# CAPE COD COMMUNITY COLLEGE

**(an agency of the Commonwealth of Massachusetts)**

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## FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2022 AND 2021**

# CAPE COD COMMUNITY COLLEGE

**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2022 and 2021**

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

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Cape Cod Community College
West Barnstable, Massachusetts

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, of Cape Cod Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 87, *Leases*. The adoption of this pronouncement required the College to restate beginning net position. Our opinions are not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

**Certified Public Accountants**
**Braintree, Massachusetts**

October 11, 2022

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

## Management's Discussion and Analysis (Unaudited)

## June 30, 2022 and 2021

The following discussion and analysis provides management's view of the financial position of Cape Cod Community College (the "College") as of June 30, 2022 and 2021 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 6,000 credit and non-credit seeking students, with 68 full-time faculty and 150 full-time staff members. The main campus is located in West Barnstable, with alternate instructional locations at Plymouth for its Aviation Maintenance Technology program, at Bridgewater State University for its Funeral Service program and the Center for Corporate and Professional Education located in downtown Hyannis, which served 2,072 students in FY2022. 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, 18 Associate in Science degree programs, which includes concentrations in Information Technology and Business Administration, an Applied Associate in Science Degree for Aviation Maintenance Technology and 46 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 FY2022 state unrestricted appropriation of $19,597,026 reflects a $972,472, or 5.22% increase over prior year's appropriation of $18,624,554. The net increase is due to the following factors; an increase in state funded fringe benefit costs of $359,754, an increase of $829,185 in the annual state maintenance appropriation, a decrease in Performance Funding of $235,264, a decrease in tuition remitted to the state in the amount of $23,934 and a decrease of $5,137 in state telecom lease payments.

State restricted appropriation for FY2022 is $336,078, which represents an increase of $184,444, or 121.64% from last year's appropriation of $151,634. Changes from prior year include a decrease of $12,017 in revenue for the Center for Corporate and Professional Education, a decrease from Massachusetts Rehabilitation Commission funding, which funds student interpreter costs, in the amount of $31,988, and a first year award of SUCCESS funding in the amount of $228,449.

**Financial Highlights – Continued**

Capital appropriation decreased by $2,989,558, from $9,667,095 in FY2021 to $6,677,537 in FY2022, due to the change in amount and the addition of, or the 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, most notably, the Science and Technology building project. Specifically, in FY2022 state funds received and spent by the College include $5,853,866 for construction of the new science and engineering building, $267,762 in funds received to complete numerous small scale projects, $16,922 to complete upgrades to the Lorusso building and $43,317 to complete the exterior lighting project. Both the exterior lighting project and the Lorusso building upgrades were completed in FY2022. The total spent for each of these projects, which was capitalized in FY2022 is $1,040,690 and $1,187,859, respectively. Funding received and spent in FY2022 for projects considered to be ongoing include $194,180 to improve campus restroom accessibility and $301,490 to continue work on the campus-wide energy and water conservation project.

During FY2022, major capital improvement net additions totaled $20,716,698, which includes an increase in Furnishings and Equipment, in the amount of $1,250,000. This increase is solely due to the donation of a Falcon aircraft, donated by MIT Lincoln Laboratories. Building Improvements increased by $2,228,549, which is comprised of a net of construction in progress and current year expenditures made of $1,040,693 for upgrades to the Lorusso building and $1,187,859 spent in total to complete the campus-wide exterior lighting project. As a result of the completion of both projects, construction in progress was reduced in FY2022 by $1,023,768 and $1,144,542, respectively. Also, net additions was adjusted in FY2022 to incorporate a change in accounting procedure relating to lease liability recognition, under GASB 87, which requires lease liability to be reflected on the financial statements. The result to capital assets is a reduction of $462,509 in fixed assets, partially offset by a reduction to accumulated depreciation of $262,088.

Also included in the in fixed assets is current year construction in process, in the following amounts; $18,910,789 for expenses incurred related to construction of the science and engineering building, $301,490 for expenses incurred related to the campus energy and water conservation project and $194,180 spent on upgrades to the Lorusso building.

General tuition and fee rates were unchanged for FY2022, as were technology, facilities and almost all other major program fees. A Certifications and Qualifications Retention Program fee for Nursing and Dental and for Allied Health programs was implemented in the amounts of $35 and $17, respectively. The Nursing, Dental and Paramedic generic program fee was increased to $125 per credit hour. A new Phlebotomy program fee of $125 per credit hour was implemented. Additionally, the Project Forward Comprehensive Transition program fee of $2,260 was implemented.

**Financial Highlights – Continued**

The Board continues to recognize that some students may have difficulty paying their tuition and fees, and therefore designated $338,724 in the FY2022 operating budget for need based student financial aid awards.

At June 30, 2022 and 2021, the College's assets and deferred outflows of $67,816,927 and $55,363,484 exceeded its liabilities and deferred inflows of $21,232,263 and $25,991,175 by the amounts shown below, respectively. Due to implementation of GASB 87, a reduction of $98,944 was made to prior year's Net Position. The resulting net assets are summarized into the following categories:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Net investment in capital assets | **$** | **46,174,899** | $ | **26,944,921** |
| GASB 87 Lease adjustment | | **-** | | **(98,994)** |
| Unrestricted | | **409,765** | | **2,526,332** |
| Total net position | **$** | **46,584,664** | $ | **29,372,309** |

Total net position increased in FY22 by $17,212,355 as a net result of $6,677,537 of capital appropriations, capital gifts of $1,250,000 and increase in net income before other revenues of $9,284,818.

FY2021 net assets included a prior period adjustment which reduced the previously reported June 30, 2021 unrestricted reserve by $98,994. This was the result of the implementation of GASB 87, which requires balance sheet recognition of leases as assets and liabilities, through their lease term.

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

## Management's Discussion and Analysis (Unaudited)

## June 30, 2022 and 2021

**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, 2022 and 2021 amounted to $41,556,783 and $38,222,539, an increase of $3,334,244 or 8.73%, while operating revenues amounted to $17,251,790 and $18,156,419, respectively. Operating losses of $24,304,993 and $20,066,120 were offset predominantly by state appropriations (considered non-operating revenues) of $19,933,104 and $18,776,188, respectively, as well as by transfers from the Foundation, in the amounts of $7,672,476 and $218,622, respectively, by net investment income of $27,152 and $31,939, respectively, and by pandemic related federal grant funding, in the amount of $6,141,558 and $3,537,730, respectively.

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.

**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 21-26 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 28-63 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, 2022 and 2021, the College's assets exceeded liabilities by $46,584,664 and $29,372,309, respectively. The increase in net position is attributable to the combined increase related to the impact of posting the change in liability for the College share of the OPEB and Pension employee benefit liability, a significant increase in capital assets, as a result of construction of the science and engineering building, a decrease from posting depreciation and lease amortization expense, a decrease in capital appropriation received from the Commonwealth and an operating budget gain.

## Overview of the Financial Statements- Continued

*Financial Analysis-Continued*

It is worth noting that capital appropriation revenue for FY2022 was material, at $6,677,537. The majority of this funding, $5,853,866, was received for the on-going construction of the science and engineering building. Further, the increase was driven by the receipt of $6,141,558 in pandemic assistance in the form of federal grant funds and from a significant increase in transfers from the Foundation.

**Cape Cod Community College's Net Position**

| | June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Current assets | **$ 17,552,027** | $ 22,340,834 |
| Noncurrent assets | **48,297,177** | 29,441,898 |
| Deferred Outflows of Resources | **1,967,723** | 3,580,752 |
| Total Assets and Deferred Outflows of Resources | **$ 67,816,927** | $ 55,363,484 |
| Current liabilities | **$ 5,351,019** | $ 7,283,949 |
| Noncurrent liabilities | **8,686,418** | 13,453,314 |
| Total Liabilities | **$ 14,037,437** | $ 20,737,263 |
| Total Deferred Inflows of Resources | **$ 7,194,826** | $ 5,253,912 |
| Net Position: | | |
| Invested in capital assets, net of related debt | **$ 46,174,899** | $ 26,944,929 |
| GASB 87 Lease Adjustment | | (98,952) |
| Unrestricted | **409,765** | 2,526,332 |
| Total Net Position | **$ 46,584,664** | $ 29,372,309 |

**Overview of the Financial Statements- Continued**

*Financial Analysis – Continued*

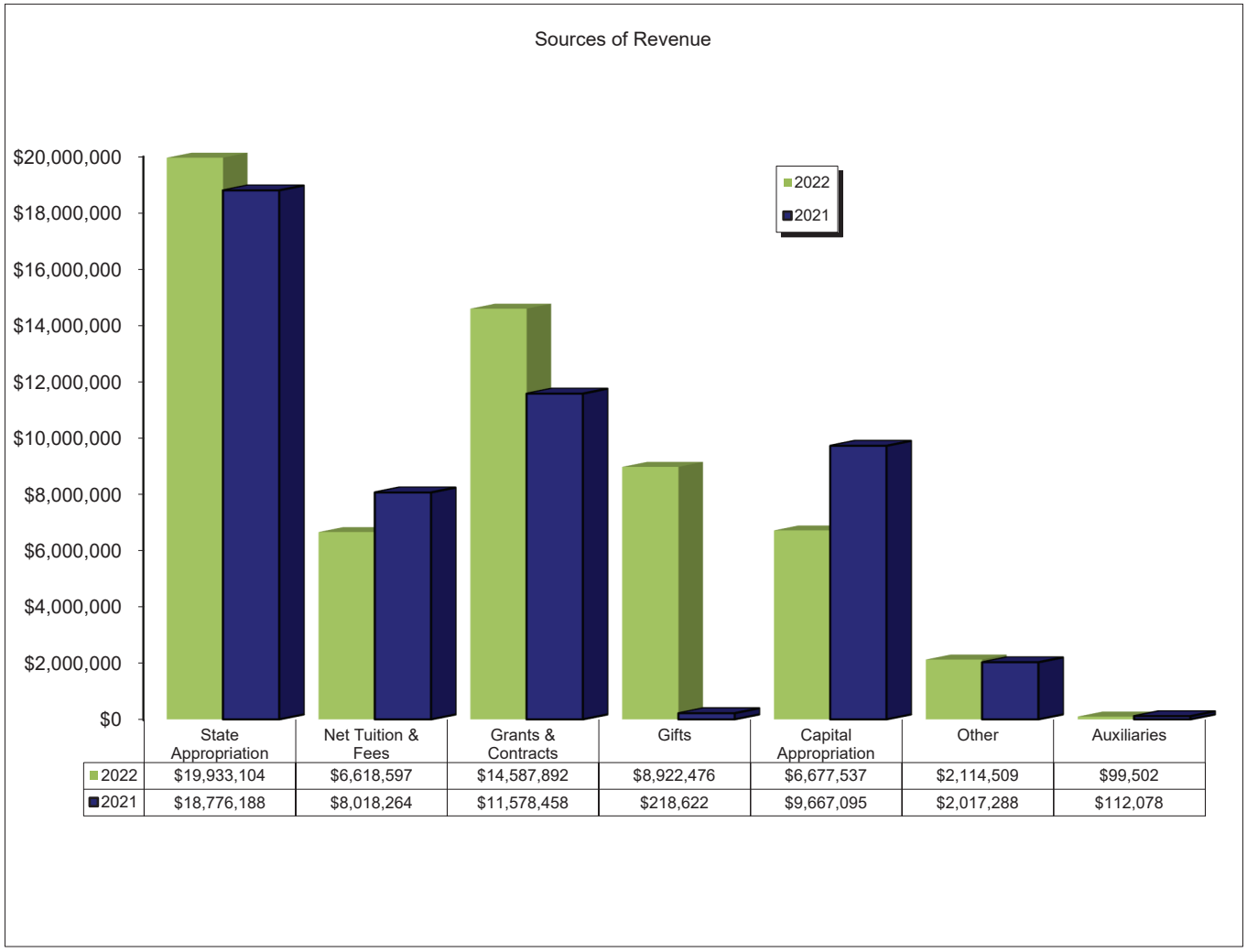
The largest portion of the College's net assets reflects its investment in capital assets (e.g., land, buildings, furnishings and equipment) including capital leases, less any related debt, used to acquire those assets that are still outstanding. The College uses these capital assets to provide services 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 debt, if any 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 | |
|---|---|---|
| | **2022** | 2021 |
| Total operating revenues | **$ 17,251,790** | $ 18,156,419 |
| Total operating expenses | **41,556,783** | 38,222,539 |
| Net operating loss | **(24,304,993)** | (20,066,120) |
| Total net non-operating revenues | **34,839,811** | 22,442,529 |
| Net income (loss) before other revenues | **10,534,818** | 2,376,409 |
| Capital appropriation | **6,677,537** | 9,667,095 |
| Total increase (decrease) in net position | **17,212,355** | 12,043,504 |
| GASB 87 Lease | | (98,944) |
| Net Position, Beginning of Year | **29,372,309** | 17,328,805 |
| Current Year Increase (Decrease) | **17,212,355** | 12,043,504 |
| Net Position, End of Year | **$ 46,584,664** | $ 29,372,309 |

## Overview of the Financial Statements – Continued

*Financial Analysis – Continued*



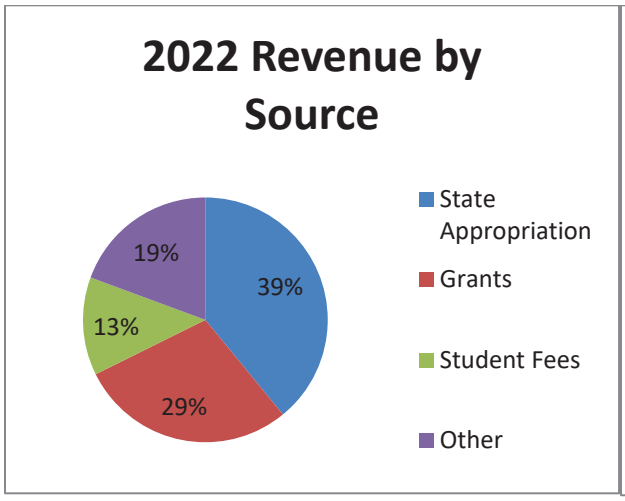

| | State Appropriation | Net Tuition & Fees | Grants & Contracts | Gifts | Capital Appropriation | Other | Auxiliaries |
|---|---|---|---|---|---|---|---|
| 2022 | $19,933,104 | $6,618,597 | $14,587,892 | $8,922,476 | $6,677,537 | $2,114,509 | $99,502 |
| 2021 | $18,776,188 | $8,018,264 | $11,578,458 | $218,622 | $9,667,095 | $2,017,288 | $112,078 |

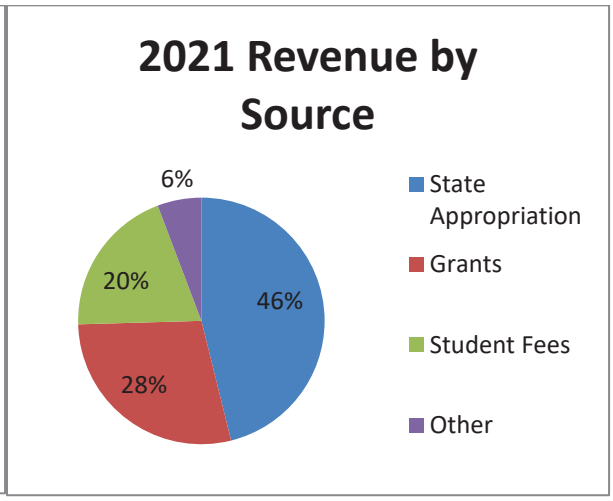
## Overview of the Financial Statements – Continued

*Revenues and Expenses*

In FY2022, state appropriations accounted for 39% of total revenues, a significant decrease in proportionate share than that of FY2021, despite its actually having increased in total dollars received. Net tuition and fees share of total revenue also decreased significantly, by 7%, from that of the prior fiscal year and amounted to 13% of total revenue. While actual tuition and fee revenue decreased by $1,399,667, the primary cause for its drop in share, as well as the decrease in share of state appropriation revenue is due to the increase in "other" revenue share, which is driven primarily by Foundation contributions to fund construction of the new science and engineering building. Grant revenue share remains constant from FY2022, and as with FY2021 continues to be inflated due to federal funding received for COVID-19 related assistance.

In FY2021, state appropriations accounted for 46% of total revenues, just slightly higher than that of FY2020, while net tuition and fees share of total revenue also grew slightly, by 1%, from that of the prior fiscal year and amounted to 20% of total revenue. FY2020, state appropriations accounted for 45% of total revenue and net tuition and fees, 19% of total revenue. The "other" revenue segment share decreased by 5% in FY2021, offset by a 3% increase in grant revenue. The predominant explanation for this overall shift in revenue source was due to significant growth in Grants revenue, which is the result of the receipt of pandemic related federal funding.



**Overview of the Financial Statements – Continued**

*Revenues and Expenses – Continued*

The total state appropriation of $19,993,104 for FY2022 reflects a $1,156,916 increase, or 6.16%, relative to FY2021. This is attributable to the net of the following; a decrease in funding from Massachusetts Rehabilitation Center interpreter funding of $31,988, a decrease in funding for CCAPE of $12,017, a decrease in Performance Funding of $235,263, a decrease in Telcom lease payments of $5,137, an increase in State Maintenance appropriation of $829,184, a decrease in tuition remitted to the state of $23,934, first time funding for the SUCCESS program of $228,449 and an increase in state funding of fringe benefits of $359,754.

In FY2022 gift revenues increased by $7,453,854 due to the decrease in revenue received for College general expense reimbursement in the amount of $9,580, a decrease of $283 in Whitehouse Scholarship funding and an increase of $7,463,717, which is the result of funding received for the construction of the new science and engineering building. There was also an other revenue capital gift of an aircraft valued at $1,250,000.

Net tuition and fee revenue decreased by 17.46%, or $1,399,667 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 very modest increases in student fees implemented in FY2022.

Capital appropriations decreased by $2,989,558 in FY2022 and increased by $7,799,776 in FY2021. This decrease is the result of $1,309,383 less state revenue received relative to FY2021 for construction of the new science and engineering building, an increase in funding received for the ongoing energy project of $133,474, a decrease of $134,684 in funding for "special small projects" and a decrease in funding for larger scale projects of $1,678,965, due to completion of both the sewer main repair project and repairs to the Lorusso building.

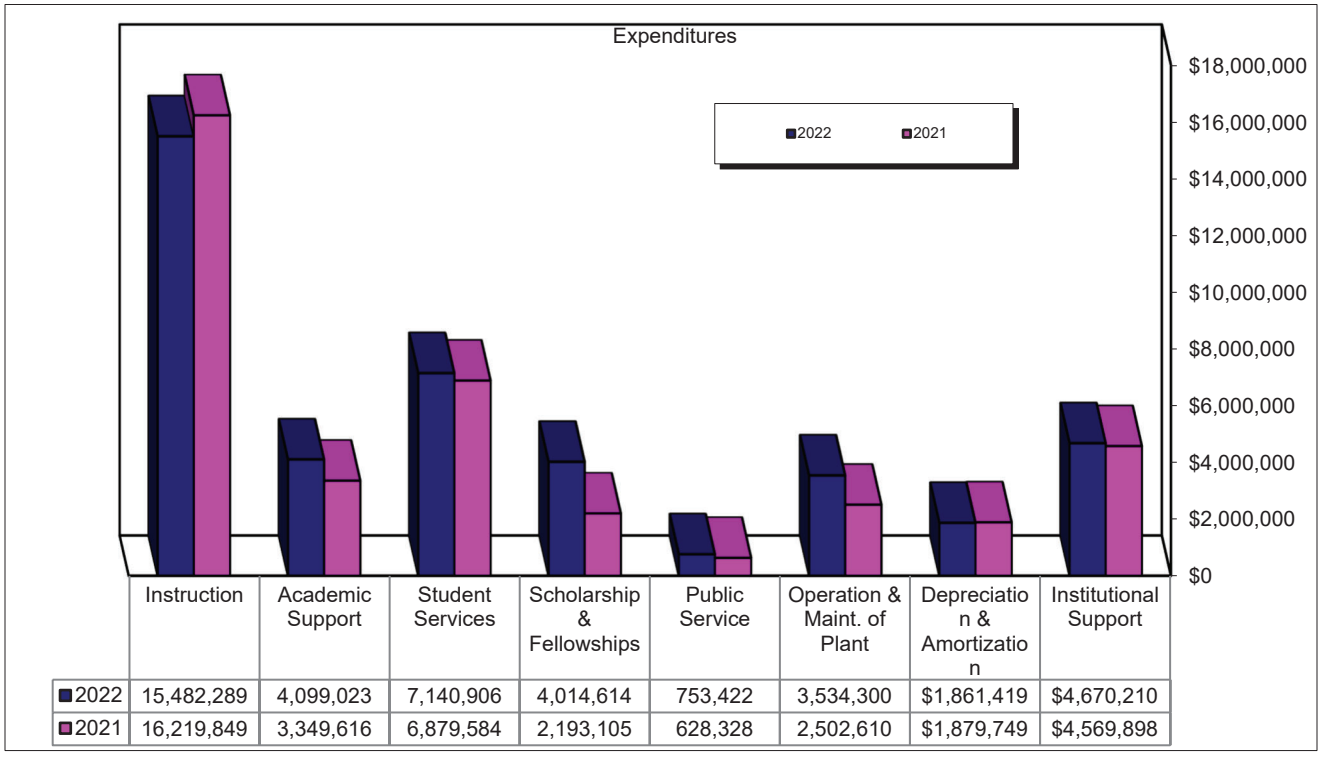
Increased revenue in FY2021 is the net result of increases in new and continued projects, which include, most significantly, $6,587,510 in FY2021 revenue dedicated to the construction of the new science building, and continued work on the energy and water project, the exterior lighting project, repairs to the entry of the Wilken's library and the continued work on the weatherization of the Lorusso building, revenue received to complete the Tilden Arts building stair repairs and to complete parking accessibility upgrades, offset by a decrease in revenue received for the campus exterior accessibility project and the sewer upgrade project, due to the project completion in the prior fiscal year.

## Overview of the Financial Statements – Continued

*Revenues and Expenses – Continued*

FY2022 "other" revenue sources remained relatively flat relative to FY2021, at $2,087,357 and $1,985,349, respectively, while total grant revenue increased by $3,009,434 as the result of the net of an increases in recognized COVID-19 federal funding offset by immaterial decreases in PELL and SEOG funding, and the elimination of the SAIL grant.

Changes in expenditures, relative to prior fiscal year include a 41.2% increase in operations and maintenance, an increase in student services spending of 3.8%, a 2.2% increase in institutional support spending, a 4.5% decrease in spending on instruction, a 83.1% increase in institutional scholarship, a 22.4% increase in academic support spending and a 19.9% increase in public service spending.




| | Instruction | Academic Support | Student Services | Scholarship & Fellowships | Public Service | Operation & Maint. of Plant | Depreciation & Amortization | Institutional Support |
|---|---|---|---|---|---|---|---|---|
| 2022 | 15,482,289 | 4,099,023 | 7,140,906 | 4,014,614 | 753,422 | 3,534,300 | $1,861,419 | $4,670,210 |
| 2021 | 16,219,849 | 3,349,616 | 6,879,584 | 2,193,105 | 628,328 | 2,502,610 | $1,879,749 | $4,569,898 |

**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, 2022 and 2021 included the following:

- **AEC** (Adult Education Center) revenues amounted to $730,123 and $640,949 as of June 30, 2022 and 2021, 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 $332,183 and $302,516 as of June 30, 2022 and 2021, 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 175 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 $0 and $136,499 as of June 30, 2022 and 2021 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:

**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 $104,400 and $450,550 as of June 30, 2022 and 2021 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 $305,109 and $380,794 as of June 30, 2022 and 2021, 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.

- **HEERF (**Higher Education Emergency Relief Fund) revenues amounted to $3,191,053 and $2,731,600 and $2,950,505 and $609,875 as of June 30, 2022 and 2021, for Institutional Portion and for 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, including Lost Revenue.

**Overview of the Financial Statements – Continued**

*Revenues and Expenses – Continued*

- 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 Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress on March 27th, 2020. This 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 money, approximately $14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF.

The Higher Education Emergency Relief Fund II (HEERF II) is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260, signed into law on Dec. 27, 2020. In total, the CRRSAA authorizes $81.88 billion in support for education, in addition to the $30.75 billion expeditiously provided last spring through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136.

The Higher Education Emergency Relief Fund III (HEERF III) is authorized by the American Rescue Plan (ARP), Public Law 117-2, signed into law on March 11, 2021, providing $39.6 billion in support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic.

- **Financial Aid** awards at the College amounted to $9,012,371 and $7,153,241 as of June 30, 2022 and 2021, respectively.

| | | **2022** | | 2021 |
|---|---|---|---|---|
| The sources of these awards are: | | | | |
| Federal Government | **$** | **6,174,795** | $ | 4,335,317 |
| Commonwealth of Massachusetts | | **2,242,585** | | 1,895,474 |
| Grants and private donations | | **594,991** | | 922,450 |
| | **$** | **9,012,371** | $ | 7,153,241 |

## 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 6.16% or $1,156,913, to $19,933,104 in FY2022. The unrestricted portion of state appropriation increased by $972,472, and is the result of the net of an increase in fringe allocation funding, an increase resulting from less tuition remitted to the State, a decrease in performance funding and an increase in the state maintenance appropriation. The restricted portion of the total net increase to State appropriations amounted to an increase of $184,444. This increase is the net result of a decrease in Telecom rent payment, first time funding of the SUCCESS program, a decrease of Massachusetts Rehabilitation Commission's funding of interpreter costs and a decrease in revenue received for the Center for Corporate and Professional Education.

For comparison, the Commonwealth's total appropriation increased by 1.3% or $244,794, to $18,776,188 in FY2021. The unrestricted portion of state appropriation increased by $411,509, and is the result of the net of an increase in fringe allocation funding, an increase resulting from less tuition remitted to the State, an increase in performance funding, a decrease related supplemental funding received for a cyber-security audit received in FY2020 but not in FY2021, a decrease related to supplemental funding for retroactive MCCC increases received in FY2020 but not in FY2021 and an increase in the state maintenance appropriation. The restricted portion of the total net increase to State appropriations amounted to a decrease of $166,715. This decrease was the net result of a decrease related to a shift in revenue reporting for both ESOL and Perkins funding, an increase of Massachusetts Rehabilitation Commission's funding of interpreter costs and a decrease in revenue received for the Center for Corporate and Professional Education.

Transfers from the Foundation increased by $7,453,854 to $7,672,476 in FY2022 due to an a decrease in revenue received for College general expense reimbursement, a decrease in Whitehouse Scholarship funding and an increase which is the result of funding received for the construction of the new science and engineering building.

**Non-Operating Revenues and Expenses - Continued**

For comparison, transfers from the Foundation decreased by $288,542 to $218,622 for FY2021, as the net a result of decreases in non-monetary donations, an increase in revenue received for College expense reimbursement and a decrease in revenue received for Whitehouse Scholarship.

Additionally, in FY2022 $6,141,558 was received in Higher Education Emergency Relief Funding, as a result of the ongoing COVID-19 pandemic. For comparison, funding received in FY2021 amounted to $3,537,730.

**Capital Assets and Noncurrent Liabilities of the College**

*Capital Assets*

The College's investment in capital assets, net of accumulated depreciation as of June 30, 2022 and 2021 amounts to $46,174,899 and $26,845,977, 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 FY2022 and FY2021:

| | 2022 | 2021 |
|---|---|---|
| Building improvements | **$ 2,228,549** | $ 656,199 |
| Construction in progress | **17,238,149** | 8,992,050 |
| Furnishings and equipment | **1,250,000** | 61,798 |
| | **$ 20,716,698** | $ 9,710,047 |

Total capital net additions in FY2022, including year-to-date construction in process for FY2022 include $18,910,789 for construction of the science and engineering building, $301,490 for the continuing energy and water conservation initiative, $16,922 in upgrades to the completed Lorusso building project, $43,317 additional capital to complete the exterior lighting project, $1,250,000 in a donated aircraft and $194,180 in funding for the continuing restroom accessibility project. And, a reduction to fixed assets due to the implementation of GASB 87 lease recognition, of $462,507.

## Capital Assets and Noncurrent Liabilities of the College- Continued

*Capital Assets - Continued*

Total capital net additions in FY2021, including year-to-date construction in process for FY2021 include $7,163,249 for construction of the science and engineering building, $168,016 for the continuing energy and water conservation initiative, $14,391 for the completed sewer upgrade, $915,495 in upgrades to the Lorusso building, $180,115 for the completed parking accessibility project, $940,347 for the continuing exterior lighting improvements, $101,145 for the completed nursing flooring replacement, $165,491 for completion of stair replacement in the Tilden Arts building and $61,798 for the purchase of a police cruiser.

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 lease obligations for facilities machinery, IT infrastructure equipment and space rental. 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 $926,042 for FY2022. For FY2022, the College's non-current liability related to worker's compensation amounts to $396,255. At the end of FY2022, the long-term portion of lease obligations amounts to $1,618,678.

## Additional Information

For FY2022, credit hour enrollment was projected to be down 2.64% relative to FY2021. Actual enrollment performance for fiscal FY2022 amounted to a decrease from prior year of 1.92%.

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. Leveraging online and in-person options as well as the College's Quick Term semesters, the 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, 2022 and 2021**

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

## Statements of Net Position

## June 30, 2022 and 2021

| | 2022 | (Restated) 2021 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| **Current Assets:** | | |
| Cash and equivalents (Note 3) | **$ 12,720,518** | $ 15,482,123 |
| Cash held by state treasurer (Note 4) | **1,400,407** | 1,280,342 |
| Accounts receivable, net (Note 5) | **3,262,728** | 5,413,761 |
| Prepaid and other assets | **168,374** | 164,608 |
| **Total Current Assets** | **17,552,027** | 22,340,834 |
| **Non-Current Assets:** | | |
| Capital assets, net of accumulated depreciation (Note 7) | **48,297,177** | 29,441,898 |
| **Total Non-Current Assets** | **48,297,177** | 29,441,898 |
| **Total Assets** | **65,849,204** | 51,782,732 |
| **Deferred Outflows of Resources:** | | |
| Pension related, net (Note 12) | **578,851** | 1,222,236 |
| OPEB related, net (Note 13) | **1,388,872** | 2,358,516 |
| **Total Deferred Outflows of Resources** | **1,967,723** | 3,580,752 |
| **Total Assets and Deferred Outflows of Resources** | **$ 67,816,927** | $ 55,363,484 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued liabilities | **$ 732,519** | $ 1,074,200 |
| Accrued payroll | **1,610,995** | 1,505,469 |
| Compensated absences (Note 8) | **1,691,931** | 1,636,004 |
| Workers' compensation (Note 8) | **64,507** | 88,237 |
| Students' deposits and unearned revenues | **414,252** | 407,405 |
| Other unearned revenues | **333,215** | 2,098,991 |
| Current portion of lease liability (Note 9) | **503,600** | 473,643 |
| **Total Current Liabilities** | **5,351,019** | 7,283,949 |
| **Non-Current Liabilities:** | | |
| Compensated absences (Note 8) | **926,042** | 823,220 |
| Workers' compensation (Note 8) | **396,255** | 415,976 |
| Lease liability (Note 9) | **1,618,678** | 2,122,278 |
| Net pension liability | **2,084,879** | 4,413,150 |
| Net OPEB liability | **3,660,564** | 5,678,690 |
| **Total Non-Current Liabilities** | **8,686,418** | 13,453,314 |
| **Total Liabilities** | **14,037,437** | 20,737,263 |
| **Deferred Inflows of Resources:** | | |
| Pension related | **2,111,705** | 810,806 |
| OPEB related | **5,083,121** | 4,443,106 |
| **Total Deferred Inflows of Resources** | **7,194,826** | 5,253,912 |
| **Net Position:** | | |
| Net investment in capital assets | **46,174,899** | 26,845,977 |
| Unrestricted | **409,765** | 2,526,332 |
| **Total Net Position** | **46,584,664** | 29,372,309 |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | **$ 67,816,927** | $ 55,363,484 |

*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, 2022 and 2021

| | 2022 | (Restated) 2021 |
|---|---|---|
| **Operating Revenues:** | | |
| Tuition and fees | **$ 11,616,354** | $ 12,832,584 |
| Less: scholarship allowances | **(4,997,757)** | (4,814,320) |
| Net student fees | **6,618,597** | 8,018,264 |
| Federal, state, local, and private grants and contracts | **8,446,334** | 8,040,728 |
| Auxiliary enterprises | **99,502** | 112,078 |
| Other sources | **2,087,357** | 1,985,349 |
| **Total Operating Revenues** | **17,251,790** | 18,156,419 |
| **Operating Expenses (Note 10):** | | |
| Instruction | **15,482,889** | 16,219,849 |
| Academic support | **4,099,023** | 3,349,616 |
| Student services | **7,140,906** | 6,879,584 |
| Scholarships and fellowships | **4,014,614** | 2,193,105 |
| Public service | **753,422** | 628,328 |
| Operation and maintenance of plant | **3,534,300** | 2,502,610 |
| Institutional support | **4,670,210** | 4,569,698 |
| Depreciation and amortization | **1,861,419** | 1,879,749 |
| **Total Operating Expenses** | **41,556,783** | 38,222,539 |
| **Net Operating Loss** | **(24,304,993)** | (20,066,120) |
| **Non-Operating Revenues (Expenses):** | | |
| State appropriations - unrestricted (Note 11) | **19,597,026** | 18,624,554 |
| State appropriations - restricted (Note 11) | **336,078** | 151,634 |
| Transfers to the College from the Foundation | **7,672,476** | 218,622 |
| Federal grants | **6,141,558** | 3,537,730 |
| Interest | **(184,479)** | (121,950) |
| Interest income | **27,152** | 31,939 |
| **Total Net Non-Operating Revenues** | **33,589,811** | 22,442,529 |
| **Change in Net Position Before Other Revenues** | **9,284,818** | 2,376,409 |
| Capital gifts | **1,250,000** | - |
| Capital appropriations (Note 11) | **6,677,537** | 9,667,095 |
| **Change in Net Position** | **$ 17,212,355** | $ 12,043,504 |

*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, 2022 and 2021

| | 2022 | (Restated) 2021 |
|---|---|---|
| **Operating Revenues:** | | |
| Tuition and fees | **$ 11,616,354** | $ 12,832,584 |
| Less: scholarship allowances | **(4,997,757)** | (4,814,320) |
| Net student fees | **6,618,597** | 8,018,264 |
| Federal, state, local, and private grants and contracts | **8,446,334** | 8,040,728 |
| Auxiliary enterprises | **99,502** | 112,078 |
| Other sources | **2,087,357** | 1,985,349 |
| **Total Operating Revenues** | **17,251,790** | 18,156,419 |
| **Operating Expenses (Note 10):** | | |
| Instruction | **15,482,889** | 16,219,849 |
| Academic support | **4,099,023** | 3,349,616 |
| Student services | **7,140,906** | 6,879,584 |
| Scholarships and fellowships | **4,014,614** | 2,193,105 |
| Public service | **753,422** | 628,328 |
| Operation and maintenance of plant | **3,534,300** | 2,502,610 |
| Institutional support | **4,670,210** | 4,569,698 |
| Depreciation and amortization | **1,861,419** | 1,879,749 |
| **Total Operating Expenses** | **41,556,783** | 38,222,539 |
| **Net Operating Loss** | **(24,304,993)** | (20,066,120) |
| **Non-Operating Revenues (Expenses):** | | |
| State appropriations - unrestricted (Note 11) | **19,597,026** | 18,624,554 |
| State appropriations - restricted (Note 11) | **336,078** | 151,634 |
| Transfers to the College from the Foundation | **7,672,476** | 218,622 |
| Federal grants | **6,141,558** | 3,537,730 |
| Interest | **(184,479)** | (121,950) |
| Interest income | **27,152** | 31,939 |
| **Total Net Non-Operating Revenues** | **33,589,811** | 22,442,529 |
| **Change in Net Position Before Other Revenues** | **9,284,818** | 2,376,409 |
| Capital gifts | **1,250,000** | - |
| Capital appropriations (Note 11) | **6,677,537** | 9,667,095 |
| **Change in Net Position** | **$ 17,212,355** | $ 12,043,504 |

*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, 2022 and 2021

| | Net Investment in Capital Assets | Unrestricted | Total |
|---|---|---|---|
| **Balance, June 30, 2020** | **$ 18,494,230** | **$ (1,165,425)** | **$ 17,328,805** |
| Change in net position | 8,351,747 | 3,691,757 | 12,043,504 |
| **Balance, June 30, 2021, restated (Note 2)** | **26,845,977** | **2,526,332** | **29,372,309** |
| Change in net position | 19,328,922 | (2,116,567) | 17,212,355 |
| **Balance, June 30, 2022** | **$ 46,174,899** | **$ 409,765** | **$ 46,584,664** |

*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, 2022 and 2021

| | Net Investment in Capital Assets | Unrestricted | Total |
|---|---|---|---|
| **Balance, June 30, 2020** | **$ 18,494,230** | **$ (1,165,425)** | **$ 17,328,805** |
| Change in net position | 8,351,747 | 3,691,757 | 12,043,504 |
| **Balance, June 30, 2021, restated (Note 2)** | **26,845,977** | **2,526,332** | **29,372,309** |
| Change in net position | 19,328,922 | (2,116,567) | 17,212,355 |
| **Balance, June 30, 2022** | **$ 46,174,899** | **$ 409,765** | **$ 46,584,664** |

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

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

## Statements of Cash Flows

## For the Years Ended June 30, 2022 and 2021

| | 2022 | (Restated) 2021 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Tuition and student fees | **$ 6,755,044** | $ 8,056,939 |
| Grants and contracts | **6,528,143** | 10,412,860 |
| Payments to suppliers | **(11,774,075)** | (9,965,609) |
| Payments to employees | **(19,520,462)** | (18,575,927) |
| Payments to students | **(4,014,614)** | (2,193,105) |
| Other cash receipts | **2,178,818** | 2,031,616 |
| Net Cash Applied to Operating Activities | **(19,847,146)** | (10,233,226) |
| **Cash Flows from Non-Capital Financing Activities:** | | |
| State appropriations | **14,871,710** | 14,098,482 |
| Federal grants | **8,323,447** | 991,601 |
| Tuition remitted to state | **(241,896)** | (265,830) |
| Gifts and contributions | **7,672,476** | 218,622 |
| Net Cash Provided by Non-Capital Financing Activities | **30,625,737** | 15,042,875 |
| **Cash Flows from Capital and Related Financing Activities:** | | |
| Purchase of capital assets | **(12,789,161)** | (42,952) |
| Interest expense | **(184,479)** | (198,764) |
| Principal payments on lease obligations | **(473,643)** | (444,636) |
| Net Cash Applied to Capital and Related Financing Activities | **(13,447,283)** | (686,352) |
| **Cash Flows from Investing Activities:** | | |
| Interest income | **27,152** | 31,939 |
| Maturity of certificates of deposits | **-** | 6,243,987 |
| Net Cash Provided by Investing Activities | **27,152** | 6,275,926 |
| **Net (Decrease) Increase in Cash and Equivalents** | **(2,641,540)** | 10,399,223 |
| Cash and Equivalents, Beginning of Year | **16,762,465** | 6,363,242 |
| **Cash and Equivalents, End of Year** | **$ 14,120,925** | $ 16,762,465 |

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

## Statements of Cash Flows - Continued

## For the Years Ended June 30, 2021 and 2020

| | 2022 | (Restated) 2021 |
|---|---|---|
| **Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:** | | |
| Net operating loss | **$ (24,304,993)** | $ (20,066,120) |
| Adjustments to reconcile net loss to net cash applied to operating activities: | | |
| Depreciation | **1,861,419** | 1,879,749 |
| Fringe benefits provided by the State | **5,303,290** | 4,943,535 |
| Net pension activity | **(383,987)** | 84,359 |
| Net OPEB activity | **(408,467)** | 5,332 |
| Changes in assets and liabilities: | | |
| Accounts receivable | **(30,856)** | 145,020 |
| Prepaid and other current assets | **(3,766)** | (19,128) |
| Accounts payable and accrued liabilities | **(341,681)** | 64,040 |
| Accrued employee compensation and benefits | **220,824** | 530,009 |
| Students' deposits and other unearned revenues | **(1,758,929)** | 2,199,978 |
| Net Cash Applied to Operating Activities | **$ (19,847,146)** | $ (10,233,226) |
| **Reconciliation of Cash and Equivalents, End of Year:** | | |
| Cash and equivalents | **$ 12,720,518** | $ 15,482,123 |
| Cash held by State Treasurer | **1,400,407** | 1,280,342 |
| **Total** | **$ 14,120,925** | $ 16,762,465 |
| **Non-Cash Transactions:** | | |
| Fringe benefits provided by the State | **$ 5,303,290** | $ 4,943,536 |
| Capital appropriations | **$ 6,677,537** | $ 9,667,095 |
| Non cash gift | **$ 1,250,000** | $ - |

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

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

## Component Unit Statements of Financial Position

## June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets:** | | |
| Cash and equivalents | **$ 1,757,656** | $ 8,119,640 |
| Pledges receivable | **411,942** | 547,442 |
| Investments | **13,259,229** | 14,304,501 |
| **Total Assets** | **$ 15,428,827** | $ 22,971,583 |
| **Liabilities:** | | |
| Scholarships and donations payable | **$ 263,173** | $ 253,844 |
| Accounts payable and accrued liabilities | **18,352** | 18,352 |
| **Total Liabilities** | **281,525** | 272,196 |
| **Net Assets:** | | |
| Without donor restrictions: | | |
| Board-designated endowment | **690,141** | 736,694 |
| Unrestricted | **634,676** | 595,778 |
| With donor restrictions | **13,822,485** | 21,366,915 |
| **Total Net Assets** | **15,147,302** | 22,699,387 |
| **Total Liabilities and Net Assets** | **$ 15,428,827** | $ 22,971,583 |

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

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

## Component Unit Statements of Activities and Changes in Net Assets

## For the Years Ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Without Restrictions** | **With Donor Restrictions** | **Totals** | Without Restrictions | With Donor Restrictions | Totals |
| **Revenues:** | | | | | | |
| Contributions and gifts of cash and other financial assets | **$ 148,123** | **$ 2,151,288** | **$ 2,299,411** | $ 462,073 | $ 1,149,359 | $ 1,611,432 |
| Investment income, net | **(198,250)** | **(1,206,683)** | **(1,404,933)** | 675,600 | 2,130,512 | 2,806,112 |
| Rental income | **220,220** | **-** | **220,220** | 220,219 | - | 220,219 |
| Net assets released from restrictions | **8,489,035** | **(8,489,035)** | | 485,894 | (485,894) | |
| **Total Revenues** | **8,659,128** | **(7,544,430)** | **1,114,698** | 1,843,786 | 2,793,977 | 4,637,763 |
| **Operating Expenses:** | | | | | | |
| Grants and Scholarships | **232,911** | **-** | **232,911** | 202,300 | - | 202,300 |
| Support of college programs | **8,031,532** | **-** | **8,031,532** | 607,569 | - | 607,569 |
| Management and general | **150,890** | **-** | **150,890** | 147,228 | - | 147,228 |
| Other and capital campaign | **106,925** | **-** | **106,925** | 107,325 | - | 107,325 |
| Fundraising | **144,525** | | **144,525** | 126,609 | - | 126,609 |
| **Total Expenses** | **8,666,783** | **-** **-** | **8,666,783** | 1,191,031 | - | 1,191,031 |
| **Change in Net Assets** | **(7,655)** | **(7,544,430)** | **(7,552,085)** | 652,755 | 2,793,977 | 3,446,732 |
| Net Assets, Beginning of Year | **1,332,472** | **21,366,915** | **22,699,387** | 679,717 | 18,572,938 | 19,252,655 |
| Net Assets, End of Year | **$ 1,324,817** | **$ 13,822,485** | **$ 15,147,302** | $ 1,332,472 | $ 21,366,915 | $ 22,699,387 |

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*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

## June 30, 2022 and 2021

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.

*COVID-19*

In response to the COVID-19 pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds ("HEERF") and funds for the Strengthening Institution Program ("SIP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 2022, while the SIP funding must be spent by August 2022. In April 2022, the Department of Education extended all HEERF funds deadlines to be spent by June 2023.

The College has been awarded the following HEERF and SIP funds as of June 30, 2022:

| | Student Aid Award | Institutional Award | Strengthening Institution Program | Total |
|---|---|---|---|---|
| CARES | **$ 720,005** | **$ 720,005** | **$ 71,747** | **$ 1,511,757** |
| CRRSAA | **720,005** | **2,605,134** | **139,076** | **3,464,215** |
| ARPA | **2,942,859** | **2,843,048** | **252,730** | **6,038,637** |
| Total | **$ 4,382,869** | **$ 6,168,187** | **$ 463,553** | **$ 11,014,609** |

The College has recognized the following as non-operating Federal grants for the years ended June 30:

| | For the Year Ended June 30, 2022 | | | | For the Year Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Student Aid Award | Institutional Award | Strengthening Institutions Program | Total | | Student Aid Award | Institutional Award | Strengthening Institutions Program | Total |
| CARES | **$ -** | **$ -** | **$ -** | **$ -** | CARES | $ 110,130 | $ 110,130 | $ 71,747 | $ 292,007 |
| CRRSAA | **24,005** | **86,855** | **107,632** | **218,492** | CRRSAA | 696,000 | 2,518,279 | 31,444 | 3,245,723 |
| ARPA | **2,942,859** | **2,843,048** | **137,159** | **5,923,066** | ARPA | - | - | - | - |
| Total | **$ 2,966,864** | **$ 2,929,903** | **$ 244,791** | **$ 6,141,558** | Total | $ 806,130 | $ 2,628,409 | $ 103,191 | $ 3,537,730 |

As of June 30, 2022, the College has $115,571 of unspent ARPA funds. CARES and CRRSAA funds have been fully spent at June 30, 2022.

As of June 30, 2022 and 2021, the College recognized $0 and $197,050 as an operating grant, Governor's Emergency Education Relief Fund ("GEERF") as a pass through from the State of Massachusetts.

For the year ended June 30, 2021, the College expended $86,855 of CRRSAA institutional award that met certain spending requirements in 2022 and was recognized as revenue during 2022.

For the year ended June 30, 2021, the College expended $1,509,565 of ARPA institutional award that met certain spending requirements in 2022 and was recognized as revenue during 2022.

*Basis of Presentation*

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB") using the economic resources measurement focus and the accrual basis of accounting. Cape Community College Educational Foundation's (the "Foundation") financial statements are prepared in accordance with accounting and reporting requirements prescribed by the Financial Accounting Standards Board ("FASB"). As such, certain revenue recognition and lease criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses 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 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 number 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 the component unit statements of financial position and component unit statements of activities and changes in net assets.

Separate statements of financial position and activities are presented in this report for the College's discretely presented component unit. The financial statements for the Foundation are presented in accordance with FASB.

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 in perpetuity.

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 statements of revenues and expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

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

(ii) as increases in restricted – expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions;

(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;

(iv) 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 were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed 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.

*Student 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.

*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.

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

*Compensated Absences*
Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2022 and 2021. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2022 and 2021. 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.

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.

*Upcoming Governmental Accounting Pronouncements*

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

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

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

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

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

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

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

As of July 1, 2020, the College implemented GASB 87, *Leases*. GASB 87, enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The was no change to net position as of July 1, 2020, upon the implementation of GASB 87 since the adjustment for the right to use assets of $3,040,557 was completely offset by the adjustment for the lease liability. The right of use asset and lease liability were $3,040,557 at July 1, 2020.

The prior period adjustment due to the implementation of GASB 87 as of and for the year ended June 30, 2021, is as follows:

| | | As Previously Reported | As Restated |
|---|---|---|---|
| As of July 1 , 2020: | | | |
| Statements of Net Position: | | | |
| | Right to use asset | $ - | $ 3,040,557 |
| | Lease liability | - | (3,040,557) |
| | Net investment in capital assets | 18,494,230 | 18,494,230 |
| | Unrestricted net position | (1,165,425) | (1,165,425) |
| | Total net position | $ 17,328,805 | $ 17,328,805 |
| As of June 30, 2021: | | | |
| Statements of Net Position: | | | |
| | Capital assets, net of accumulated depreciation | 27,133,266 | 29,441,898 |
| | Lease liability | - | (2,595,921) |
| | Capital lease obligation | (188,345) | - |
| Net position: | | | |
| | Net investment in capital assets | 26,944,921 | 26,845,977 |
| | Unrestricted net position | 2,526,332 | 2,526,332 |
| | Total net position | $ 29,471,253 | $ 29,372,309 |
| Statements of Revenues and Expenses: | | | |
| | Operation and maintenance of plant | $ 3,057,121 | $ 2,502,610 |
| | Interest expense | - | 121,950 |
| | Depreciation and amortization | $ 1,348,244 | $ 1,879,749 |

Note 3 - **Cash and Investments**

Cash and equivalents consist of the following at June 30,:

| | 2022 | 2021 |
|---|---|---|
| Cash and Equivalents | **$ 12,720,518** | $ 15,482,123 |

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, 2022 and 2021 were secured by irrevocable stand-by letters of credit with the Federal Home Loan Bank of Pittsburgh in the amounts of $17,000,000 and $15,600,000, respectively. The College's bank balances as of June 30, 2022 and 2021 were $14,767,042 and $17,059,708, respectively. Of these balances, $0 and $1,209,708 as of June 30, 2022 and 2021, 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.

*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.

*Concentration of Credit Risk*
All of the above investments are at Cape Cod Trust and Asset Management.

*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:,

| | 2022 | 2021 |
|---|---|---|
| | **Market Value** | Market Value |
| Equity mutual funds | **$ 8,739,510** | $ 11,696,460 |
| Bond mutual funds | **4,519,719** | 2,327,012 |
| Money market | **-** | 16,180 |
| Certificate of deposit | **-** | 264,849 |
| Total investments | **$ 13,259,229** | $ 14,304,501 |

As of June 30, 2022 and 2021, 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 $1,400,407 and $1,280,342 at June 30, 2022 and 2021, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Accounts Receivable**

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

| | 2022 | 2021 |
|---|---|---|
| Student accounts receivable | **$ 1,701,264** | $ 1,822,823 |
| Grants receivable | **1,723,026** | 3,792,829 |
| Other receivable | **361,600** | 321,271 |
| | **3,785,890** | 5,936,923 |
| Less: allowance for doubtful accounts | **(523,162)** | (523,162) |
| Total accounts receivable, net | **$ 3,262,728** | $ 5,413,761 |

Note 6 - **Pledges Receivable**

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

| | 2022 | 2021 |
|---|---|---|
| Less than one year | **$ 229,942** | $ 187,917 |
| Between one and five years | **182,000** | 359,525 |
| Pledges Receivable, net | **$ 411,942** | $ 547,442 |

Note 7 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2022:

**2022**

| | Estimated lives (in years) | Beginning Balance | Additions | Retirements | Reclassifications | Ending Balance |
|---|---|---|---|---|---|---|
| **Capital assets not depreciated:** | | | | | | |
| Construction in progress | — | $10,190,530 | $19,406,459 | $ - | $(2,168,310) | $27,428,679 |
| Land | — | 82,355 | - | - | - | 82,355 |
| Total not depreciated | | 10,272,885 | 19,406,459 | - | (2,168,310) | 27,511,034 |
| **Capital assets depreciated:** | | | | | | |
| Building, including improvements | 20-40 | 48,075,203 | 60,239 | - | 2,168,310 | 50,303,752 |
| Furnishings and equipment | 5-10 | 7,823,202 | 1,250,000 | - | - | 9,073,202 |
| Leased buildings | 5-8 | 351,572 | - | - | - | 351,572 |
| Leased equipment | 3 | 2,688,986 | - | - | - | 2,688,986 |
| Total depreciated | | 58,938,963 | 1,310,239 | - | 2,168,310 | 62,417,512 |
| **Less: accumulated depreciation:** | | | | | | |
| Building, including improvements | | (32,087,430) | (1,161,797) | - | - | (33,249,227) |
| Furnishings and equipment | | (7,151,016) | (168,118) | - | - | (7,319,134) |
| Leased buildings | | (121,209) | (121,209) | - | - | (242,418) |
| Leased equipment | | (410,295) | (410,295) | - | - | (820,590) |
| Total accumulated depreciation | | (39,769,950) | (1,861,419) | - | - | (41,631,369) |
| Capital assets, net | | $29,441,898 | $18,855,279 | $ - | $ - | $48,297,177 |

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

| | Estimated lives (in years) | 2021 (Restated) Beginning Balance | Additions | Retirements | Reclassifications | Ending Balance |
|---|---|---|---|---|---|---|
| Capital assets not depreciated: | | | | | | |
| Construction in progress | — | $ 1,198,481 | $ 9,187,107 | $ - | $ (195,057) | $ 10,190,530 |
| Land | — | 82,355 | - | - | - | 82,355 |
| Total not depreciated | | 1,280,836 | 9,187,107 | - | (195,057) | 10,272,885 |
| Capital assets depreciated: | | | | | | |
| Building, including improvements | 20-40 | 47,419,004 | 461,142 | - | 195,057 | 48,075,203 |
| Furnishings and equipment | 5-10 | 7,761,404 | 61,798 | - | - | 7,823,202 |
| Leased buildings | 5-8 | 351,572 | - | - | - | 351,572 |
| Leased equipment | 3 | 2,688,986 | - | - | - | 2,688,986 |
| Total depreciated | | 58,220,966 | 522,940 | - | 195,057 | 58,938,963 |
| Less: accumulated depreciation: | | | | | | |
| Building, including improvements | | (30,988,532) | (1,098,898) | - | - | (32,087,430) |
| Furnishings and equipment | | (6,901,669) | (249,347) | - | - | (7,151,016) |
| Leased buildings | | - | (121,209) | - | - | (121,209) |
| Leased equipment | | - | (410,295) | - | - | (410,295) |
| Total accumulated depreciation | | (37,890,201) | (1,879,749) | - | - | (39,769,950) |
| Capital assets, net | | $ 21,611,601 | $ 7,830,298 | $ - | $ - | $ 29,441,898 |

## Note 8 - Long-Term Liabilities

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

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion | Long-term Portion |
| **Other long-term liabilities:** | | | | | | |
| **Lease liabilities** | **$ 2,595,921** | **$ -** | **$ (473,643)** | **$ 2,122,278** | **$ 503,600** | **$ 1,618,678** |
| **Compensated absences** | **2,459,224** | **158,749** | **-** | **2,617,973** | **1,691,931** | **926,042** |
| **Workers' compensation** | **504,213** | **-** | **(43,451)** | **460,762** | **64,507** | **396,255** |
| **Net pension liability** | **4,413,150** | **-** | **(2,328,271)** | **2,084,879** | **-** | **2,084,879** |
| **Net OPEB liability** | **5,678,690** | **-** | **(2,018,126)** | **3,660,564** | **-** | **3,660,564** |
| **Total other long-term liabilities** | **15,651,198** | **158,749** | **(4,863,491)** | **10,946,456** | **2,260,038** | **8,686,418** |
| **Total long-term liabilities** | **$ 15,651,198** | **$ 158,749** | **$ (4,863,491)** | **$ 10,946,456** | **$ 2,260,038** | **$ 8,686,418** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | (Restated) Beginning Balance | Additions | Reductions | (Restated) Ending Balance | Current Portion | Long-term Portion |
| Other long-term liabilities: | | | | | | |
| Lease liabilities | $ 3,040,557 | $ - | $ (444,636) | $ 2,595,921 | $ 473,643 | $ 2,122,278 |
| Compensated absences | 2,328,355 | 130,869 | - | 2,459,224 | 1,636,004 | 823,220 |
| Workers' compensation | 351,984 | 152,229 | - | 504,213 | 88,237 | 415,976 |
| Net pension liability | 4,074,332 | 338,818 | - | 4,413,150 | - | 4,413,150 |
| Net OPEB liability | 7,680,789 | - | (2,002,099) | 5,678,690 | - | 5,678,690 |
| Total other long-term liabilities | 17,476,017 | 621,916 | (2,446,735) | 15,651,198 | 2,197,884 | 13,453,314 |

## Note 9 - Leases

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

| Description | Date | Terms | Payment Amount | Interest Rate | 6/30/2022 Lease Liability | 6/30/2021 Lease Liability |
|---|---|---|---|---|---|---|
| Hanger Lease | 10/8/2015 | 120 months | $18,639.93(monthly) | 3.91% | $ 743,499 | $ 931,227 |
| Hyannis Classroom | 5/6/2008 | 240 months | $18,352 (monthly) | 3.91% | 1,259,692 | 1,427,096 |
| Copier lease | 4/26/2019 | 48 months | $2,069 (monthly) | 3.91% | 20,319 | 43,846 |
| Equipment lease | 5/22/2018 | 5 years | $99,735 (annual) | 3.91% | 98,768 | 193,752 |
| | | | | | $2,122,278 | $2,595,921 |

On October 10, 2015, the College entered into a 10-year lease for Hanger Space for the College's Aviation program, with a fixed interest rate of 3.91% and payments of $18,640 are due monthly.

On May 6, 2008, the College entered into a 20-year lease for classroom space in Hyannis, Massachusetts for educational purposes, with a fixed interest rate of 3.91% and payments of $18,352 due monthly.

On April 26, 2019, the College entered into a 4-year lease for office copier equipment with a fixed interest rate of 3.91% and payments of $2,069 due monthly.

On May 22, 2018, the College entered into a 5-year lease for office equipment with a fixed interest rate of 3.91% and payments of $99,735 due annually.

The College did not make payments for the lease other than the monthly payments for the years ended June 30, 2022 and 2021.

The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability for each of the leases detailed above.

All of the leases above do not have an option to renew or purchase the equipment.

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

| Year Ending June 30, | Principal | Interest |
|---|---|---|
| 2023 | $ 503,600 | $ 72,918 |
| 2024 | 429,368 | 55,688 |
| 2025 | 458,555 | 38,388 |
| 2026 | 284,123 | 22,570 |
| 2027 | 228,853 | 13,391 |
| 2028-2031 | 217,779 | 4,281 |
| Total | $2,122,278 | $ 207,236 |

Note 10 - **Operating Expenses**

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

| | 2022 | (Restated) 2021 |
|---|---|---|
| Compensation and benefits | **$ 26,158,095** | $ 25,602,043 |
| Supplies and services | **9,522,655** | 8,547,642 |
| Scholarships and fellowships | **4,014,614** | 2,193,105 |
| Depreciation and amortization | **1,861,419** | 1,879,749 |
| | **$ 41,556,783** | $ 38,222,539 |

Note 11 - **State Appropriations**

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

| | 2022 | 2021 |
|---|---|---|
| Direct unrestricted appropriations | **$ 14,535,632** | $ 13,946,848 |
| Add: fringe benefits for benefited employees on the state payroll | **5,303,290** | 4,943,536 |
| Less: day school tuition remitted to the state and included in tuition and fee revenue | **(241,896)** | (265,830) |
| Total unrestricted appropriations | **19,597,026** | 18,624,554 |
| Restricted appropriations | **336,078** | 151,634 |
| Capital appropriations | **6,677,537** | 9,667,095 |
| Total appropriations | **$ 26,610,641** | $ 28,443,283 |

Restricted appropriations were designated for specific College programs including for Center for Corporate and Professional and Education ("CCAPE") and Massachusetts Rehabilitation Commission ("MRC") programs.

Note 12 - **Pensions**

*Defined Benefit Plan Description*
Certain employees of the College participate in a cost-sharing, multiple-employer, defined benefit pension plan – the Massachusetts State Employees' Retirement System ("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.

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

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

*Contributions*

The SERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. Member contributions for SERS vary depending on the most recent date of membership:

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately $2,281,000, $1,992,000, and $1,882,000 for the years ended June 30, 2022, 2021, and 2020 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 16.11%, 14.66%, and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. The College contributed approximately $212,000, $238,000 and $278,000 for the years ended June 30, 2022, 2021, and 2020, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2022 and 2021, the College reported a liability of $2,084,879 and $4,413,150, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, 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, 2021 rolled forward to June 30, 2021. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020.

The College's proportion of the net pension liability at June 30, 2022 and 2021 was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal years. At June 30, 2022 and 2021, the College's proportion was 0.020% and 0.026%, respectively.

For the years ended June 30, 2022 and 2021, the College recognized pension income of approximately $172,000 and pension expense of $322,000, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:,

| | 2022 | 2021 |
|---|---|---|
| Deferred Outflows of Resources | | |
| Net difference between projected and actual earnings on pension plan investments | **$ -** | $ 242,593 |
| Changes in plan actuarial assumptions | **142,135** | 250,219 |
| Changes in proportion from Commonwealth | **834** | 3,333 |
| Changes in proportion due to internal allocation | **152,401** | 348,027 |
| Differences between expected and actual experience | **71,941** | 140,420 |
| Contributions subsequent to the measurement date | **211,540** | 237,644 |
| Total | **$ 578,851** | $ 1,222,236 |
| Deferred Inflows of Resources | | |
| Net difference between projected and actual earnings on pension plan investments | **$ 817,393** | $ - |
| Differences between expected and actual experience | **150,944** | 28,556 |
| Changes in proportion from Commonwealth | **6,587** | 10,757 |
| Change in proportion due to internal allocation | **1,136,781** | 771,493 |
| Total | **$ 2,111,705** | $ 810,806 |

The College's contributions of approximately $212,000 and $238,000 made during the fiscal years ending 2022 and 2021, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

| Years Ending June 30, | |
|---|---|
| 2022 | $ (377,126) |
| 2023 | (371,328) |
| 2024 | (419,766) |
| 2025 | (507,098) |
| 2026 | (69,076) |
| Total | $ (1,744,394) |

*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, 2021 | June 30, 2020 |
|---|---|---|
| Inflation | 3.00% | 3.00% |
| Salary increases | 4.00% to 9.00% | 4.00% to 9.00% |
| Investment rate of return | 7.00% | 7.15% |
| Investment rate credited to annuity savings fund | 3.50% | 3.50% |

For measurement dates June 30, 2021 and 2020, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2020 and set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected with Scale MP-2020 and set forward 1 year for females
- Disability – the mortality rate reflects the post-retirement mortality described above, set forward 1 year.

The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2020 and rolled forward to June 30, 2021.

The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 and rolled forward to June 30, 2020.

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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term expected real rate of return | Target Allocation | Long-term expected real rate of return |
| Global Equity | 39% | 4.80% | 39% | 4.80% |
| Core Fixed Income | 15% | 0.30% | 15% | 0.70% |
| Private Equity | 13% | 7.80% | 13% | 8.20% |
| Real Estate | 10% | 3.70% | 10% | 3.20% |
| Portfolio Completion Strategies | 11% | 2.90% | 11% | 3.50% |
| Value Added Fixed Income | 8% | 3.90% | 8% | 4.20% |
| Timber/Natural Resources | 4% | 4.30% | 4% | 4.10% |
| | 100% | | 100% | |

*Discount Rate*

The discount rate used to measure the total pension liability was 7.0% and 7.15% at June 30, 2022 and 2021, 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 tables illustrate the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

| | **June 30, 2022** | |
|---|---|---|
| | **Current** | |
| **1.00% Decrease** | **Discount Rate** | **1.00% Increase** |
| **6.00%** | **7.00%** | **8.00%** |
| **$ 3,191,215** | **$ 2,084,879** | **$ 1,175,557** |

| | June 30, 2021 | |
|---|---|---|
| | Current | |
| 1.00% Decrease | Discount Rate | 1.00% Increase |
| 6.15% | 7.15% | 8.15% |
| $ 5,814,598 | $ 4,413,150 | $ 3,261,269 |

Note 13 - **OPEB**

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

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

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

*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, 2022 and 2021 and as of the valuation dates (January 1, 2021 and 2020), 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 7.65% and 7.70% of annual covered payroll for the fiscal years ended June 30, 2022 and 2021, respectively. The College contributed approximately $100,000 and $125,000 for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, the College reported a liability of $3,660,564 and $5,678,690, 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, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020. 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 2021 and 2020. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022 and 2021, the College's proportion was 0.020% and 0.027%, respectively.

For the years ended June 30, 2022 and 2021, the College recognized OPEB income of approximately $302,000 and OPEB expense of $137,000, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:,

| | 2022 | 2021 |
|---|---|---|
| Deferred Outflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings on OPEB plan investments | **$ -** | $ 16,419 |
| Changes in proportion from Commonwealth | **4,104** | 8,606 |
| Changes in proportion due to internal allocation | **883,434** | 1,584,331 |
| Differences between expected and actual experience | **93,443** | 156,721 |
| Changes of assumptions | **307,428** | 467,650 |
| Contributions subsequent to the measurement date | **100,463** | 124,789 |
| Total deferred outflows related to OPEB | **$ 1,388,872** | $ 2,358,516 |
| Deferred Inflows of Resources Related to OPEB | | |
| Net difference between projected and actual earnings on OPEB plan investments | **$ 44,484** | $ - |
| Differences between expected and actual experience | **644,376** | 140,169 |
| Changes in proportion due to internal allocation | **3,658,274** | 3,734,825 |
| Changes in proportion from Commonwealth | **15,899** | 19,286 |
| Changes in plan actuarial assumptions | **720,088** | 548,826 |
| Total deferred inflows related to OPEB | **$ 5,083,121** | $ 4,443,106 |

The College's contribution of approximately $100,000 and $125,000 made during the fiscal years 2022 and 2021, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the succeeding years.

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

| Years Ending June 30, | |
|---|---|
| 2022 | $ (923,631) |
| 2023 | (848,626) |
| 2024 | (843,980) |
| 2025 | (826,353) |
| 2026 | (352,122) |
| Total | $ (3,794,712) |

*Actuarial Assumptions*

The total OPEB liability for 2022 and 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | 2022 | 2021 |
|---|---|---|
| Measurement date | June 30, 2021 | June 30, 2020 |
| Inflation | 2.50% | 2.50% |
| Salary increases | Rates vary by years of service and group classification, consistent with SERS | Rates vary by years of service and group classification, consistent with SERS |
| Investment rate of return | 7.00%, net of OPEB plan investment expense, including inflation | 7.15%, net of OPEB plan investment expense, including inflation |
| Health care cost trend rates | Developed based on the most recent published SOA-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30% | Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70% |

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year for both measurement dates June 30, 2021 and 2020.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

| | Retirement Age | | Retirement Age | |
|---|---|---|---|---|
| | Under 65 | Age 65+ | Under 65 | Age 65+ |
| Indemnity | 28.0% | 96.0% | 28.0% | 96.0% |
| POS/PPO | 60.0% | 0.0% | 60.0% | 0.0% |
| HMO | 12.0% | 4.0% | 12.0% | 4.0% |

The actuarial assumptions used in the January 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

As a result of these actuarial experience studies, the mortality assumption was adjusted in the January 1, 2021 and 2020 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, 2022 and 2021 are the same as discussed in the Pension footnote (note 11).

*Discount Rate*

The discount rate used to measure the total OPEB liability at June 30, 2022 and 2021 was 2.77% and 2.28%, respectively. This rate was based on a blend of the Bond Buyer Index rate (2.16% and 2.21%) 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 2041 and 2028 for the fiscal years 2022 and 2021, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% and 7.15% 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 one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30,:

| | 1.00% Decrease 1.77% | June 30, 2022 Discount Rate 2.77% | 1.00% Increase 3.77% |
|---|---|---|---|
| Net OPEB liability | **$ 4,348,721** | **$ 3,660,564** | **$ 3,106,267** |

| | 1.00% Decrease 1.28% | June 30, 2021 Discount Rate 2.28% | 1.00% Increase 3.28% |
|---|---|---|---|
| Net OPEB liability | $ 6,824,199 | $ 5,678,690 | $ 4,773,599 |

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

| 2022 | | |
|---|---|---|
| **1.00% Decrease (B)** | **Current Health Care Cost Trend Rate (A)** | **1.00% Increase (C)** |
| **$ 2,997,249** | **$ 3,660,564** | **$ 4,525,086** |

| 2021 | | |
|---|---|---|
| 1.00% Decrease (B) | Current Health Care Cost Trend Rate (A) | 1.00% Increase (C) |
| $ 4,612,411 | $ 5,678,690 | $ 7,095,335 |

(A) - Current healthcare cost trend rate,as disclosed in the actuarial assumptions

(B) - 1-percentage decrease in current health care cost trend rate, as disclosed in the actuarial assumptions

(C) - 1-percentage increase in current health care cost trend rate, as disclosed in the actuarial assumptions

Note 14 - **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, 2022 and 2021, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

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

## Note 15 - 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.

*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 16 - 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, 2022 and 2021 (unaudited).

## Note 17 - Pass-Through Grants

The College distributed $1,334,439 and $1,493,860 during 2022 and 2021, 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 18 - **Subsequent Events**

Management has evaluated the activity of the College through October 11, 2022, the date these financial statements were available for issuance, and has concluded that no events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

# REQUIRED SUPPLEMENTARY 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, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|
| Measurement date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Valuation date | January 1, 2021 | January 1, 2020 | January 1, 2019 | January 1, 2018 | January 1, 2017 | January 1, 2016 | January 1, 2015 | January 1, 2014 |
| Proportion of the collective net pension liability | 0.020% | 0.026% | 0.028% | 0.033% | 0.030% | 0.024% | 0.043% | 0.040% |
| Proportionate share of the collective net pension liability | $ 2,084,879 | $ 4,413,150 | $ 4,074,332 | $ 4,422,643 | $ 3,796,847 | $ 3,281,453 | $ 4,845,997 | $ 2,976,652 |
| College's covered payroll | $ 1,621,033 | $ 1,974,112 | $ 2,298,905 | $ 2,595,034 | $ 2,326,231 | $ 1,808,307 | $ 2,565,242 | $ 2,974,086 |
| College's proportionate share of the net pension liability as a percentage of its covered payroll | 128.61% | 223.55% | 177.23% | 170.43% | 163.22% | 181.47% | 188.91% | 100.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.54% | 62.48% | 66.28% | 67.91% | 67.21% | 63.48% | 67.87% | 76.32% |

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

*See accompanying notes to the required supplementary information.*

# 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,**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 211,540 | $ 237,644 | $ 277,955 | $ 277,248 | $ 305,695 | $ 231,460 | $ 170,885 | $ 266,529 |
| Contributions in relation to the statutorily required contribution | (211,540) | (237,644) | (277,955) | (277,248) | (305,695) | (231,460) | (170,885) | (266,529) |
| Contribution (excess)/deficit | $ - | $ | $ | $ | $ | $ | $ | $ |
| College's covered payroll | $ 1,313,097 | $ 1,621,033 | $ 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 | 16.11% | 14.66% | 14.08% | 12.06% | 11.78% | 9.95% | 9.45% | 10.39% |
| | - | - | - | - | - | - | - | |

Notes:

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

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

*See accompanying notes to the required supplementary information.*

# 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

| Year ended | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|
| Measurement date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| Valuation date | January 1, 2021 | January 1, 2020 | January 1, 2019 | January 1, 2018 | January 1, 2017 |
| Proportion of the collective net OPEB liability | 0.020% | 0.027% | 0.044% | 0.052% | 0.042% |
| Proportionate share of the collective net OPEB liability | $ 3,660,564 | $ 5,678,690 | $ 7,680,789 | $ 9,677,564 | $ 7,384,880 |
| College's covered payroll | $ 1,621,033 | $ 1,974,112 | $ 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 | 225.82% | 287.66% | 334.11% | 372.93% | 317.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 10.70% | 6.40% | 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,

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Statutorily required contribution | $ 100,463 | $ 124,789 | $ 143,988 | $ 202,167 | $ 231,447 |
| Contributions in relation to the statutorily required contribution | (100,463) | (124,789) | (143,988) | (202,167) | (231,447) |
| Contribution (excess)/deficit | $ - | $ | $ | $ | $ |
| College's covered payroll | $ 1,313,097 | $ 1,621,033 | $ 1,974,112 | $ 2,298,905 | $ 2,595,034 |
| Contribution as a percentage of covered payroll | 7.65% | 7.70% | 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, 2022

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

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

The mortality rates were changed as follows:

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

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

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

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

The mortality rate assumptions were changed as follows:

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

*See Independent Auditors' Report*.

Measurement Date – June 30, 2017
The mortality rates were changed as follows:

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

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

- Disability – did not change

Measurement Date – June 30, 2016
The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately $400 million as of June 30, 2016.

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

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

The mortality rates were changed as follows:

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

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

## Notes to the Required Supplementary Information - Pension (Unaudited) - Continued

## For the Year Ended June 30, 2022

- 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
## (an agency of the Commonwealth of Massachusetts)

## Notes to the Required Supplementary Information – OPEB (Unaudited)

## June 30, 2022

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

**Fiscal year June 30, 2022**

Assumptions:

*Change in Per Capita Claims Costs*

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

*Change in Medical Trend Rates*

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

*Change in Investment Rate*

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

*Change in Mortality Rates*

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

*Change in Discount Rate*

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

**Fiscal year June 30, 2021**

Assumptions:

*Change in Per Capita Claims Costs*

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

*Change in Medical Trend Rates*

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

*Change in Investment Rate*

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

*Change in Salary Scale*

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

*See Independent Auditors' Report.*

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

**Fiscal year June 30, 2020**
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 impacts the high cost excise tax.

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

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

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

**Fiscal year June 30, 2018**
Assumptions:
*Change in Discount Rate*
The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

*See Independent Auditors' Report.*

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

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

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

To the Board of Trustees of
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, 2022 and 2021, 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 11, 2022.

**Report on 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.

**Report on 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.

**Certified Public Accountants**
**Braintree, Massachusetts**

October 11, 2022