

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2020

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2020 and 2019

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-19
Financial Statements:	
Statements of Net Position	20
Statements of Revenues and Expenses	21
Statements of Changes in Net Position	22
Statements of Cash Flows	23-24
Notes to the Financial Statements	25-63
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Unaudited)	64
Schedule of Contributions - Pension (Unaudited)	65
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	66
Schedule of Contributions - OPEB (Unaudited)	67
Notes to the Required Supplementary Information (Unaudited)	68-71
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 <i>Government Auditing Standards</i>	72-73



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Cape Cod Community College
West Barnstable, 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 Cape Cod Community College (an agency of the State 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 of America. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cape Cod Community College as of June 30, 2020 and 2019, and the respective changes in net 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 Matters

As discussed in Note 2 to the financial statements, the College restated prior balances with regards to the College's other postemployment benefits liability and the related deferred inflows and outflows. Our opinion is not modified with respect to this 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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 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 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.



**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2020

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The following discussion and analysis provides management's view of the financial position of Cape Cod 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 that are presented in this document.

The College is a public institution of higher education in Massachusetts serving approximately 6,800 credit and non-credit seeking students, with 67 full-time faculty and 153 full-time staff members. The main campus is located in West Barnstable, with alternate instructional locations at Plymouth for our Aviation Maintenance Technology program and at Bridgewater State University for our Funeral Service program, and our Center for Corporate and Professional Education located in downtown Hyannis, which served 2,391 students in FY2020. The College also offers courses at Joint Base Cape Cod, Martha's Vineyard and Nantucket. The College currently offers an Associate of Arts degree with 23 concentrations, 16 Associate in Science degree programs, an Applied Associate in Science Degree for Aviation Maintenance Technology, and, 40 career-building academic certificates in a variety of programs. In addition, the College has a number of partnerships with several public and private institutions that offer Bachelor's and Master's degree programs on the main campus.

Financial Highlights

The FY2020 state unrestricted appropriation of \$18,213,045 reflects a \$945,283, or 5.47% increase over prior year's appropriation of \$17,267,762. The net increase is due to the following factors; an increase in state funded fringe benefit costs of \$205,553, an increase of \$688,320 in the annual state maintenance appropriation, which includes \$397,521 in retroactive pay increase funding, an increase of \$4,629 in performance funding, a net increase of \$50,000, representing a supplemental appropriation to fund a \$100,000 Ernst and Young cyber security audit, an increase of \$4,917, representing telecom lease revenue and an increase of \$8,136 in non-resident tuition state remittance.

State restricted appropriation for FY2020 is \$318,349, which is a decrease of \$737,983, or a decrease of 69.86% from last year's appropriation of \$1,056,332. The net decrease was primarily the result of a State mandate requiring certain State grants to be recorded on the Commonwealth's financial platform for the prior fiscal year. This state mandated change in accounting policy was rescinded for FY2020, and accounts for a decrease of \$670,610. This revenue, as in prior years, is once again reported in the grant revenue line item on the Statement of Revenues and Expenses. Additional, less significant changes from prior year include an increase of \$155,940 in revenue for the Center for Corporate and Professional Education, a decrease in ESOL revenue of \$162,318, an increase from Massachusetts Rehabilitation Commission in the amount of \$14,321, to fund student interpreter costs and a \$75,316 decrease in Perkins funding.

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Financial Highlights – Continued

Capital appropriation increased by \$44,072, from \$1,823,247 in FY2019 to \$1,867,319 in FY2020, due to the change in amount and the addition of or elimination of several special appropriations from the Division of Capital Asset Management & Maintenance (DCAMM) because of project completion, relative to the prior fiscal year, and additional funding received for new or on-going projects. Specifically, in FY2020 funds received and spent by the College include \$773,610 for the campus exterior accessibility improvement project, which was completed in FY2020, \$156,415 for the ongoing campus exterior lighting project, \$71,543 for additional waterproofing of the Lorusso building, \$166,661 for continued work on the campus sewer upgrade and \$19,980 for repairs to the entry to the Wilkens Library.

During FY2020, major capital improvement net additions totaled \$2,119,405, which includes an increase in Furnishings and Equipment, in the amount of \$207,202. This increase is comprised of an addition of \$57,202 storage area network (SAN) server upgrade and an increase of \$150,000 related to a donation of a Cessna 402C aircraft. Building Improvements increased \$2,758,771, which is comprised of \$85,844 upgrades made to the campus door lock system and \$2,672,927 capitalized expenses for the campus wide exterior accessibility project, completed in FY 2020.

Also included in the net change in fixed assets is the change in the current year construction in process, in the following amounts; an increase of \$575,739 for expenses incurred related to construction of the science and engineering building, an increase of \$89,746 for expenses incurred related to the campus energy and water conservation project, an increase of \$67,900 spent on upgrades to the Lorusso building, \$166,662 spent on the campus wide sewer upgrade, a \$1,923,009 reduction due to the capitalization of prior year expenses incurred for the completed campus wide exterior accessibility project, an increase of \$156,415 for an ongoing campus lighting project and an increase of \$19,980, relating to continued work being performed to the entry to the Wilkens library.

General tuition and fee rates increased by \$12 per credit hour in FY2020. Health Science fees increased from \$35 to \$37 per credit hour, and Nursing, Dental Hygiene and Paramedic fees increased from \$100 to \$105 per credit hour. Aviation Maintenance Technology program fees increased by \$428, from \$8,500 to \$8,928, and fees for the Emergency Medical Technician program were raised from \$75 to \$125 with the start of FY2020.

Additionally, a course specific art materials fee of \$5 per credit hour was implemented for certain Arts courses, in order to offset student materials and supply costs, a fee of \$35 per credit hour was implemented for courses related to radio broadcasting and Project Forward fees were increased by \$108 per semester.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Financial Highlights – Continued

Lastly, the fee to participate in the Massachusetts Inclusive Concurrent Enrollment Program (MAICEI) increased in FY2020 by \$800, to \$2,000 per academic year.

The Board continues to recognize that some students may have difficulty paying their tuition and fees, and therefore designated \$338,724 in the FY2020 operating budget for need based student financial aid awards.

At June 30, 2020 and 2019, the College's assets and deferred outflows of \$38,585,264 and \$36,501,009 exceeded its liabilities and deferred inflows of \$21,256,459 and \$21,658,399 by the amounts shown below. The resulting net assets are summarized into the following categories:

	2020	2019
Invested in capital assets, net of related debt	\$ 18,494,230	\$ 17,587,436
Restricted, nonexpendable	-	-
Unrestricted	<u>(1,165,425)</u>	<u>(2,744,826)</u>
Total net position	\$ 17,328,805	\$ 14,842,610

Total net position increased in FY20 by \$2,486,195 as a net result of the \$1,867,319 of capital appropriations and increase in net position before other revenues of \$618,876.

During FY2020, a prior period adjustment was recorded which reduced the previously reported June 30, 2019 unrestricted reserve by \$329,768. This was the result of the Commonwealth's discovery of an actuarial valuation error made in calculating FY2019's OPEB liability. FY2019 financial statements have been restated and included in this material.

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements

The College's financial statements are comprised of 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.

Total operating expenses for the years ended June 30, 2020 and 2019 amounted to \$38,821,911 and \$39,189,961 (restated), while operating revenues were \$19,043,380 and \$17,340,998, respectively. Operating losses of \$19,778,531 and \$21,848,963 (restated) were partially offset predominantly by state appropriations (considered non-operating revenues) of \$18,531,394 and \$18,324,094, respectively, as well as by transfers from the Foundation, in the amounts of \$507,164 and \$592,346, by net investment income of \$139,099 and \$200,272, respectively, and by CARES act grant funding, in the amount of \$1,219,750.

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

Cape Cod Community College Educational Foundation (the Foundation) is a legally separate tax-exempt component unit of Cape Cod Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its students and programs. The Board of Directors of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

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

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

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements- Continued

The *Statement 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment of accrued for compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services). The Government Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the statement of cash flows.

The financial statements can be found on pages 20-24 of this report. The College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The College is an agency of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information essential for a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 25-63 of this report.

Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the College's financial position. At the close of the fiscal years ended June 30, 2020 and 2019, the College's assets exceeded liabilities by \$17,328,805 and \$14,842,610 (restated) respectively. The increase in net position is attributable to the combined decrease related to the impact of posting the change in liability for the College share of the OPEB and Pension employee benefit liability and depreciation expense, offset by an operating budget gain and additional capital appropriation revenue received from the Commonwealth.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements- Continued

Financial Analysis-Continued

Cape Cod Community College's Net Position		June 30	
		2020	2019
Current assets	\$	<u>15,765,361</u>	\$ <u>13,484,218</u>
Noncurrent assets		<u>18,771,463</u>	<u>17,964,936</u>
Deferred Outflows of Resources		<u>4,048,440</u>	<u>5,051,855</u>
Total Assets and Deferred Outflows of Resources	\$	<u><u>38,585,264</u></u>	\$ <u><u>36,501,009</u></u>
Current liabilities	\$	<u>4,301,887</u>	\$ <u>4,368,594</u>
Noncurrent liabilities		<u>12,985,945</u>	<u>15,394,141</u>
Total Liabilities		<u>17,287,831</u>	<u>19,762,735</u>
Total Deferred Inflows of Resources		<u><u>3,968,628</u></u>	<u><u>1,895,664</u></u>
Net Position:			
Net Invested in capital assets Restricted, nonexpendable Unrestricted		<u>18,494,230</u>	<u>17,587,436</u>
Unrestricted		<u>(1,165,425)</u>	<u>(2,744,826)</u>
Total Net Position	\$	<u><u>17,328,805</u></u>	\$ <u><u>14,842,610</u></u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements- Continued

Financial Analysis – Continued

The largest portion of the College's net assets reflects its investment in capital assets (e.g., land, buildings, furnishings and equipment) including capital leases, less any related debt, used to acquire those assets that are still outstanding. The College uses these capital assets to provide services to students, faculty, and administration. Although the College's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition to any debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth, if any, are not included in the College's financial statements.

Cape Cod Community College's Changes in Net Position

	Fiscal years ended June 30	
	2020	2019
Total operating revenues	\$ 19,043,380	\$ 17,340,998
Total operating expenses	38,821,911	39,189,961
Net operating loss	(19,778,531)	(21,848,963)
Total net non-operating revenues	20,397,407	19,116,712
Net income (loss) before other revenues	618,876	(2,732,251)
Capital appropriation	1,867,319	1,823,247
Total increase (decrease) in net position	2,486,195	(909,004)
Net Position, Beginning of Year (As Restated)	14,842,610	15,751,614
Current Year Increase (Decrease)	2,486,195	(909,004)
Net Position, End of Year	\$ 17,328,805	\$ 14,842,610

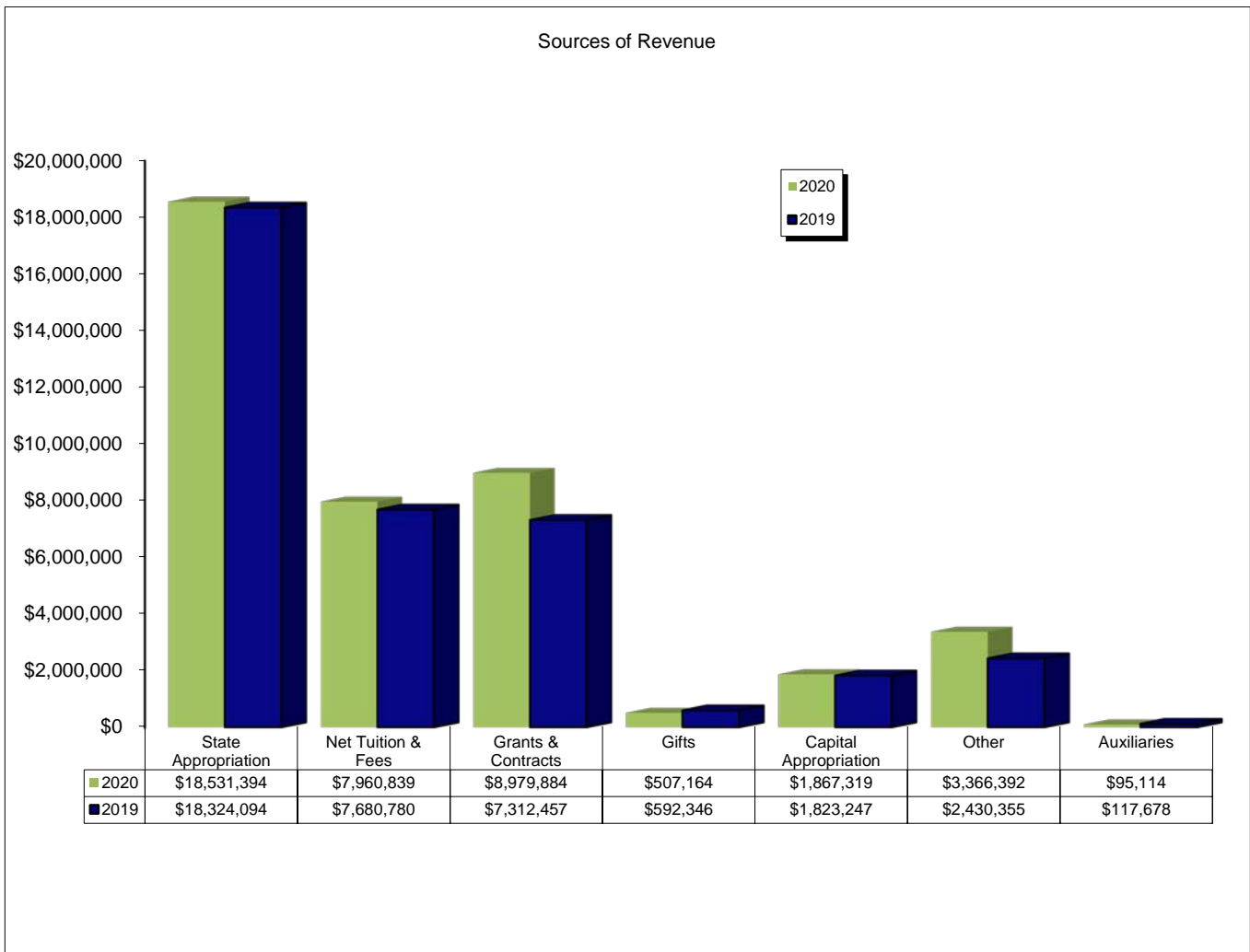
CAPE COD COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements – Continued

Financial Analysis – Continued



Revenues and Expenses

The total state appropriation of \$18,531,394 for FY2020 reflects a \$207,300 increase, or 1.13%, relative to FY2019. This is attributable to the net of decreases in Perkins and ESOL funding, offset by increased State paid fringe costs, increased State Maintenance funding, which includes funding for retroactive pay increases and increases in revenue received for performance funding, for the

CAPE COD COMMUNITY COLLEGE (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

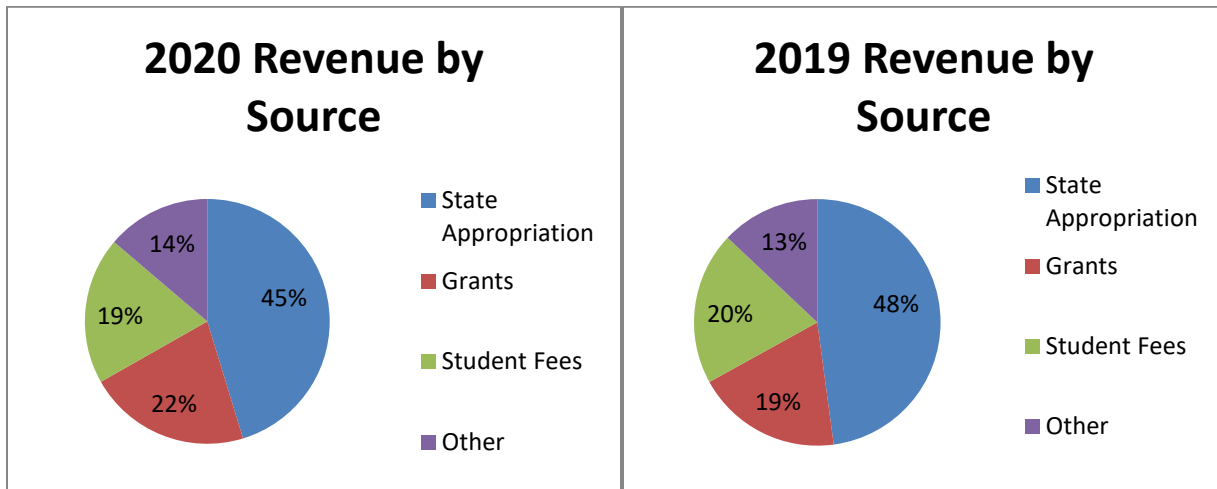
Overview of the Financial Statements – Continued

Revenues and Expenses – Continued

Center for Corporate and Professional Education and from Massachusetts Rehabilitation Commission, to fund interpreter costs.

Additionally, a material decrease was the result of a State mandate requiring that certain State grants to be recorded on the Commonwealth's financial platform. This was a change in state accounting policy, but was rescinded for FY2020. Until FY2019, this State grant revenue was reported in the grants revenue line item on the Statement of Revenues and Expenses, while for FY2019, revenue was reported with State Appropriations.

In FY2020, state appropriations accounted for 45% of total revenues, while net tuition and fees amounted to 19% of total revenue. In FY2019, state appropriations accounted for 48% of total revenue and net tuition and fees, 19% of total revenue. The "other" revenue segment share increased by 1% in FY2020, and there was a 3% increase in grant revenue. The predominant explanation for the overall shift in revenue source is due to significant growth in Grants revenue, which is the result of accounting changes made, and then rescinded by the Commonwealth.



CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements – Continued

Revenues and Expenses – Continued

Overall, for FY2020, the College saw its first total credit hour increase in a decade (Table X). New and expanded programs, marketing emphasis on specific programs, and our on-going work with K12 all helped in attaining this truly exciting milestone. Cape Cod was unique among Massachusetts’ public institutions with this increase in credit hour enrollment.

Table X – Credit Hours by Fiscal Year (FY2010 – FY2020)

FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	PRELIMINARY FY20	Difference FY19 to FY20
84,583	82,500	76,180	74,730	70,379	63,835	63,406	59,792	57,536	54,097	54,403	0.6%

In FY2020, gift revenues decreased by \$85,182 due to the net of a \$35,490 decrease in non-monetary donations, a \$163,992 decrease of College general expense reimbursement, offset by an increase of \$114,300 in Whitehouse Scholarship funding. Net tuition and fee revenue increased by 3.65%, or \$280,059 relative to prior year as the result of the net impact of a decrease in revenue attributable to fewer student enrollments, an increase in scholarship allowances and increases in student fees implemented in FY2020.

Capital appropriations increased by \$44,072 in FY2020 and increased by \$1,089,902 in FY2019. Increased revenue in FY2020 is the net result of increases in new and continued projects, which include the new science building, and continued work on the energy and water project, the lighting project, upgrades to the sewer system and repairs to the entry of the Wilken’s library, offset by a decrease in revenue received for the campus exterior accessibility project, due to the project completion.

The increase in FY2019 is primarily due to funding in the amount of approximately \$1,867,000, which was provided by the Division of Capital Asset Management and Maintenance to complete major upgrades regarding campus accessibility, offset by decreases in revenue received for the campus-wide sewage project, the library chiller and the library elevator project, which had been funded in FY2018, but not in FY2019, due to project completion.

Changes in expenditures, relative to prior fiscal year include a 7.2% decrease in operations and maintenance, a decrease in student services spending of 6.0%, a 16.8% decrease in institutional support, an 8.2% increase in spending on instruction, a 1.3% increase in institutional scholarship, no change in academic support spending and a 15.3% decrease in public service spending.

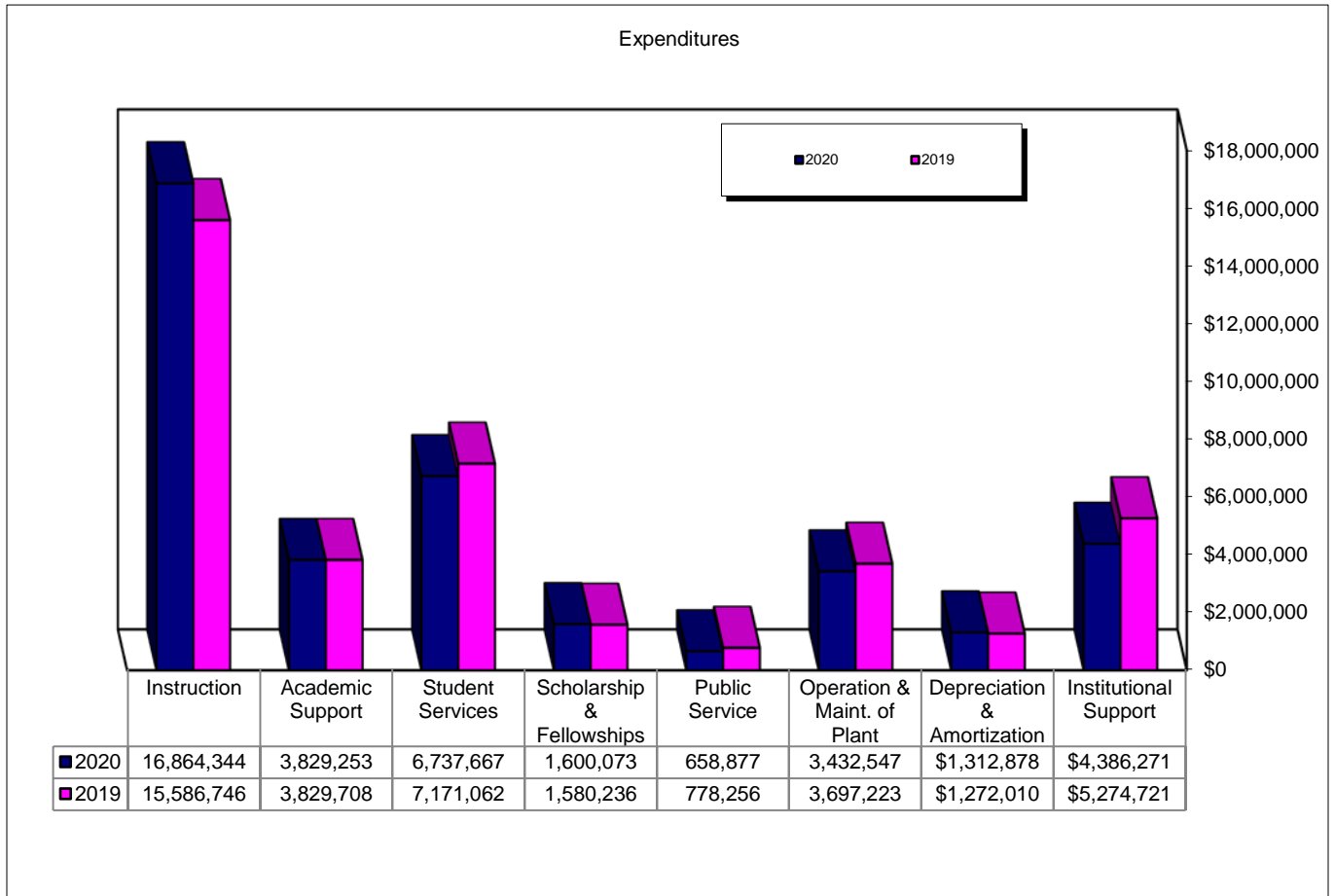
CAPE COD COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued



CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued

Major grants and contracts revenue received by the College for the years ended June 30, 2020 and 2019 included the following:

- **AEC** (Adult Education Center) revenues amounted to \$619,986 and \$539,504 as of June 30, 2020 and 2019, respectively. AEC offers small group instruction, individualized tutoring and computer-assisted learning opportunities for adults. Basic literacy and language instruction for beginning readers; preparation for GED (General Education Development Equivalency Diploma) examination and college and career advising are provided by experienced and sensitive staff. Non-native English speakers can enroll in beginning, intermediate, and advanced English language classes. Pronunciation and computer literacy classes are offered as needed. The program is funded by the Massachusetts Department of Elementary and Secondary Education.
- **TRIO Advantage Program** revenues amounted to \$315,794 and \$310,963 as of June 30, 2020 and 2019, respectively. The Advantage Program is a TRIO/Student Support Services program funded by the U.S. Department of Education. The funding cycle is for five years, pending annual appropriations by Congress. The College received approval for funding September 1, 2015 – August 31, 2020. Our Advantage Program serves approximately 182 participants, at least two-thirds of whom must be first-generation college and low income, or have a documented disability and at least one third of the documented disabled must be low income as well. Services provided include intrusive academic advising, career counseling, peer mentoring, individual tutoring, financial/economic literacy, transfer and personal counseling.
- **SAIL** (Success through Advising and Interactive Learning) revenues amounted to \$520,896 and \$429,800 as of June 30, 2020 and 2019 respectively. The funding cycle is for five years October 1, 2015 to September 30, 2020. SAIL has one activity with 3 activity components: 1) Strengthening student services; 2) Strengthening academic programs; and 3) Faculty and staff development in learning strategies and targeted student services. The intent is to strengthen the student services and academic programs across the institution and build the capacity to serve all students, including low-income and minority students. The goals of Project SAIL are designed to make substantial institutional advances in order to increase student success and meet the following performance outcomes:

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued

- Significantly increase retention for first-time and all students
 - Significantly increase the percentage of students who complete an AA/AS degree or certificate
 - Significantly increase the transfer rate from 4Cs to four-year colleges and universities
 - Significantly increase the percentage of students who progress from developmental to college level math.
- **HRSA** (The Health Resources Service Administration Nursing Workforce Diversity (NWD)) grant revenues amounted to \$476,428 and \$510,429 as of June 30, 2020 & 2019 respectively. The funding cycle is from July 1, 2017 to June 30, 2021. The purpose of the HRSA NWD grant is to recruit, retain and graduate a more diverse and robust healthcare workforce pipeline that will support healthcare sector needs in this geographically isolated and rural region of Cape Cod & Islands. Underrepresented groups being primarily supported by this grant include economically and/or academically disadvantaged and rural students. The main objectives of the HRSA NWD grant are to: (1) develop and implement holistic admissions practices in the nursing program; (2) increase retention and graduation of Associate Degree nursing students through provision of tuition assistance, stipends, enhanced support services and mentoring; (3) increase enrollment, retention and graduation of BSN prepared nurses through provision of tuition assistance, stipends and mentoring opportunities; (4) provide financial and support services to pre-entry nursing students from disadvantaged groups; and (5) enhance faculty and students' cultural and geriatric competence through professional development and reviewed curriculum with increased opportunities to apply to clinical experience.
 - **EEC Career Pathways** revenues amounted to \$487,989 and \$156,595 as of June 30, 2020 and 2019, respectively. Career Pathways is funded from the Mass Department of Early Education & Care for developing Careers in Early Childhood Education: to provide coursework, certificate credential, and degree attainment, and academic & career advising to early educators and out of school time educators across EEC mixed delivery system.
 - **CARES Act** (Coronavirus Aid, Relief, and Economic Security) revenues amounted to \$609,875 & \$609,875 as of June 30, 2020 for the CARES Institutional Portion of the

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued

Higher Education Emergency Relief Fund and for CARES Emergency Financial Aid to Students, respectively.

- Institutional funds were received to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.
- Student funds were received to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus.

The CARES Act was passed by Congress and signed by President Donald Trump on March 27th, 2020 after Proclamation 9994 of March 13, 2020 declaration of a national emergency concerning the Novel Coronavirus Disease (COVID-19) outbreak. The bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that funding, approximately \$14 billion was allotted to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF.

- **Financial Aid** awards at the College amounted to \$7,247,170 and \$6,574,930 as of June 30, 2020 and 2019 respectively. The increase in financial aid is predominantly due to the distribution of funding from the CARES Act. Financial aid awards are based upon a student’s financial need and the cost of attendance. In FY2020, 2,035 students received financial aid, down slightly from the 2,127 students served in fiscal FY2019.

	2020	2019
The sources of these awards are:		
Federal Government	\$ 4,641,127	\$ 2,707,799
Commonwealth of Massachusetts	1,593,766	2,852,864
Grants and private donations	1,012,277	1,014,267
	\$ 7,247,170	\$ 6,574,930

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Loss from Operations

Due to the nature of public higher education, institutions incur a loss from operations. The Massachusetts Department of Higher Education presets tuition rates. The College's -Board of Trustees sets student fees and other charges. Commonwealth appropriations to the College funded the majority of the loss from operations not covered by tuition and fees. The College, for the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to offset losses after Commonwealth appropriations.

Non-Operating Revenues and Expenses

The Commonwealth's total appropriation increased by 1.13% or \$207,300, to \$18,531,394 in FY2020. The unrestricted portion of state appropriation increased by \$945,283, and is the result of the net of an increase in fringe allocation funding, a decrease resulting from slightly more tuition remitted to the State, an increase in performance funding, an increase related to supplemental funding received for a cyber security audit and an increase in the state maintenance appropriation, which included additional revenue to fund retroactive salary increases. The restricted portion of the total net increase to State appropriations amounted to a decrease of \$737,983. This decrease was the net result of a decrease in ESOL revenue, an increase due to Massachusetts Rehabilitation Commission's funding of interpreter costs, a decrease in Perkins funding and a material decrease which was the result of a FY2019 State mandate requiring certain State grants to be recorded on the Commonwealth's financial platform. This was a change in accounting policy, and was rescinded for FY2020.

Transfers from the Foundation decreased by \$85,182 to \$507,164 for FY2020, as the net a result of decreases in non-monetary donations, a decrease in revenue received for College expense reimbursement and partially offset by an increase in revenue received for Whitehouse Scholarship.

For comparison, the Commonwealth's total appropriation increased by 9.78% or \$1,631,963, to \$18,324,094 in FY2019. The unrestricted portion of state appropriation increased by \$640,137, and is the result of the net of a decrease in fringe allocation funding, an increase resulting from less tuition remitted to the State, Performance Funding received in FY2019, which was not received in FY2018 and an increase in the state maintenance appropriation. The restricted portion of this total increase amounted to an increase of \$991,826, which was the net result of decreased funding for the Mass Pathways program, an increase in revenue for both Performance Incentive funding and Center for Corporate and Professional Education funding and a material increase of \$891,829, which was the result of a State mandate requiring certain State grants to be recorded on the Commonwealth's financial platform. This was a change in accounting policy. In the prior fiscal years, this State grant revenue was reported in the grants revenue line of the Statement of Revenue and Expenses.

Transfers from the Foundation decreased by \$915,786 to \$592,346 for FY2019, as the net a result of decreases of prior year funding for the nursing expansion and renovation project, which was

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Non-Operating Revenues and Expenses – Continued

completed in FY2018, and increases primarily related to a non-monetary donation of an airplane for the College Aviation Maintenance Technology program.

Capital Assets and Noncurrent Liabilities of the College

Capital Assets

The College’s Capital Assets, net of accumulated depreciation as of June 30, 2020 and 2019 amounts to \$18,771,463 and \$17,964,936, respectively. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment (including the cost of capital leases).

The following capital investments were made during FY2020 and FY2019:

	2020	2019
Building improvements	\$ 2,758,771	\$ —
Construction in progress	(846,568)	1,733,795
Furnishings and equipment	207,202	662,509
	\$ 2,119,405	\$ 2,396,304

Capital spending within FY2020 includes \$749,916 spent on the College exterior accessibility project, which was completed during the year, \$138,265 for the second phase of the upgrade to the sewage system, \$108,635 spent on the exterior lighting project, \$14,490 spent for work performed to the entryway of the Wilkens Library building, \$67,900 spent on upgrades to the Lorusso building, \$575,739 spent on the Science and Engineering building construction project, \$85,844 spent to upgrade campus door lock systems and \$57,202 spent to upgrade a campus storage area network server. Additionally, capital increased by \$150,000 due to the donation of a Cessna aircraft.

Capital spending within fiscal year 2019 includes \$1,872,921 spent on the College accessibility project, \$28,396 for the second phase of the upgrade to the sewage system, \$47,780 spent on the lighting project, \$5,490 spent for work performed to the entryway of the MW Wilkens building, as well as the addition of a capital lease for printing equipment, offset by the write-offs of the energy and water upgrade project.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Capital Assets and Noncurrent Liabilities of the College- Continued

Non-current Liabilities

The College's long-term liabilities consist of accruals for compensated absences and worker's compensation, and the long-term portions of capital lease obligations for facilities machinery and IT infrastructure equipment. The accrual for compensated absences consists of the long-term portion of compensatory time, sick and vacation pay relating to employees on the Commonwealth's payroll, and amounts to \$754,555 for FY2020. For FY2020, the College's non-current liability related to worker's compensation amounts to \$287,923. At the end of FY2020, the long-term portion of capital lease obligations amounts to \$188,345.

Additional Information

For FY2020, credit hour enrollment was projected to be down by 5.01% relative to FY2019. Actual enrollment performance for fiscal FY2020 amounted to a decrease from prior year of .5%.

The College's enrollment management team continues to examine its efforts to improve the student intake process and to identify, recruit and retain recent and prospective students. This team works closely with the College's Strategic Communications and Marketing Department to develop materials and targeted messaging campaigns that align with enrollment goals and strengthen recruitment and retention efforts college-wide.

Request for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Vice President of Finance and Operations, Cape Cod Community College, 2240 Iyannough Road, West Barnstable, Massachusetts 02668-1599.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2020 and 2019

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2020 and 2019

	Assets and Deferred Outflows of Resources			
	Primary Government		Component Unit	
	2020	(Restated) 2019	2020	2019
	College	College	Foundation	Foundation
Current Assets:				
Cash and equivalents (Note 3)	\$ 5,409,231	\$ 4,244,825	\$ 7,023,405	\$ 6,407,065
Cash held by state treasurer (Note 4)	954,011	1,333,065	-	-
Certificate of deposit (Note 3)	6,243,987	6,151,894	263,462	256,775
Accounts receivable, net (Note 5)	3,012,652	1,573,263	-	-
Pledges receivable (Note 6)	-	-	357,627	132,800
Prepaid and other assets	145,480	181,171	-	-
Total Current Assets	15,765,361	13,484,218	7,644,494	6,796,640
Non-Current Assets:				
Long-term investments	-	-	11,433,015	11,001,069
Pledges receivable (Note 6)	-	-	474,815	128,150
Capital assets, net of accumulated depreciation (Note 7)	18,771,463	17,964,936	-	-
Total Non-Current Assets	18,771,463	17,964,936	11,907,830	11,129,219
Total Assets	34,536,824	31,449,154	19,552,324	17,925,859
Deferred Outflows of Resources:				
Pension related, net (Note 11)	1,286,551	1,734,976	-	-
OPEB related, net (Note 12)	2,761,889	3,316,879	-	-
Total Deferred Outflows of Resources	\$ 4,048,440	\$ 5,051,855	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 38,585,264	\$ 36,501,009	\$ 19,552,324	\$ 17,925,859
	Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,010,160	\$ 1,057,045	\$ 299,669	\$ 271,438
Accrued payroll	1,258,558	1,196,909	-	-
Compensated absences (Note 8)	1,573,800	1,463,428	-	-
Workers' compensation (Note 8)	64,061	80,143	-	-
Students' deposits and unearned revenues	179,012	324,408	-	-
Other unearned revenues	127,408	146,394	-	-
Current portion of capital lease (Note 8)	88,888	100,267	-	-
Total Current Liabilities	4,301,887	4,368,594	299,669	271,438
Non-Current Liabilities:				
Compensated absences (Note 8)	754,555	727,521	-	-
Workers' compensation (Note 8)	287,923	289,180	-	-
Capital lease obligations (Note 8)	188,345	277,233	-	-
Net pension liability	4,074,332	4,422,643	-	-
Net OPEB liability	7,680,789	9,677,564	-	-
Total Non-Current Liabilities	12,985,944	15,394,141	-	-
Total Liabilities	17,287,831	19,762,735	299,669	271,438
Deferred Inflows of Resources:				
Pension related, net	1,129,580	1,043,283	-	-
OPEB related, net	2,839,048	852,381	-	-
Total Deferred Inflows of Resources	\$ 3,968,628	\$ 1,895,664	\$ -	\$ -
Net Position:				
Net investment in capital assets	18,494,230	17,587,436	-	-
Restricted:				
Nonexpendable	-	-	6,872,340	6,561,023
Expendable	-	-	11,700,598	10,334,468
Unrestricted (Note 9)	(1,165,425)	(2,744,826)	679,717	758,930
Total Net Position	17,328,805	14,842,610	19,252,655	17,654,421
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 38,585,264	\$ 36,501,009	\$ 19,552,324	\$ 17,925,859

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses

For the Years Ended June 30, 2020 and 2019

	Primary Government		Component Unit	
	2020 College	(Restated) 2019 College	2020 Foundation	2019 Foundation
Operating Revenues:				
Tuition and fees	\$ 13,624,252	\$ 12,675,474	\$ -	\$ -
Less: scholarship allowances	<u>(5,663,413)</u>	<u>(4,994,694)</u>	-	-
Net student fees	7,960,839	7,680,780	-	-
Federal, state, local, and private grants and contracts	8,979,884	7,312,457	-	-
Gifts and contributions	-	-	2,305,331	6,074,938
Auxiliary enterprises	95,114	117,678	-	-
Rental income	-	-	220,220	216,883
Other sources	<u>2,007,543</u>	<u>2,230,083</u>	-	-
Total Operating Revenues	<u>19,043,380</u>	<u>17,340,998</u>	<u>2,525,551</u>	<u>6,291,821</u>
Operating Expenses (Note 11):				
Instruction	16,864,344	15,586,745	-	-
Academic support	3,829,253	3,829,708	-	-
Student services	6,737,667	7,171,062	-	-
Scholarships and fellowships	1,600,073	1,580,236	227,800	268,997
Public service	658,878	778,256	-	-
Operation and maintenance of plant	3,432,547	3,697,223	-	-
Institutional support	4,386,271	5,274,721	633,499	322,861
Depreciation and amortization	<u>1,312,878</u>	<u>1,272,010</u>	-	-
Total Operating Expenses	<u>38,821,911</u>	<u>39,189,961</u>	<u>861,299</u>	<u>591,858</u>
Net Operating Income (Loss)	<u>(19,778,531)</u>	<u>(21,848,963)</u>	<u>1,664,252</u>	<u>5,699,963</u>
Non-Operating Revenues (Expenses):				
State appropriations - unrestricted (Note 10)	18,213,045	17,267,762	-	-
State appropriations - restricted (Note 10)	318,349	1,056,332	-	-
Transfers to the College from the Foundation	507,164	592,346	(507,164)	(592,346)
CARES Act Funds	1,219,750	-	-	-
Net investment income	<u>139,099</u>	<u>200,272</u>	<u>441,146</u>	<u>823,592</u>
Total Net Non-Operating Revenues (Expenses)	<u>20,397,407</u>	<u>19,116,712</u>	<u>(66,018)</u>	<u>231,246</u>
Change in Net Position Before Other Revenues	618,876	(2,732,251)	1,598,234	5,931,209
Capital appropriations (Note 12)	<u>1,867,319</u>	<u>1,823,247</u>	-	-
Change in Net Position	<u>\$ 2,486,195</u>	<u>\$ (909,004)</u>	<u>\$ 1,598,234</u>	<u>\$ 5,931,209</u>

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	<u>College</u>				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2018	\$ 16,811,192	20,000	-	(1,079,578)	15,751,614
Change in net position	776,244	(20,000)	-	(1,335,480)	(579,236)
Balance, June 30, 2019, as previously reported	<u>\$ 17,587,436</u>	<u>-</u>	<u>-</u>	<u>(2,415,058)</u>	<u>15,172,378</u>
Prior period adjustment - See Note 2	-	-	-	(329,768)	(329,768)
Balance, June 30, 2019, as restated	<u>\$ 17,587,436</u>	<u>-</u>	<u>-</u>	<u>(2,744,826)</u>	<u>14,842,610</u>
Change in net position	906,794	-	-	1,579,401	2,486,195
Balance, June 30, 2020	<u>\$ 18,494,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,165,425)</u>	<u>\$ 17,328,805</u>

	<u>Foundation</u>				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2018	\$ -	6,320,868	4,868,944	533,400	11,723,212
Change in net position	-	240,155	5,465,524	225,530	5,931,209
Balance, June 30, 2019	<u>\$ -</u>	<u>6,561,023</u>	<u>10,334,468</u>	<u>758,930</u>	<u>17,654,421</u>
Change in net position	-	311,317	1,366,130	(79,213)	1,598,234
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 6,872,340</u>	<u>\$ 11,700,598</u>	<u>\$ 679,717</u>	<u>\$ 19,252,655</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	(Restated) <u>2019</u>
Cash Flows from Operating Activities:		
Tuition and student fees	\$ 7,776,531	\$ 7,710,372
Grants and contracts	7,493,701	7,292,741
Payments to suppliers	(10,840,286)	(10,123,014)
Payments to employees	(19,424,717)	(19,292,627)
Payments to students	(1,600,073)	(1,580,236)
Other cash receipts	<u>2,169,377</u>	<u>2,330,883</u>
Net Cash Applied to Operating Activities	<u>(14,425,467)</u>	<u>(13,661,881)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	14,118,252	14,108,369
CARES Act Funds	1,219,750	-
Tuition remitted to state	(329,000)	(320,864)
Gifts and contributions	<u>507,164</u>	<u>592,346</u>
Net Cash Provided by Non-Capital Financing Activities	<u>15,516,166</u>	<u>14,379,851</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(252,086)	(573,057)
Payments on capital leases	<u>(100,267)</u>	<u>(114,461)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(352,353)</u>	<u>(687,518)</u>
Cash Flows from Investing Activities:		
Interest on investments	139,099	200,272
Investment or maturity of certificates of deposits	<u>(92,093)</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>47,006</u>	<u>200,272</u>
Net Increase in Cash and Equivalents	785,352	230,724
Cash and Equivalents, Beginning of Year	<u>5,577,890</u>	<u>5,347,166</u>
Cash and Equivalents, End of Year	<u>\$ 6,363,242</u>	<u>\$ 5,577,890</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	(Restated) <u>2019</u>
Reconciliation of Net Operating Loss to		
Net Cash Applied to Operating Activities:		
Net operating loss	\$ (19,778,531)	\$ (21,848,963)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Depreciation	1,312,878	1,272,010
Fringe benefits provided by the State	4,742,142	4,536,589
Net pension activity	186,411	284,205
Net OPEB activity	544,882	986,137
Changes in assets and liabilities:		
Accounts receivable	(1,439,389)	267,714
Prepaid and other current assets	35,691	138,454
Accounts payable and accrued liabilities	(46,885)	982,568
Accrued employee compensation and benefits	181,716	(1,228)
Students' deposits and other unearned revenues	<u>(164,382)</u>	<u>(279,367)</u>
Net Cash Applied to Operating Activities	<u>\$ (14,425,467)</u>	<u>\$ (13,661,881)</u>
Reconciliation of Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 5,409,231	\$ 4,244,825
Cash held by State Treasurer	<u>954,011</u>	<u>1,333,065</u>
Total	<u>\$ 6,363,242</u>	<u>\$ 5,577,890</u>
Non-Cash Transactions:		
Fringe benefits provided by the State	<u>\$ 4,742,142</u>	<u>\$ 4,536,589</u>
Capital appropriations	<u>\$ 1,867,319</u>	<u>\$ 1,823,247</u>
Financed capital asset acquisitions	<u>\$ -</u>	<u>\$ 462,507</u>
Reinvested interest on investments	<u>\$ 92,093</u>	<u>\$ 200,000</u>

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

CAPE COD 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**

Organization

Cape Cod Community College (the "College") is a state-supported comprehensive two-year college that offers an education leading to Associate degrees in the Arts and Sciences, as well as one-year certificate programs. From its primary campus located in West Barnstable, Massachusetts, along with other centers, 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, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 17, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester and the 2020 summer semester was 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 \$1,440,010 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 operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$609,875 for emergency grants to students and \$609,875 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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 and changes in net position 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 inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements including the College's discretely presented component unit and required supplementary information. The College presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined College-wide basis.

The College's policies for defining operating activities in the statements of revenues and expenses, and changes in net position are those that generally result from exchange transactions such as payments received for services and payments 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"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Basis of Presentation - Continued

Cape Cod Community College Educational Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of Cape Cod Community College, established in November 1983. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College and 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.

In reliance on the guidance issued by the Massachusetts Department of Higher Education, the College and its discretely presented component unit have classified the prior matching contributions from the Commonwealth of Massachusetts to the Endowment Incentive Program, as well as the underlying gift from the donor, in accordance with either the donor's original intent or this previously issued guidance. Accordingly, these amounts may be classified as restricted-nonexpendable, restricted-expendable, or unrestricted.

Complete financial statements for the Foundation can be obtained from the Executive Director of the Cape Cod Community College Educational Foundation, Inc. at 2240 Iyannough Road, West Barnstable, MA 02668-1599.

Net Position

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

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

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

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

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

Trust Funds

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

Cash and Equivalents

The College considers cash held by State Treasurer and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement 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;

Investments - Continued

(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;

(iii) on the current use of the income or net gains. The College has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted – expendable; and;

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Investments - Continued

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

Allowance for Doubtful Accounts

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. The College does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

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

Deposits and Unearned Revenue

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Pensions

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

Postemployment 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.

Fringe Benefits

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 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.

Grants

The College receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Student 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 students and are generally reflected as expenses.

Income Tax Status

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

Use of Estimates

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Use of Estimates - Continued

As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, and determining the net pension and OPEB liabilities.

Adoption of New Governmental Accounting Pronouncements

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 Accounting Pronouncements

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

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 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.

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 error did not have an effect on the calculation of OPEB as of June 30, 2018.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

	As Previously Reported <u>at June 30, 2019</u>	Correction of <u>the Error</u>	As Restated <u>at June 30, 2019</u>
Statement of Net Position:			
Deferred outflows related to OPEB	\$ 3,307,610	\$ 9,269	\$ 3,316,879
Net OPEB liability	7,768,204	1,909,360	9,677,564
Deferred inflows related to OPEB	2,422,704	(1,570,323)	\$ 852,381
Unrestricted net position	(2,415,058)	(329,768)	(2,744,826)
Statement of Revenues and Expenses:			
Operating expenses	38,860,193	329,768	\$ 39,189,961

Note 3 - **Cash and Investments**

Deposits and Investments

Deposits and investments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and Equivalents	\$ 5,409,231	\$ 4,244,825
Certificate of Deposit	<u>6,243,987</u>	<u>6,151,894</u>
Total Cash, Equivalents, and Investments	<u>\$ 11,653,218</u>	<u>\$ 10,396,719</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the federal Deposit Insurance Corporation ("FDIC"). Deposits in the banks in excess of the insured amount are uninsured and uncollateralized. The College has a formal deposit policy for custodial credit risk whereby deposits in the bank in excess of the insured amount are insured and collateralized by a third party to certain limits. Cash, equivalents and investments as of June 30, 2020 and 2019 were secured by irrevocable stand-by letters of credit with the Federal Home Loan Bank of Pittsburgh in the amounts of \$12,550,000 and \$12,250,000, respectively. The College's bank balances as of June 30, 2020 and 2019 were \$13,161,405 and \$10,996,833, respectively. Of these balances, \$361,405 and \$0 as of June 30, 2020 and 2019, respectively, was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policy

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 investment, and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding in any or all of the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but it delegates to the President or his designee the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

Deposit and Investment Maturities

The College's investments and maturities consist of the following at June 30:

Investment type	2020				
	Investment maturities (in years)				
	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	\$ 6,243,987	\$ 6,243,987	\$ -	\$ -	\$ -

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Investment type	2019				
	Investment maturities (in years)				
	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Certificates of Deposit	\$ 6,151,894	\$ 6,151,894	\$ -	\$ -	\$ -

The College opened three certificates of deposit accounts (“CD”) with TD Bank during 2018. The CD’s generated interest at rates ranging from 1.83% to 2.03%. The maturity date of the CD's are within one year and the CD's are not rated.

Fair Value Measurements

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificate of Deposit: Valued at the 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.

As of June 30, 2020 and 2019, the certificates of deposit are classified as level 2 investments.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Concentration of Credit Risk

All of the above investments are at TD Bank, N.A.

Other Matters

The College does not have debt investments, foreign currency investments, securities lending transactions or derivative investments.

Cape Cod Community College Educational Foundation, Inc.

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

	2020	2019
	<u>Market Value</u>	<u>Market Value</u>
Equity mutual funds	\$ 8,735,030	\$ 8,269,191
Bond mutual funds	2,440,517	2,478,507
Money market	257,468	253,371
Certificate of deposit	263,462	256,775
Total investments	\$ 11,696,477	\$ 11,257,844

As of June 30, 2020 and 2019, the certificates of deposit are classified as level 2 investments, all other investments are classified as level 1.

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$954,011 and \$1,333,065 at June 30, 2020 and 2019, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

CAPE COD COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 5 - **Accounts Receivable**

The College's accounts receivable includes the following at June 30:

	2020	2019
Student accounts receivable	\$ 1,633,105	\$ 1,594,193
Grants receivable	1,662,834	248,467
Other receivable	<u>185,463</u>	<u>199,353</u>
	3,481,402	2,042,013
Less: allowance for doubtful accounts	<u>(468,750)</u>	<u>(468,750)</u>
Total accounts receivable, net	<u>\$ 3,012,652</u>	<u>\$ 1,573,263</u>

Note 6 - **Pledges Receivable**

The Foundation has pledges receivable as of June 30, which are expected to be realized in the following time periods:

	2020	2019
Less than one year	\$ 357,627	\$ 132,800
Between one and five years	<u>474,815</u>	<u>128,150</u>
Pledges Receivable, net	<u>\$ 832,442</u>	<u>\$ 260,950</u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 7- **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:						
Construction in progress	—	\$ 2,045,049	\$ 1,076,441	\$ -	\$(1,923,009)	\$ 1,198,481
Land	—	82,355	-	-	-	82,355
Total not depreciated		<u>2,127,404</u>	<u>1,076,441</u>	<u>-</u>	<u>(1,923,009)</u>	<u>1,280,836</u>
Capital assets depreciated:						
Building, including improvements	20-40	44,660,233	835,762	-	1,923,009	47,419,004
Furnishings and equipment	5-10	8,016,711	207,202	-	-	8,223,913
Total depreciated		<u>52,676,944</u>	<u>1,042,964</u>	<u>-</u>	<u>1,923,009</u>	<u>55,642,917</u>
Less: accumulated depreciation:						
Building, including improvements		(29,950,772)	(1,037,759)	-	-	(30,988,531)
Furnishings and equipment		(6,888,640)	(275,119)	-	-	(7,163,759)
Total accumulated depreciation		<u>(36,839,412)</u>	<u>(1,312,878)</u>	<u>-</u>	<u>-</u>	<u>(38,152,290)</u>
Capital assets, net		<u><u>\$17,964,936</u></u>	<u><u>\$ 806,527</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$18,771,463</u></u>

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 7- **Capital Assets - Continued**

Capital assets of the College consist of the following at June 30, 2019:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress	—	\$ 311,254	\$ 1,823,247	\$(89,452)	\$ -	\$ 2,045,049
Land	—	82,355	-	-	-	82,355
Total not depreciated		393,609	1,823,247	(89,452)	-	2,127,404
Capital assets depreciated:						
Building, including improvements	20-40	44,660,233	-	-	-	44,660,233
Furnishings and equipment	5-10	7,354,204	662,507	-	-	8,016,711
Total depreciated		52,014,437	662,507	-	-	52,676,944
Less: accumulated depreciation:						
Building, including improvements		(28,938,326)	(1,012,446)	-	-	(29,950,772)
Furnishings and equipment		(6,629,076)	(259,564)	-	-	(6,888,640)
Total accumulated depreciation		(35,567,402)	(1,272,010)	-	-	(36,839,412)
Capital assets, net		\$ 16,840,644	\$ 1,213,744	\$(89,452)	\$ -	\$ 17,964,936

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **Long-Term Liabilities**

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

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Lease obligations	\$ 377,500	\$ -	\$ (100,267)	\$ 277,233	\$ 88,888	\$ 188,345
Other long-term liabilities:						
Compensated absences	2,190,949	137,406	-	2,328,355	1,573,800	754,555
Workers' compensation	369,323	-	(17,339)	351,984	64,061	287,923
Net pension liability	4,422,643	-	(348,311)	4,074,332	-	4,074,332
Net OPEB liability	9,677,564	-	(1,996,775)	7,680,789	-	7,680,789
Total other long-term liabilities	16,660,479	137,406	(2,362,425)	14,435,460	1,637,861	12,797,599
Total long-term liabilities	\$ 17,037,979	\$ 137,406	\$ (2,462,692)	\$ 14,712,693	\$ 1,726,749	\$ 12,985,944
	2019					
	Beginning Balance	Additions	Reductions	Ending Balance (Restated)	Current Portion	Long-term Portion
Lease obligations	\$ 29,452	\$ 462,509	\$ (114,461)	\$ 377,500	\$ 100,267	\$ 277,233
Other long-term liabilities:						
Compensated absences	2,341,869	-	(150,920)	2,190,949	1,463,428	727,521
Workers' compensation	329,921	39,402	-	369,323	80,143	289,180
Net pension liability	3,796,847	625,796	-	4,422,643	-	4,422,643
Net OPEB liability	7,384,880	2,292,684	-	9,677,564	-	9,677,564
Total other long-term liabilities	13,853,517	2,957,882	(150,920)	16,660,479	1,543,571	15,116,908
Total long-term liabilities	\$ 13,882,969	\$ 3,420,391	\$ (265,381)	\$ 17,037,979	\$ 1,643,838	\$ 15,394,141

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Capital Leases

In 2019, the College had a capital lease for equipment for \$73,630, requiring fixed annual payments of \$16,623, including interest at 4.18% expiring June 2021.

During the year ended June 30, 2019, the College purchased new equipment for approximately \$462,500 under a capital lease. The lease requires fixed annual payments of \$99,735, including interest at 3.91% expiring July 2023.

The following is a summary of property held under capital lease as of June 30, 2020:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 536,139	\$ 536,139
Less: accumulated depreciation	<u>(205,020)</u>	<u>(151,276)</u>
	<u>\$ 331,119</u>	<u>\$ 384,863</u>

Operating Leases

The College subleases office and classroom space for its Hyannis campus center from the Foundation under an operating lease agreement expiring in August 2028. Rental expense for this lease was \$220,220 for both years ended June 30, 2020 and 2019.

The College, acting through the commissioner of the Division of Capital Asset Management and Maintenance, has an agreement with Bendrix Corporation to lease 2,941 square feet of classroom space and 14,400 square feet of hangar space for a term of ten years through 2026 with annual payments ranging from approximately \$180,000 in the third year to \$258,000 in the tenth year. The premises are used for classroom instruction. Rental expense for this lease was approximately \$197,774 and \$304,000 for the years ended June 30, 2020 and 2019, respectively.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Operating Leases - Continued

The following schedule summarizes future minimum payments due under non-cancelable leases as of June 30, 2020:

Years Ending June 30,	Capital Leases		Operating	Total
	Principal	Interest	Leases	
2021	88,888	10,847	427,316	527,051
2022	92,366	7,369	438,177	537,912
2023	95,979	3,755	449,583	549,317
2024	-	-	482,466	482,466
2025	-	-	493,842	493,842
Thereafter	-	-	855,625	855,625
	\$ 277,233	\$ 21,971	\$ 3,147,009	\$ 3,446,213

Note 9 - **Operating Expenses**

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

	(Restated)	
	2020	2019
Compensation and benefits	\$ 28,733,653	\$ 27,553,653
Supplies and services	7,175,307	8,784,062
Scholarships and fellowships	1,600,073	1,580,236
Depreciation and amortization	1,312,878	1,272,010
	\$ 38,821,911	\$ 39,189,961

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 10 - **State Appropriations**

The College's state appropriations are composed of the following at June 30:

	2020	2019
Direct unrestricted appropriations	\$ 13,799,903	\$ 13,052,037
Add: fringe benefits for benefited employees on the state payroll	4,742,142	4,536,589
Less: day school tuition remitted to the state and included in tuition and fee revenue	(329,000)	(320,864)
Total unrestricted appropriations	18,213,045	17,267,762
Restricted appropriations	318,349	1,056,332
Capital appropriations	1,867,319	1,823,247
Total appropriations	\$ 20,398,713	\$ 20,147,341

Restricted appropriations were designated for specific College programs including WERC, VISION, and aviation programs.

Note 11 - **Pensions**

Defined Benefit Plan Description

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

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

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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, and 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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Contributions - Continued

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employee 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 approximately \$1,882,000, \$1,568,000 and \$1,557,000 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 approximately \$278,000, \$277,000 and \$306,000, for the years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 73%, 73% and 72% of total related payroll for the years ended June 30, 2020, 2019 and 2018, respectively.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020 and 2019, the College reported a liability of \$4,074,332 and \$4,422,643, 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 at June 30, 2020 and 2019 was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2019 and 2018, respectively. The College'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 years. At June 30, 2020 and 2019, the College's proportion was 0.028% and 0.033%, respectively.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$464,000 and \$561,000, respectively.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources - Continued*

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:.

	2020	2019
<u>Deferred Outflows of Resources</u>		
Changes in plan actuarial assumptions	\$ 302,007	\$ 448,207
Changes in proportion from Commonwealth	7,193	11,928
Changes in proportion due to internal allocation	564,087	857,344
Differences between expected and actual experience	135,309	140,249
Contributions subsequent to the measurement date	277,955	277,248
Total	\$ 1,286,551	\$ 1,734,976
<u>Deferred Inflows of Resources</u>		
Net difference between projected and actual earnings on pension plan investments	\$ 60,774	\$ 153,726
Differences between expected and actual experience	52,989	90,134
Changes in proportion from Commonwealth	207	841
Change in proportion due to internal allocation	1,015,610	798,582
Total	\$ 1,129,580	\$ 1,043,283

The College's contributions of approximately \$278,000 and \$277,000 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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources - Continued*

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

Years Ending June 30,	
2021	62,604
2022	(96,422)
2023	(36,062)
2024	(27,982)
2025	<u>(23,122)</u>
Total	<u>\$ (120,984)</u>

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	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.50%
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 with Scale MP-2016 and set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected with Scale MP-2016 and set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Actuarial Assumptions - Continued

The 2020 pension liability for the June 30, 2019 the June 30, 2019 measurement date was determined by an actuarial valuation as of January 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 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 weighting the expected future rates of return by the target asset allocation percentage.

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table:

Asset Class	2019		2018	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.90%	39%	5.00%
Core Fixed Income	15%	1.30%	12%	0.90%
Private Equity	13%	8.20%	12%	6.60%
Real Estate	10%	3.60%	10%	3.80%
Portfolio Completion Strategies	11%	3.90%	13%	3.70%
Value Added Fixed Income	8%	4.70%	10%	3.80%
Timber/Natural Resources	4%	4.10%	4%	3.40%
	100%		100%	

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

June 30, 2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 5,423,068	\$ 4,074,332	\$ 2,921,902
June 30, 2019		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.35%)	(7.35%)	(8.35%)
\$ 5,960,983	\$ 4,422,643	\$ 3,108,190

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 12 - **OPEB (Restated)**

Plan Description

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

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

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board of trustees.

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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 dates (January 1, 2019 and 2018), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. The College contributed approximately \$144,000 and \$202,000 for the fiscal years ended June 30, 2020 and 2019, respectively, equal to 100% of the required contribution for the years.

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 \$7,680,789 and \$9,677,564 (restated), 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, 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 0.044% and 0.052%, respectively.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 expense of approximately \$739,000 and \$909,000, respectively.

At June 30, 2020 and 2019, the College's contribution of approximately \$144,000 and \$202,000, respectively, reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year.

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

	<u>2020</u>	<u>2019</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Changes in proportion from Commonwealth	\$ 18,728	\$ 24,965
Changes in proportion due to internal allocation	2,285,228	2,986,126
Differences between expected and actual experience	308,035	94,352
Changes of assumptions	5,910	9,269
Contributions subsequent to the measurement date	143,988	202,167
Total deferred outflows related to OPEB	\$ 2,761,889	\$ 3,316,879
 <u>Deferred Inflows of Resources Related to OPEB</u>		
Net difference between projected and actual		
earnings on OPEB plan investments	\$ 3,533	\$ 19,397
Differences between expected and actual experience	9,836	16,581
Changes in proportion due to internal allocation	1,670,686	-
Changes in plan actuarial assumptions	1,154,993	816,403
Total deferred inflows related to OPEB	\$ 2,839,048	\$ 852,381

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

Years Ending June 30,	
2021	(104,705)
2022	(104,705)
2023	(64,153)
2024	73,490
2025	<u>(21,074)</u>
Total	<u>\$ (221,147)</u>

Actuarial Assumptions

The total OPEB liability at June 30, 2020 and 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2020	2019
Measurement date	June 30, 2019	June 30, 2018
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.0% per year

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Actuarial Assumptions - Continued

	2020	2019
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 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 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.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Actuarial Assumptions - Continued

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

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	25.0%	85.0%
POS/PPO	60.0%	0.0%
HMO	15.0%	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 these actuarial experience studies, the mortality assumption was adjusted in the January 1, 2019 and 2018 actuarial valuations to more closely reflect actual experience as a result of the recent experience studies 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 10).

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 was 3.63% and 3.92%, respectively. This rate was 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 2025 and 2023 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.25% and 7.35% per annum, respectively, was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate at June 30:

	1.00% Decrease	June 30, 2020 Discount Rate	1.00% Increase
	2.63%	3.63%	4.63%
Net OPEB liability	\$ 9,168,379	\$ 7,680,789	\$ 6,504,623
	1.00% Decrease	June 30, 2019 Discount Rate	1.00% Increase
	2.92%	3.92%	4.92%
Net OPEB liability	\$ 11,503,547	\$ 9,677,564	\$ 8,229,009

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate - Continued

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using 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)
\$ 6,329,941	\$ 7,680,789	\$ 9,463,089
2019		
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
\$ 8,186,391	\$ 9,677,564	\$ 11,562,654

(A) - Current healthcare cost trend rate, as disclosed on page 56

(B) - 1-percentage decrease in current healthcare cost trend rate,
as disclosed on page 56

(C) - 1-percentage increase in current healthcare cost trend rate,
as disclosed on page 56

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 13 - **Other Fringe Benefits**

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment 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

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Other Retirement Plans - Continued

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 - Commitments and Contingencies

Federal, State, and Private Contracts and Grants

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.

Litigation

The College is periodically involved in legal actions arising in the ordinary course of business. Costs for all known claims not covered by insurance, if any, are recognized in the financial statements. Although the ultimate outcome of certain of these actions cannot be determined, management's opinion is that the College has adequate legal defense with respect to each of these actions, and that the amount of any additional liability would not have a material impact on the financial statements.

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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Litigation - Continued

Since the lawsuits are in the early stages, there has 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.

Risk Management

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 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS") on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2020 and 2019.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 16 - **Pass-Through Grants**

The College distributed \$2,048,722 and \$1,991,876 during 2020 and 2019, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 17 - **Subsequent Events**

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 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 SUPPLEMENTAL INFORMATION

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule 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
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Proportion of the collective net pension liability	0.028%	0.033%	0.030%	0.024%	0.043%
Proportionate share of the collective net pension liability	\$ 4,074,332	\$ 4,422,643	\$ 3,796,847	\$ 3,281,453	\$ 4,845,997
College's covered payroll	\$ 2,298,905	\$ 2,595,034	\$ 2,326,231	\$ 1,808,307	\$ 2,565,242
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%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%

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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 277,955	\$ 277,248	\$ 305,695	\$ 231,460	\$ 170,885	\$ 266,529
Contributions in relation to the statutorily required contribution	<u>(277,955)</u>	<u>(277,248)</u>	<u>(305,695)</u>	<u>(231,460)</u>	<u>(170,885)</u>	<u>(266,529)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,974,112	\$ 2,298,905	\$ 2,595,034	\$ 2,326,231	\$ 1,808,307	\$ 2,565,242
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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule 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	0.044%	0.052%	0.042%
Proportionate share of the collective net OPEB liability	\$ 7,680,789	\$ 9,677,564	\$ 7,384,880
College's covered payroll	\$ 2,298,905	\$ 2,595,034	\$ 2,326,231
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%	7.38%	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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 143,988	\$ 202,167	\$ 231,447
Contributions in relation to the statutorily required contribution	<u>(143,988)</u>	<u>(202,167)</u>	<u>(231,447)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,974,112	\$ 2,298,905	\$ 2,595,034
Contribution as a percentage of covered payroll	7.29%	8.79%	8.92%

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.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended 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

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.

See Independent Auditors' Report.

CAPE COD COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2020

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)

See Independent Auditors' Report.

CAPE COD COMMUNITY COLLEGE
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Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2020

Note 1 - **Change in Plan Actuarial and 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.

See Independent Auditors' Report.

CAPE COD 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 Actuarial and Assumptions**

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
Cape Cod Community College
West Barnstable, 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 Cape Cod Community College (the "College"), which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Cape Cod Community College's basic financial statements and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cape Cod 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 Cape Cod Community 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 College'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.

Handwritten signature in cursive script that reads "O'Connor + Drew, P.C."

**Certified Public Accountants
Braintree, Massachusetts**

October 13, 2020