues	**34,338,190**	31,506,597	**190,870**	207,509
Change in Net Position Before Capital Appropriations	**5,196,583**	378,264	**346,415**	1,231,956
Capital Appropriations	**5,081,302**	374,674	**-**	-
Change in Net Position	**$ 10,277,885**	$ 752,938	**$ 346,415**	$ 1,231,956

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

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

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	College				
	Investment in capital assets, net	Restricted Expendable	Restricted Non-expendable	Unrestricted Net Position	Total
Balance at June 30, 2018	**$ 78,758,708**	**$ 388,491**	**$ -**	**$ (16,295,913)**	**$ 62,851,286**
Changes in net position, as previously reported	(1,112,609)	223,397	-	2,379,835	1,490,623
Balance at June 30, 2019, as previously reported	**77,646,099**	**611,888**	**-**	**(13,916,078)**	**64,341,909**
Prior period adjustment - See Note 2	-	-	-	(737,685)	(737,685)
Balance at June 30, 2019, as restated	**77,646,099**	**611,888**	**-**	**(14,653,763)**	**63,604,224**
Changes in net position	4,587,676	626,822	-	5,063,387	10,277,885
Balance at June 30, 2020	**$ 82,233,775**	**$ 1,238,710**	**$ -**	**$ (9,590,376)**	**$ 73,882,109**

	Foundation				
	Investment in capital assets, net	Restricted Expendable	Restricted Non-expendable	Unrestricted Net Position	Total
Balance at June 30, 2018	**$ -**	**$ 5,357,417**	**$ 2,341,465**	**$ 911,385**	**$ 8,610,267**
Changes in net position	-	1,250,826	13,416	(32,286)	1,231,956
Balance at June 30, 2019	**-**	**6,608,243**	**2,354,881**	**879,099**	**9,842,223**
Changes in net position	-	227,681	132,311	(13,577)	346,415
Balance at June 30, 2020	**$ -**	**$ 6,835,924**	**$ 2,487,192**	**$ 865,522**	**$ 10,188,638**

See accompanying notes to the financial statements.

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
		(Restated)
	2020	2019
	College	College
Cash Flows from Operating Activities:		
Tuition and fees	**$ 15,934,107**	$ 16,501,624
Grants and contracts	**17,315,814**	16,413,955
Payments to suppliers	**(11,878,314)**	(9,530,055)
Payments to employees	**(37,256,649)**	(39,524,813)
Payments to students	**(2,923,859)**	(3,216,783)
Other cash receipts	**264,674**	444,665
Net Cash Used by Operating Activities	**(18,544,227)**	(18,911,407)
Cash Flows from Noncapital Financing Activities:		
Federal grants	**806,128**	-
State appropriations	**25,169,278**	23,670,508
Payments from Foundation	**242,920**	395,261
Net Cash Provided by Noncapital Financing Activities	**26,218,326**	24,065,769
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	**(2,086,048)**	(1,149,452)
Principal paid on capital debt	**(973,997)**	(977,488)
Interest paid on capital debt	**(169,174)**	(188,693)
Net Cash Used by Capital Financing Activities	**(3,229,219)**	(2,315,633)
Cash Flows from Investing Activity:		
Interest income	**107,268**	90,881
Net Change in Cash and Equivalents	**4,552,148**	2,929,610
Cash and Equivalents, Beginning of Year	**22,532,447**	19,602,837
Cash and Equivalents, End of Year	**$ 27,084,595**	$ 22,532,447

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	Primary Government	
		(Restated)
	2020	2019
	College	College
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	**$ (29,141,607)**	$ (31,128,333)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	**3,553,671**	3,610,732
Bad debt	**129,953**	173,967
Fringe benefits provided by the State	**8,176,637**	7,538,640
Pension activity	**(222,358)**	348,929
OPEB activity	**(332,400)**	1,356,144
Changes in assets and liabilities:		
Accounts receivable	**(680,194)**	(618,045)
Other current assets	**(9,780)**	143,736
Accounts payable and accrued liabilities	**399,693**	85,510
Accrued payroll	**110,030**	(593,322)
Compensated absences and workers' compensation	**78,271**	(64,201)
Students' deposits and unearned revenues	**(606,143)**	234,836
Net Cash Used by Operating Activities	**$ (18,544,227)**	$ (18,911,407)
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	**$ 26,027,245**	$ 21,620,236
Cash held by State Treasurer	**1,057,350**	912,211
Cash and Equivalents, End of Year	**$ 27,084,595**	$ 22,532,447
Noncash Transactions:		
Fringe benefits provided by the State	**$ 8,176,637**	$ 7,538,640
Capital appropriations used to acquire capital assets	**$ 5,081,302**	$ 374,674

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

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

Organization

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

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 30, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester and the 2020 summer semester taught online.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded $3,446,732 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is eligible for the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operation is due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended $742,650 for emergency grants to students and $63,478 for institutional costs from the HEERF funds.

Basis of Presentation

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

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

Basis of Presentation - continued
Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis; basic financial statements including the College's discretely presented component units and required supplementary information. The College presents statements of net position, revenues and expenses, and changes in net position, and cash flows on a combined college-wide basis.

The College's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

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

<u>Basis of Presentation - continued</u>
North Shore Community College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2020 and 2019, the Foundation provided $242,920 and $395,261, respectively, to the College for both restricted and unrestricted purposes.

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

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

<u>Net investment in capital assets:</u> Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

<u>Restricted - nonexpendable:</u> Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

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

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

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

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

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

Investments
Investments in marketable securities, including funds held by bond trustee, are stated at fair value.

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

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

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

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

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined based on loss experience, known and inherent risks, and current economic conditions.

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

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 capitalized during the construction period. College capital assets, except for land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Compensated Absences
Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2020 and 2019. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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

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

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

Tax Status
The College is a governmental component unit of the Commonwealth and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

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

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

Adoption of New Governmental Accounting Pronouncement
The College adopted GASB Statement 84 – *Fiduciary Activities*. The objective of this statement is to establish the criteria for identifying and reporting fiduciary activities. The implementation of this statement did not have a material effect on the financial statements.

New Governmental Account Pronouncements
GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

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

New Governmental Account Pronouncements - continued
GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

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

GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use-asset and a corresponding liability would be recognized for SBITAs. Management has not completed its review of the requirements of this standard and its applicability.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Reclassification
Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, however, there was no change to the net position.

Note 2 - **Prior Period Adjustment**

Management of the College was notified of an error in the calculation of OPEB for the year ended June 30, 2019. The calculation is prepared by a third party and the College receives an allocation of its liability from the Commonwealth. The error did not have an effect on the calculation of OPEB as of June 30, 2018.

The table below presents the effects of the corrections made to the previously issued financial statements:

	As Previously Reported at June 30, 2019	Correction of the Error	As Restated at June 30, 2019
Statements of Net Position:			
Deferred outflows of resources related to OPEB	$ 3,362,855	$ 20,735	$ 3,383,590
Deferred inflows of resources related to OPEB	5,419,538	(3,512,779)	1,906,759
Net OPEB liability	17,377,306	4,271,199	21,648,505
Unrestricted net position	(13,916,078)	(737,685)	(14,653,763)
Statements of Revenues and Expenses:			
Operating expenses	63,960,134	737,685	64,697,819

Note 3 - **Cash and Investments**

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

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

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

	2020	2019
Cash on deposit	**$ 24,584,997**	$ 20,201,831
MMDT		
Trust Fund	**1,442,248**	1,418,405
Total Cash and Equivalents	**26,027,245**	21,620,236
Certificates of Deposit	**377,785**	372,652
Funds Held by Bond Trustee	**2**	2
Total Deposits and Investments	**$ 26,405,032**	$ 21,992,890

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank's failure, the College's deposits and investments might not be recovered. Deposits and investments are made in domestic banks that are federally insured including some Massachusetts banks that are insured with supplemental insurance for those accounts exceeding the federally insured limits. The bank balances of the deposits and investments at June 30, 2020 and 2019 amounted to $25,109,808 and $21,003,574 respectively, of which $171,957 and $124,783, respectively, was exposed to custodial credit risk. The College does not have a written policy to mitigate custodial credit risk.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All investments at June 30, 2020 and 2019 have an original maturity of one year or less. The College does not have a written policy to mitigate interest rate risk.

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

		2020	
		Quality Ratings	
Rated Debt Investments	**Fair Value**	**AAA**	**Unrated**
Certificates of deposit	$ 377,785	$ -	$ 372,652

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

Disclosure of Credit Risk of Debt Securities - continued

	2019		
		Quality Ratings	
Rated Debt Investments	**Fair Value**	**AAA**	**Unrated**
Certificates of deposit	$ 372,652	$ -	$ 369,139

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

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

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

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

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

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

Fair Value Hierarchy - continued
At June 30, 2020 and 2019, all investments are categorized in Level 2 of the fair value hierarchy and mature in less than one year.

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

	2020	2019
Commonfund investments	**$ 4,908,104**	$ 4,811,798
Equity securities	**1,613,412**	1,564,869
Fixed income securities	**2,649,223**	2,262,866
	$ 9,170,739	$ 8,639,533

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $1,057,350 and $912,211 at June 30, 2020 and 2019, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	2020	2019
Student accounts receivable	**$ 2,758,251**	$ 3,159,402
Grants receivable	**1,406,878**	325,285
Other receivables	**1,403**	1,651
	4,166,532	3,486,338
Less: allowance for doubtful accounts	**(2,238,132)**	(2,108,179)
	$ 1,928,400	$ 1,378,159

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 6 - **Capital Assets**

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

	2020					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 13,842,077	$ -	$ -	$ -	$ 13,842,077
Construction in progress	-	441,508	5,504,871	-	(66,888)	5,879,491
Total non-depreciable assets		14,283,585	5,504,871	-	(66,888)	19,721,568
Capital assets, depreciated:						
Buildings and improvements	20-40	119,078,946	570,401	-	65,606	119,714,953
Furnishings and equipment	3-10	11,607,621	1,092,078	-	1,282	12,700,981
Educational resource materials	5	505,463	-	-	-	505,463
Total depreciable assets		131,192,030	1,662,479	-	66,888	132,921,397
Total capital assets		145,475,615	7,167,350	-	-	152,642,965
Less: accumulated depreciation:						
Buildings and improvements		(52,371,390)	(3,058,984)	-	-	(55,430,374)
Furnishings and equipment		(10,508,259)	(494,687)	-	-	(11,002,946)
Educational resource materials		(505,463)	-	-	-	(505,463)
Total accumulated depreciation		(63,385,112)	(3,553,671)	-	-	(66,938,783)
Capital assets, net		$ 82,090,503	$ 3,613,679	$ -	$ -	$ 85,704,182

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 6 - **Capital Assets - Continued**

	2019					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 13,842,077	-	-	-	13,842,077
Construction in progress	-	843,021	425,007	-	(826,520)	441,508
Total non-depreciable assets		14,685,098	425,007	-	(826,520)	14,283,585
Capital assets, depreciated:						
Buildings and improvements	20-40	117,904,160	593,454	-	581,332	119,078,946
Furnishings and equipment	3-10	10,856,768	505,665	-	245,188	11,607,621
Educational resource materials	5	505,463	-	-	-	505,463
Total depreciable assets		129,266,391	1,099,119	-	826,520	131,192,030
Total capital assets		143,951,489	1,524,126	-	-	145,475,615
Less: accumulated depreciation:						
Buildings and improvements		(49,155,723)	(3,215,667)	-	-	(52,371,390)
Furnishings and equipment		(10,113,194)	(395,065)	-	-	(10,508,259)
Educational resource materials		(505,463)	-	-	-	(505,463)
Total accumulated depreciation		(59,774,380)	(3,610,732)	-	-	(63,385,112)
Capital assets, net		$ 84,177,109	$ (2,086,606)	$ -	$ -	$ 82,090,503

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 7 - **Long-Term Liabilities**

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

	2020				
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**
Bonds and notes payable:					
Bonds payable	**$ 3,964,435**	**$ -**	**$ 732,550**	**$ 3,231,885**	**$ 732,550**
Notes payable	**479,971**	**-**	**241,447**	**238,524**	**238,524**
Total bonds and notes payable	**4,444,406**	**-**	**973,997**	**3,470,409**	**971,074**
Other long-term liabilities:					
Compensated absences	**3,513,963**	**110,920**	**-**	**3,624,883**	**2,380,019**
Workers' compensation	**367,177**	**-**	**32,649**	**334,528**	**59,401**
Net pension liability	**9,893,341**	**-**	**2,377,339**	**7,516,002**	**-**
Net OPEB liability	**21,648,505**	**-**	**7,479,581**	**14,168,924**	**-**
Total other long-term liabilities	**35,422,986**	**110,920**	**9,889,569**	**25,644,337**	**2,439,420**
Total long-term liabilities	**$39,867,392**	**$ 110,920**	**$ 10,863,566**	**$ 29,114,746**	**$ 3,410,494**

	2019				
	Beginning Balance	Additions	Reductions	(Restated) Ending Balance	Current Portion
Bonds and notes payable:					
Bonds payable	$ 4,696,985	$ -	$ 732,550	$ 3,964,435	$ 732,550
Notes payable	721,418	-	241,447	479,971	241,447
Total bonds and notes payable	5,418,403	-	973,997	4,444,406	973,997
Other long-term liabilities:					
Compensated absences	3,579,880	-	65,917	3,513,963	2,302,998
Workers' compensation	365,461	1,716	-	367,177	59,978
Net pension liability	9,655,877	237,464	-	9,893,341	-
Net OPEB liability	18,780,725	2,867,780	-	21,648,505	-
Total other long-term liabilities	32,381,943	3,106,960	65,917	35,422,986	2,362,976
Total long-term liabilities	$ 37,800,346	$ 3,106,960	$ 1,039,914	$ 39,867,392	$ 3,336,973

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

Bonds Payable
On December 30, 2013, the College issued $3,288,490 of Series E and $4,494,695 of Series F bonds with fixed rates of 3.08% and 3.79%, respectively (at a true cost of 3.685%). The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the 2010 Series B and Series C bonds. Principal is payable semi-annually through October 1, 2026 for the Series E bonds and October 1, 2022 for the Series F bonds. Interest is payable monthly. The refunding did not result in a material difference between the reacquisition price and the net carrying amount of the previous debt. The College completed the refunding to reduce its total debt service payments over the next 14 years by $1,391,155 and to obtain an economic gain of $697,971. The balance of the Series E and F bonds at June 30, 2020 and 2019 was $3,160,816 and $3,871,950, respectively.

In 2011, the College issued $148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027 and bears interest at a rate of 3.5%. The debt proceeds plus a grant of $410,950 from the Commonwealth’s Division of Capital Asset Management and Maintenance (“DCAMM”) was used to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry Building. The balance of the Series 2010A-9 bonds at June 30, 2020 and 2019 was $45,656 and $54,365, respectively.

In 2008, the College issued $190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually through December 31, 2021 and does not bear interest. The bond proceeds, plus a grant in the amount of $358,100 from the Massachusetts Technology Collaborative, was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium. The balance of the Series 2007A bonds at June 30, 2020 and 2019 was $25,413 and $38,120, respectively. Interest has not been imputed due to lack of materiality.

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

Notes Payable

In fiscal 2011, the College entered into an agreement with DCAMM to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. The College added $1,966,772 to its debt obligations for a 10-year note for the CEIP. The note represents 55% of the total obligation of $3,566,772 for equipment, design and installation of mechanical, electrical, controls, and plumbing conservation measures at the Lynn and Danvers Campuses. Under the terms of the agreement, the remaining 45%, or approximately $1,600,000, of the obligation is the responsibility of DCAMM. The balance of this note at June 30, 2020 and 2019 was $238,524 and $479,971, respectively.

Principal and Interest

As of June 30, 2020, principal and interest due on bonds and notes payable for the next five years and in subsequent five-year periods are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2021	$ 971,074	$ 116,464
2022	732,549	81,214
2023	537,148	57,162
2024	354,455	41,662
2025	354,455	28,066
2026 - 2027	520,728	16,691
	$ 3,470,409	$ 341,259

Total interest expense was $164,041 and $188,693 for the years ending June 30, 2020 and 2019, respectively.

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

Operating Leases
The College has entered into lease agreements for academic space for the Middleton and Lynn Campuses, and equipment for various departments. Future minimum lease payments as of June 30, 2020 are as follows:

Fiscal Years Ending June 30,	Operating Leases
2021	58,541
2022	23,211
	$ 81,752

Rental expense for operating leases was $235,191 and $230,713 for the years ending June 30, 2020 and 2019, respectively.

Note 8 - **Pension**

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

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

Note 8 - **Pension - Continued**

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

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

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

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

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

Note 8 - **Pension - Continued**

Contributions - continued
The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $3,244,841, $2,605,790 and $2,436,024, for the years ended June 30, 2020, 2019 and 2018, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.08%, 12.06% and 11.78% of annual covered payroll for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. The College contributed $457,379, $511,444 and $683,826 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 77%, 76% and 77% of total related payroll for fiscal years end 2020, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020 and 2019, the College reported a liability of $7,516,002 and $9,893,341, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, 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, 2018 rolled forward to June 30, 2018.

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.05% and 0.07%, respectively.

Note 8 - **Pension - Continued**

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

For the years ended June 30, 2020 and 2019, the College recognized pension expense of $235,019 and $860,377, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	2020	2019
Deferred Outflows of Resources Related to Pension		
Contributions made after the measurement date	**$ 457,379**	$ 511,444
Differences between expected and actual experience	**249,606**	313,733
Changes in proportion from Commonwealth	**13,269**	26,682
Changes in plan actuarial assumptions	**557,118**	1,002,629
Changes in proportion due to internal allocation	**84,646**	264,948
Total deferred outflows of resources related to pension	**$1,362,018**	$ 2,119,436

	2020	2019
Deferred Inflows of Resources Related to Pension		
Net differences between projected and actual investment earnings on pension plan investments	**$ 112,111**	$ 343,882
Differences between expected and actual experience	**97,749**	201,627
Changes in proportion from Commonwealth	**382**	1,881
Changes in proportion due to internal allocation	**3,119,908**	1,385,197
Total deferred inflows of resources related to pension	**$3,330,150**	$ 1,932,587

Note 8 - **Pension - Continued**

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

The College's contributions of $457,379 and $511,444 made during the fiscal years ending 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending June 30,		
2021	$	(396,682)
2022		(690,041)
2023		(578,694)
2024		(563,789)
2025		(196,305)
	$	(2,425,511)

Note 8 - **Pension - Continued**

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, 2019	June 30, 2018
Inflation on the first $13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.35%
Investment rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2019 and 2018, mortality rates were based on:

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

The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019. The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2018.

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

Note 8 - **Pension - Continued**

Actuarial Assumptions - continued
Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30 are summarized in the following table:

	2020		2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	**39.0%**	**5.0%**	39.0%	5.0%
Portfolio Completion Strategies	**11.0%**	**3.7%**	13.0%	3.7%
Core Fixed Income	**15.0%**	**0.9%**	12.0%	9.0%
Private Equity	**13.0%**	**6.6%**	12.0%	6.6%
Real Estate	**10.0%**	**3.8%**	10.0%	3.8%
Value Added Fixed Income	**8.0%**	**3.8%**	10.0%	3.8%
Timberland / Natural Resources	**4.0%**	**3.4%**	4.0%	3.4%
Total	**100.0%**		100.0%	

Discount Rate
The discount rate used to measure the total pension liability was 7.25% and 7.35% at June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - **Pension - Continued**

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

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

2020		
1.00% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1.00% Increase (8.25%)**
$ 10,004,042	**$ 7,516,002**	**$ 5,390,091**

2019		
1.00% Decrease (6.35%)	Current Discount Rate (7.35%)	1.00% Increase (8.35%)
$ 13,334,570	$ 9,893,341	$ 6,952,943

Note 9 - **Other Post-Employment Benefits (“OPEB”) (Restated)**

Defined Benefit Plan Description

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

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

Defined Benefit Plan Description - continued

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

Management of the SRBT is vested with the board of trustees, which consists of 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 health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and 2019, and as of the valuation date (January 1, 2019 and 2018), participants contributed 0% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

Contributions - continued

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 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. The College contributed $236,934 and $372,942 for the fiscal years ended June 30, 2020 and 2019, respectively, 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, 2020 and 2019, the College reported a liability of $14,168,924 and $21,648,505, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2019 and 2018. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.077% and 0.117%, respectively.

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

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

For the years ended June 30, 2020 and 2019, the College recognized OPEB income of $3,448 and expense of $1,842,811, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources Related to OPEB	**2020**	2019
Contributions made subsequent the measurement date	**$ 236,934**	$ 372,942
Changes in proportion from Commonwealth	**34,548**	55,846
Differences between expected and actual experience	**568,240**	211,063
Changes in OPEB plan actuarial assumptions	**10,902**	20,735
Changes in proportion due to internal allocation	**2,084,238**	2,723,004
Total deferred outflows of resources related to OPEB	**$ 2,934,862**	$ 3,383,590

Deferred Inflows of Resources Related to OPEB	**2020**	2019
Net differences between projected and actual investment earnings on OPEB plan investments	**$ 6,517**	$ 43,392
Differences between expected and actual experience	**18,144**	37,091
Changes in OPEB plan actuarial assumptions	**2,130,642**	1,826,276
Changes in proportion due to internal allocation	**6,449,909**	-
Total deferred inflows of resources related to OPEB	**$ 8,605,212**	$ 1,906,759

Note 9 - **Other Post-Employment Benefits (“OPEB”) (Restated) - Continued**

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

The College’s contributions of $236,934 and $372,942 made during the fiscal years 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending June 30,	
2021	$ (1,472,065)
2022	(1,472,065)
2023	(1,397,259)
2024	(1,143,345)
2025	(422,550)
	$ (5,907,284)

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 9 - **<u>Other Post-Employment Benefits ("OPEB") (Restated) - Continued</u>**

<u>Actuarial Assumptions</u>
The total OPEB liability for 2020 and 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.50%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation	7.35%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 & 2024 then decreasing 0.50% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% for administrative costs	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

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

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

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

Actuarial Assumptions - continued

- 80% and 85%, respectively, of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later for measurement dates June 30, 2019 and 2018, respectively.

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

	Retirement Age		Retirement Age	
	2020		2019	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	25.0%	85.0%	40.0%	85.0%
POS/PPO	60.0%	0.0%	50.0%	0.0%
HMO	15.0%	15.0%	10.0%	15.0%

The actuarial assumptions used in the January 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2017 and 2016 through December 31, 2018 and 2017, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2018 and 2017 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, 2020 and 2019, are the same as discussed in the pension footnote.

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

Discount Rate
The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.95%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% and 3.87%) 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 2029 and 2023 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

2020		
1.00% Decrease (2.63%)	**Current Discount Rate (3.63%)**	**1.00% Increase (4.63%)**
$ 16,913,116	**$ 14,168,924**	**$ 11,999,225**

2019		
1.00% Decrease (2.92%)	Current Discount Rate (3.92%)	1.00% Increase (4.92%)
$ 25,733,191	$ 21,648,505	$ 18,408,117

Note 9 - **Other Post-Employment Benefits ("OPEB") (Restated) - Continued**

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:

2020		
1.00% Decrease (B)	**Current Healthcare Cost Trend Rate (A)**	**1.00% Increase (C)**
$ 11,676,983	**$ 14,168,924**	**$ 17,456,773**

2019		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 18,312,782	$ 21,648,505	$ 25,865,411

(A) - Current healthcare cost trend rate, as disclosed on page 48
(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 48
(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 48

Note 10 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2020 and 2019, the restricted net position was for instructional and departmental uses.

Note 11 - **Operating Expenses**

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

	2020	(Restated) 2019
Compensation and benefits	**$ 45,460,785**	$ 46,405,930
Supplies and services	**11,874,271**	11,464,374
Depreciation	**3,553,671**	3,610,732
Scholarships and fellowships	**2,923,859**	3,216,783
	$ 63,812,586	$ 64,697,819

Note 12 - **State Appropriation**

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

	2020	2019
Direct unrestricted appropriations	**$ 23,713,111**	$ 23,320,769
Add: Fringe benefits for benefited employees on the state payroll	**8,044,357**	7,505,486
Total unrestricted appropriations	**31,757,468**	30,826,255
Restricted appropriations	**1,456,167**	349,739
Add: Fringe benefits for benefited employees on the state payroll	**132,280**	33,154
Total restricted appropriations	**1,588,447**	382,893
Capital appropriations	**5,081,302**	374,674
Total Appropriations	**$ 38,427,217**	$ 31,583,822

Note 13 - **Other Fringe Benefits**

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

Group Insurance Commission

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

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2020 and 2019, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans.

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

Other Retirement Plans

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

Note 14 - **Pass-Through Loans**

The College distributed $5,167,118 and $5,716,294 during fiscal years 2020 and 2019, respectively, for student loans through the U.S. Department of Education Direct Loan Program for student loans. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 15 - **Contingencies**

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

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

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

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

Note 15 - **Contingencies - Continued**

The College had received two penalty notices in the amount of $1,751,880 and $360,050 from the Internal Revenue Service ("IRS") stating that the College did not properly file its Forms 1098-T for tax years 2016 and 2015, respectively. Since 2013, the College had contracted with a third party to file on its behalf Forms 1098-T with the IRS. The third party has acknowledged that it was responsible for the improper Form 1098-T filings. During fiscal years 2020 and 2019, the College received notices from the IRS that the $1,751,880 and $360,050 penalty was abated, respectively. Accordingly, the College has not accrued a liability for this matter as of June 30, 2020 and 2019.

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College.

Note 16 - **Subsequent Event**

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedules of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.051%	0.075%	0.075%	0.075%	0.106%	0.970%
Proportionate share of the collective net pension liability	$ 7,516,002	$ 9,893,341	$ 9,655,877	$ 10,321,326	$ 12,077,736	$ 7,222,922
College's covered payroll	$ 4,240,828	$ 5,805,025	$ 5,915,910	$ 5,687,757	$ 6,393,378	$ 7,216,427
College's proportionate share of the net pension liability as a percentage of its covered payroll	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

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

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2020

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

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

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

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

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

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

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

The mortality rates were changed as follows:

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

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

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

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

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

		(Restated)	
Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.077%	0.117%	0.107%
Proportionate share of the collective net OPEB liability	$ 14,168,924	$ 21,648,505	$ 18,780,725
College's covered payroll	$ 4,240,828	$ 5,805,025	$ 5,915,910
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2020	2019	2018
Statutorily required contribution	$ 236,934	$ 372,942	$ 517,472
Contributions in relation to the statutorily required contribution	(236,934)	(372,942)	(517,472)
Contribution (excess)/deficit	$ -	$ -	$ -
College's covered payroll	$ 3,248,430	$ 4,240,828	$ 5,805,025
Contribution as a percentage of covered payroll	7.29%	8.79%	8.91%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2020

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2020

Assumptions:
Change in Inflation
The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions
Salary decreased from 4.5% to 4.0%.

Change in Investment Rate
The investment rate of return decreased from 7.35% to 7.25%.

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

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

Fiscal year June 30, 2019

Assumptions:
Change in Trend on Future Costs
The healthcare trend rate decreased from 8.5% to 8.0%, which impact 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.

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

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

June 30, 2020

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

Fiscal year June 30, 2018

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Shore Community College (the "College") which comprise the statement of net position as of June 30, 2020, and the related statements of revenues and expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 20, 2020.

Internal Control Over Financial Reporting

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

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

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

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

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 20, 2020