

BUNKER HILL COMMUNITY COLLEGE

(An agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2023

C O N T E N T S

Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-25
Financial Statements:	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows	28-29
Statement of Fiduciary Net Position - Fiduciary Funds	30
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	31
Notes to the Financial Statements	32-72
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Unaudited)	73
Schedule of Contributions - Pension (Unaudited)	74
Notes to the Required Supplementary Information - Pension (Unaudited)	75-77
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	78
Schedule of Contributions - OPEB (Unaudited)	79
Notes to the Required Supplementary Information - OPEB (Unaudited)	80-83
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84-85

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Bunker Hill Community College:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS 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 23, 2023, 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.

A handwritten signature in blue ink that reads 'Withum Smith & Brown, PC'.

October 23, 2023

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2023

(Unaudited)

The following discussion and analysis provides management's view of the financial position of Bunker Hill Community College (the College) as of June 30, 2023 and 2022, and the changes in net position for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

The College is a public institution of higher education that served more than 8,000 students in fall 2022 semester, with 141 full time faculty, 436 adjunct faculty, and 337 staff members. Campuses are located in Boston and Chelsea, Massachusetts. In addition, the College offers programs at four off campus locations throughout the greater Boston area. The College offers 60 programs leading to associate degrees including two concentrations that prepare students to enter technical programs and 28 certificate programs. Through initiatives the College seeks to empower and inspire students, faculty and staff from diverse backgrounds to make meaningful contributions to local and global communities.

Financial Highlights

- At June 30, 2023, the College's assets and deferred outflows were \$188,514,818 and its liabilities and deferred inflows were \$77,006,223 resulting in net position of \$111,508,595. This represents an increase in net position of \$44,167,747 for the fiscal year (FY) 2023. By contrast, at June 30, 2022, the College's assets and deferred outflows were \$146,254,719 and its liabilities and deferred inflows were \$78,913,871 resulting in net position of \$67,340,848.

	June 30	
	2023	2022
Invested in capital assets, net of related liabilities	\$ 91,930,254	\$ 46,045,320
Unrestricted	19,578,341	21,295,528
Total net position	\$ 111,508,595	\$ 67,340,848

Overview of the Financial Statements

The College's financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Overview of the Financial Statements - Continued

Bunker Hill Community College Foundation (Foundation) is a legally separate tax-exempt component unit of Bunker Hill Community College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and consists of business and civic leaders in the greater Boston area. Although the College does not control the timing or the amount of receipts from the Foundation, the resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

The Financial Statements - The financial statements are designed to provide readers with a broad overview of the College's finances and comprise five 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.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the 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 result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences or the receipt of amounts due from students and others for services rendered).

The Statement of Cash Flows is reported on the direct method. The direct method of cash flows reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and other student fees) and disbursements (e.g., payments to employees). GASB Statement No. 34 and No. 35 require this method to be used. In accordance with GASB Statement No. 39, the Foundation is not required to present the statement of cash flows.

The Statements of Fiduciary Net Position and Changes in Fiduciary Net Position are funds used to account for resources held for the benefit of parties outside the College. Fiduciary funds are not included in the College's financial statements because the resources of these funds are not available

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Overview of the Financial Statements - Continued

to support the College's programs. These funds, which include custodial funds, are reported using accrual accounting.

The financial statements can be found on pages 26-31 of this report.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 32-72 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. At the close of FY2023, assets exceeded liabilities by \$111,508,595 compared to \$67,340,848 in FY2022.

The College's FY2023 net position of \$111,508,595 includes investment in capital assets of \$91,930,254 (e.g., land, buildings and improvements, and equipment), less any related liabilities such as capital leases used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related liabilities, it should be noted that the resources needed to repay these liabilities must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the liabilities noted above, which are reflected in the College's financial statements, the Commonwealth regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis – Continued

Summary of the College's Net Position				
	June 30		Between 2023 and 2022	
	2023	2022	Dollar change	Change percentage
Current assets	\$ 49,559,023	\$ 48,018,345	\$ 1,540,678	3%
Noncurrent assets	132,647,997	87,864,772	44,783,225	51%
Deferred outflows	6,307,798	10,371,602	(4,063,804)	-39%
Total assets and deferred outflows	188,514,818	146,254,719	42,260,099	29%
Current liabilities	20,447,810	16,461,326	3,986,484	24%
Noncurrent liabilities	38,495,213	39,021,809	(526,596)	-1%
Deferred inflows	18,063,200	23,430,736	(5,367,536)	-23%
Total liabilities and deferred inflows	77,006,223	78,913,871	(1,907,648)	-2%
Net position:				
Invested in capital assets, net of related debt	91,930,254	46,045,320	45,884,934	100%
Unrestricted	19,578,341	21,295,528	(1,717,187)	-8%
Total net position	\$ 111,508,595	\$ 67,340,848	\$ 44,167,747	66%

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2023 and 2022	
	2023	2022	Change	Change percentage
Operating:				
Tuition and fees, net of scholarship allowances	\$ 26,617,934	\$ 21,439,097	\$ 5,178,837	24%
Grants and contracts	28,028,103	27,172,674	855,429	3%
Other operating revenues	3,054,219	2,203,220	850,999	39%
Total operating revenues	57,700,256	50,814,991	6,885,265	14%
Total operating expenses	104,070,889	111,275,038	(7,204,149)	(6)%
Operating loss	(46,370,633)	(60,460,047)	14,089,414	(23)%
Nonoperating:				
Total state support	81,363,875	55,825,186	25,538,689	46%
Federal Grants	2,924,702	29,417,394	(26,492,692)	(90)%
Net other nonoperating	6,249,803	(7,214,090)	13,463,893	(187)%
Total change in net position	44,167,747	17,568,443	26,599,304	151%
Net position, beginning of year	67,340,848	49,772,405	17,568,443	35%
Net position, end of year	\$ 111,508,595	\$ 67,340,848	\$ 44,167,747	66%

BUNKER HILL COMMUNITY COLLEGE

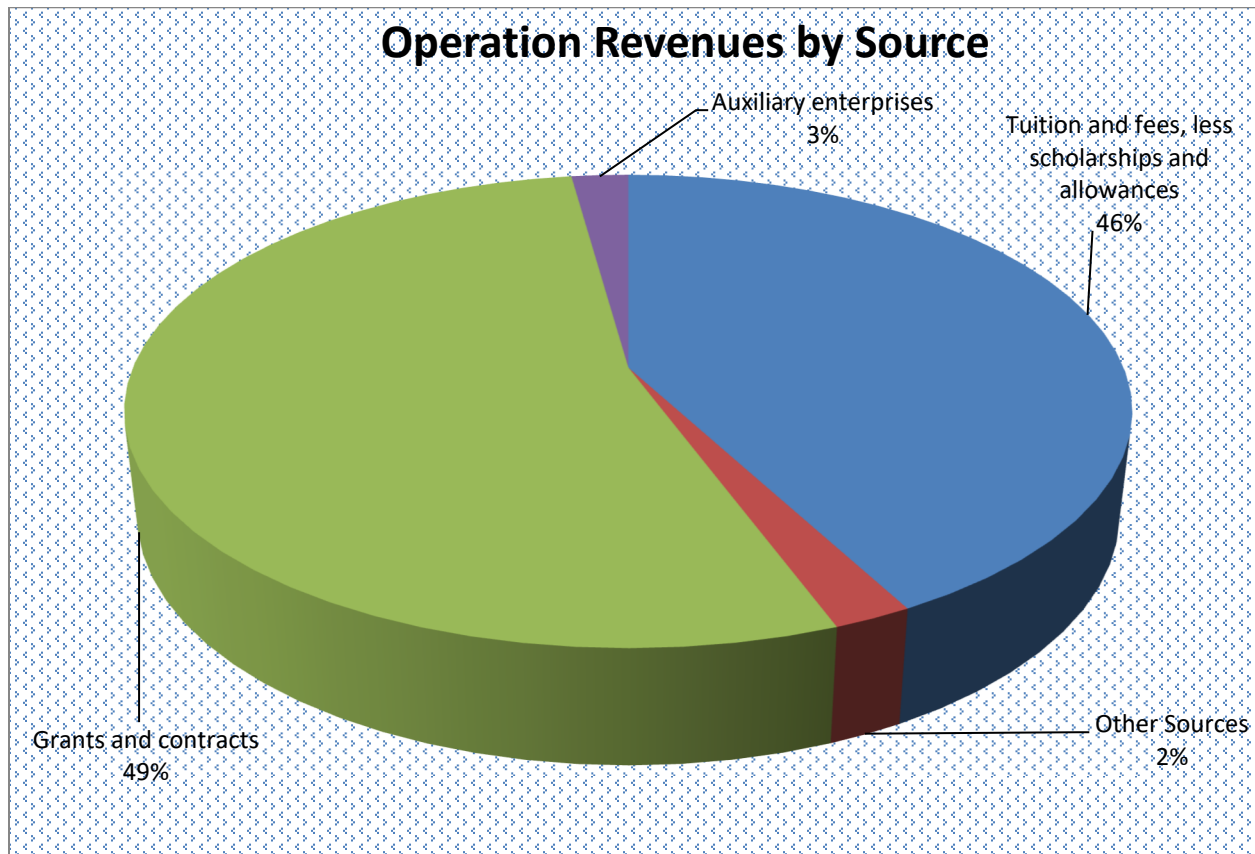
Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

Tuition and fees, less scholarships and allowances increased by 24% in FY2023 compared to a decrease by 11% in FY2022. Tuition and fees, less scholarship allowances were 46% of total operating revenues in FY2023 and 42% in FY2022. Federal, State, Local and Private Grants and contracts under operating revenue increased by 4% compared to FY2022 and was 49% of total operating revenue in FY2023. Federal, State, Local and Private Grants and contracts under non-operating revenue decreased by 82% compared to FY2022. This is due to decreased receipt of COVID-19 grants from the Federal government.



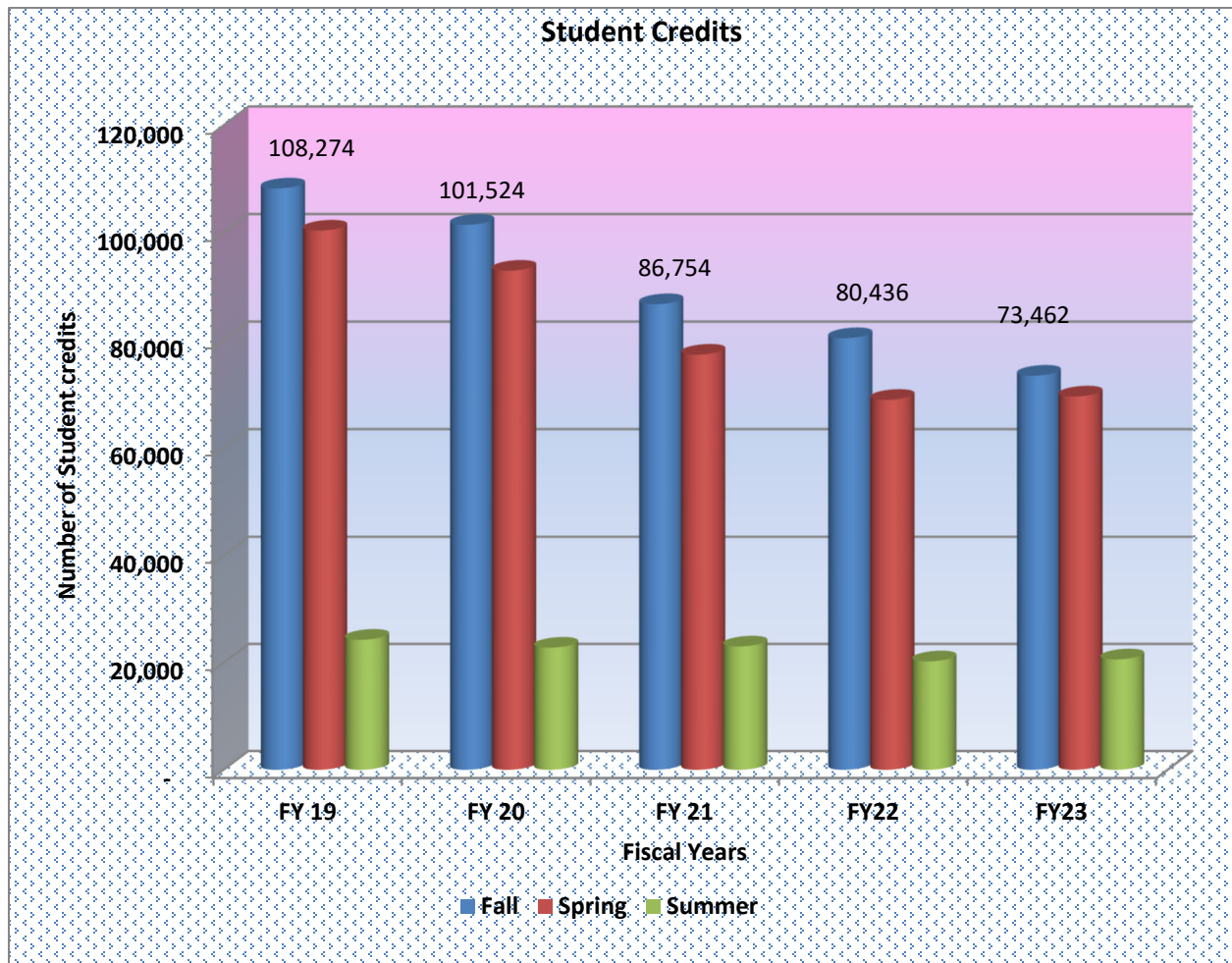
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



Although the student enrollment has declined over the past 5 years, the College maintains its position as the largest of the fifteen Community Colleges in the Commonwealth of Massachusetts.

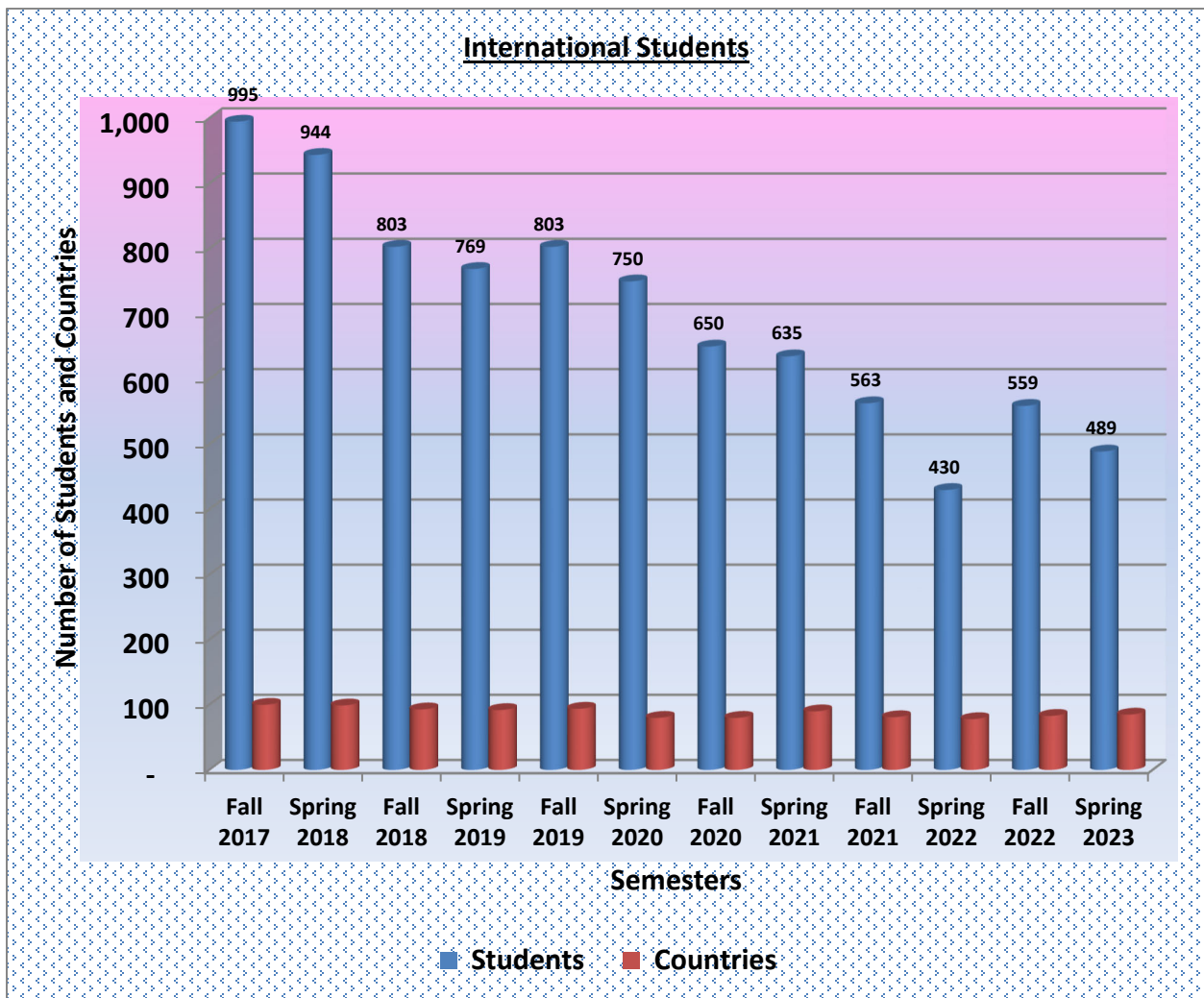
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



There was a 24% decline in the international student enrollments between Spring 2022 and Spring 2021 and 15% decline between Spring 2021 and Spring 2020. However, there is a 14% increase from Spring 2022 to Spring 2023.

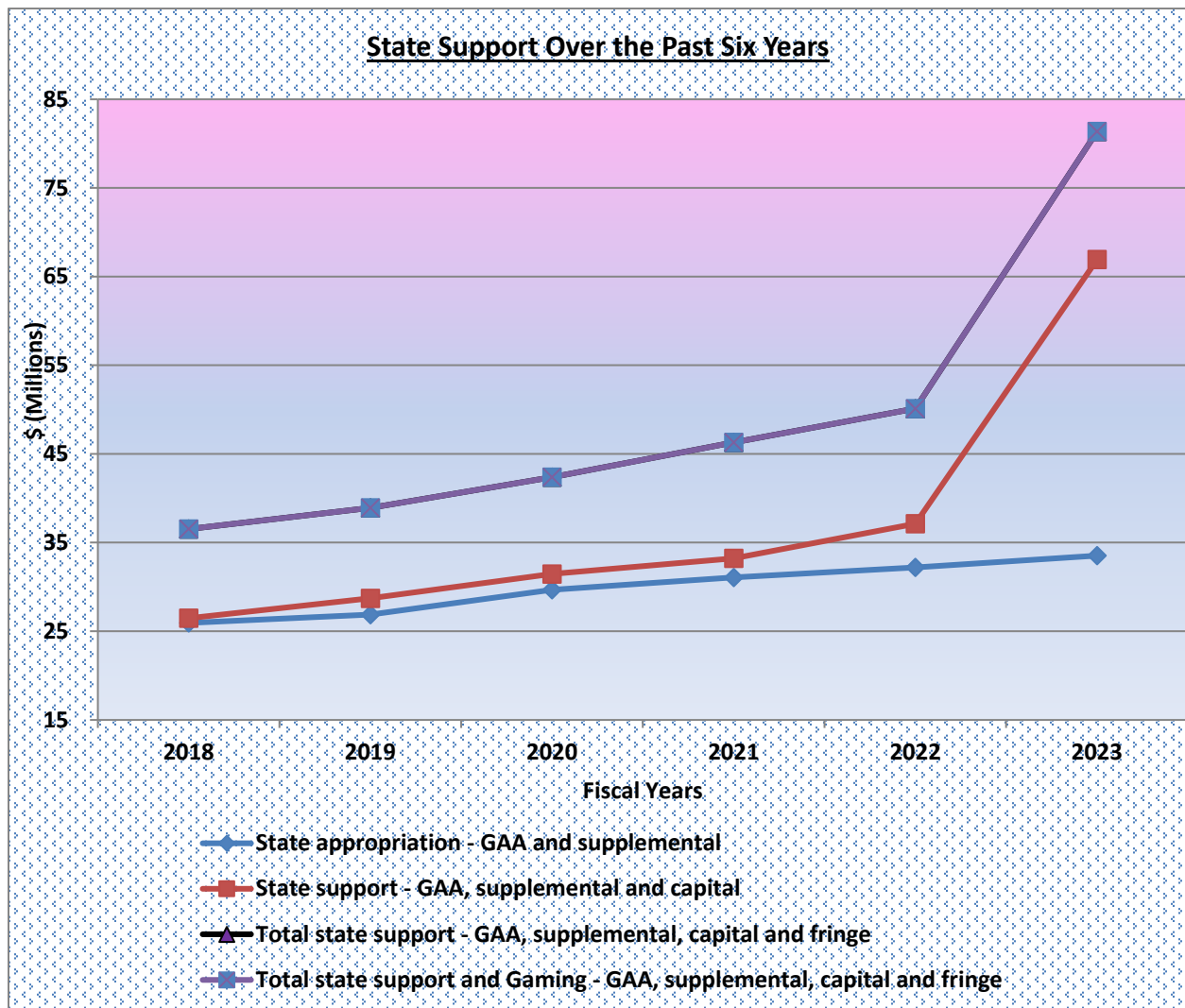
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



The six-year trend analysis shows that for the year ended June 30, 2023, there has been an increase in general and supplemental state appropriation, although the primary increase comes from the increase in capital appropriation.

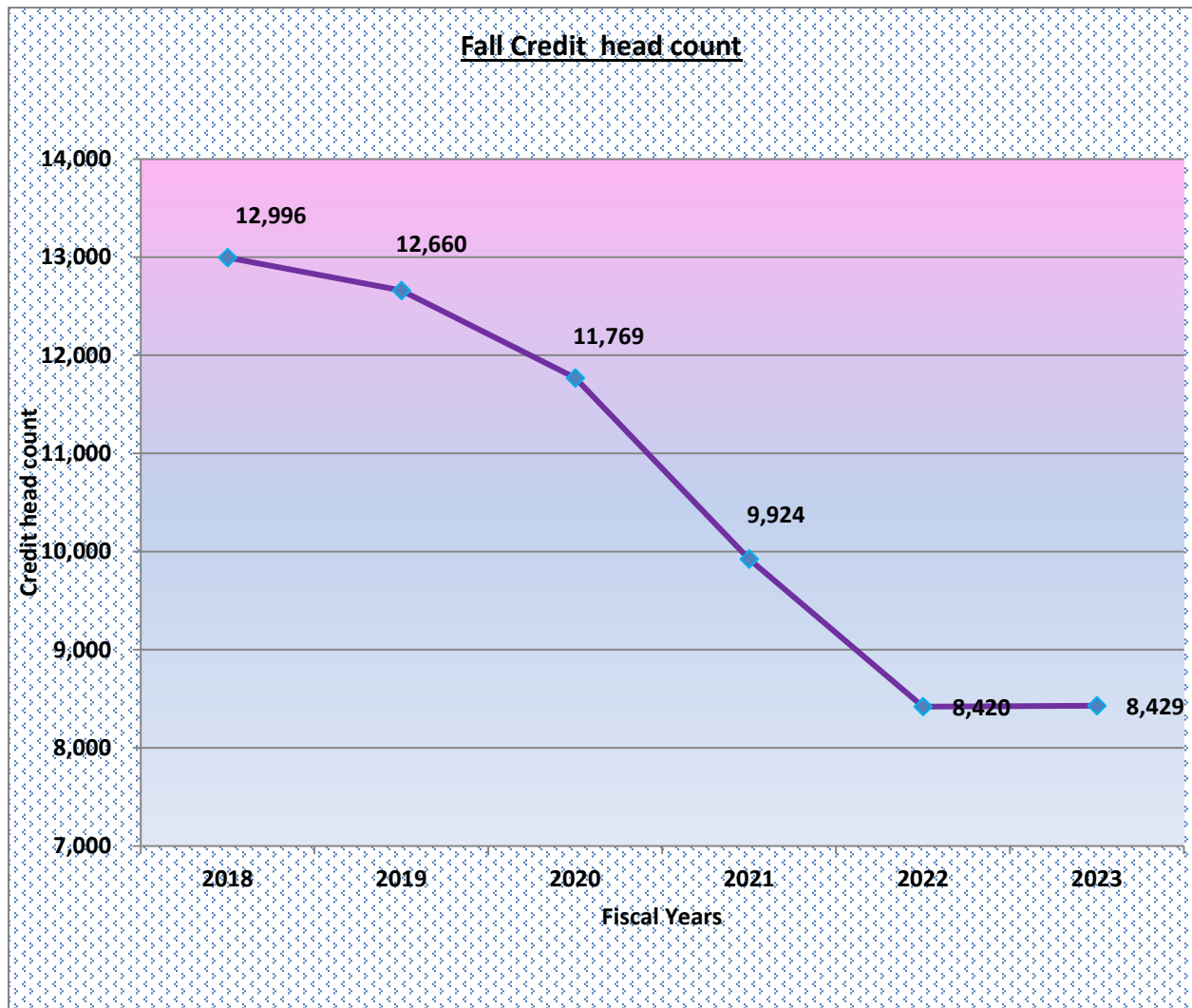
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



The College's head count was over 13,000 as of Fall 2018 and declined gradually to slightly below 12,000 students by Fall 2020. The head count fell to below 9,000 in Fall 2021 and stayed at that level for Fall 2022 and Fall 2023.

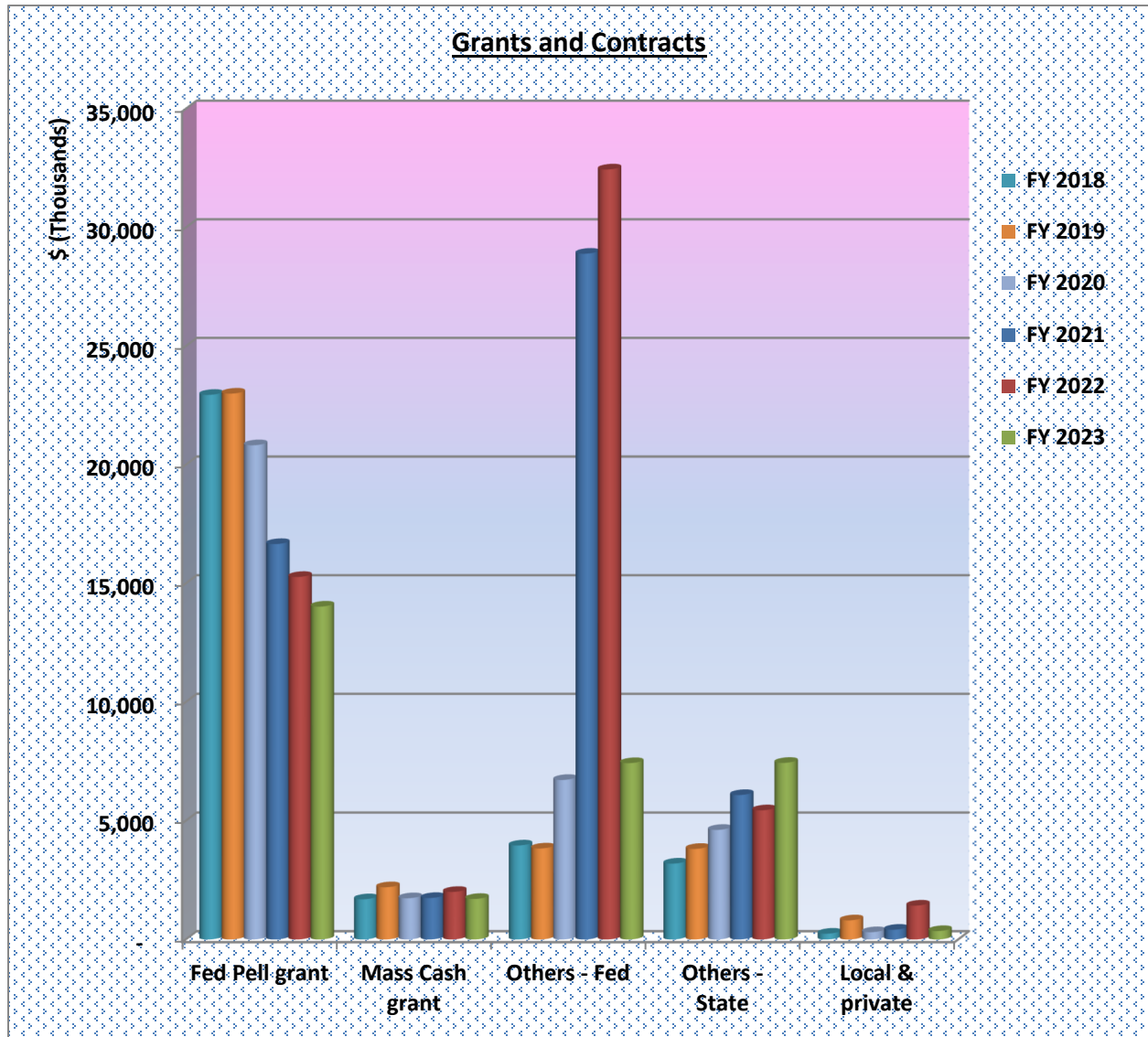
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



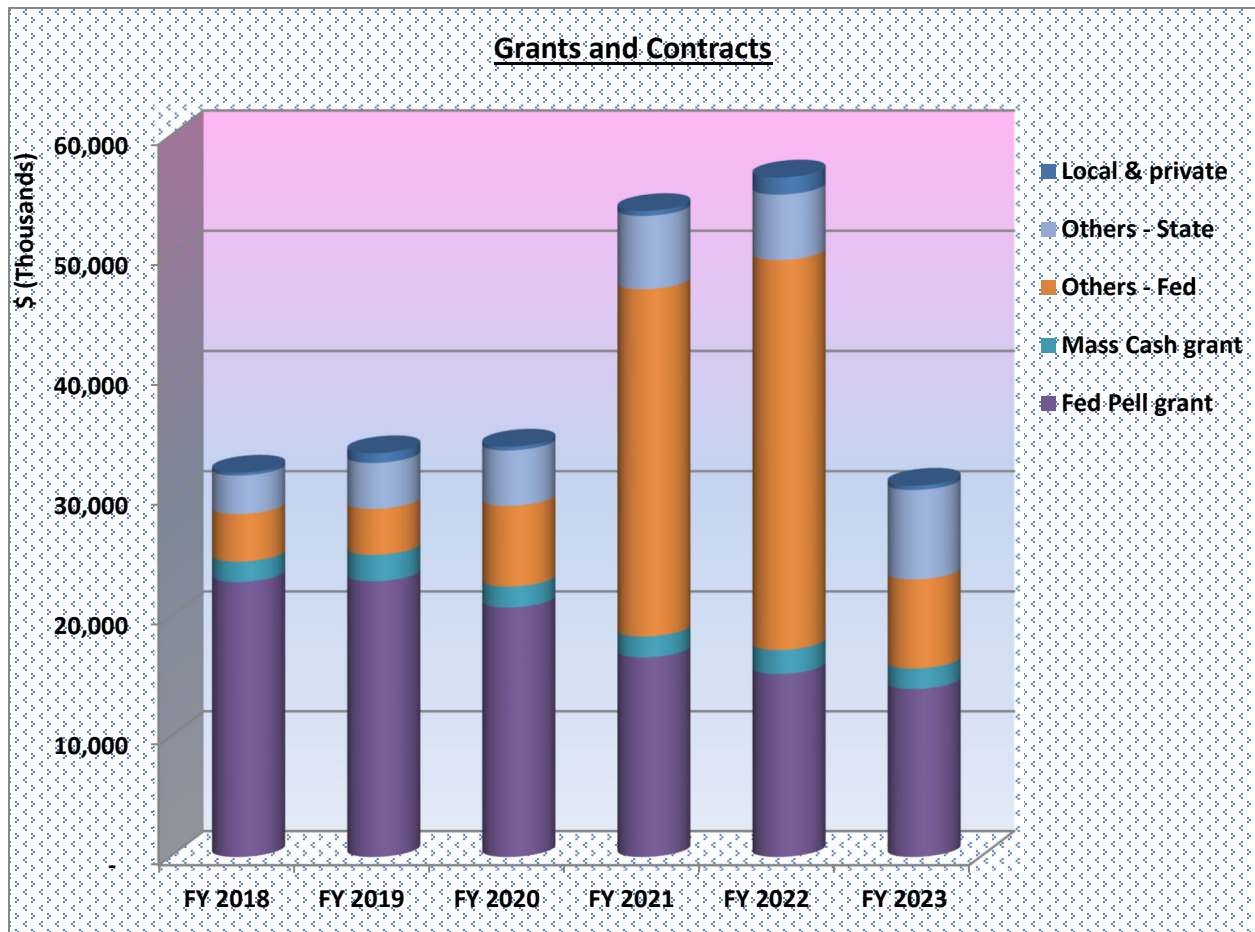
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

Major grants and contracts received by the College for FY2023 included the following:

- Federal Grants in the amount of \$2,924,702 received from CARE's Act funding for student financial aid and other institutional expenses. This is a decrease of \$26,492,692 (90%) from FY2022.
- PELL grant from US Department of Education in the amount of \$14,024,151 for student financial aid. This is a decrease of \$1,248,776 (8%) from FY2022.
- SEOG grant from US Department of Education in the amount of \$478,200 for student financial aid. This is a decrease of \$144,723 from FY2022.
- MASS CASH grant from Massachusetts Board of Higher Education in the amount of \$1,706,809 for student financial aid. This is a decrease of \$295,262 from FY2022.
- MASS grant from Massachusetts Board of Higher Education in the amount of \$1,326,101 for student financial aid. This is a decrease of \$114,809 from FY2022.
- TRIO grant from U.S. Department of Education of \$517,498.
- Department of Higher Education grant received for Developing Hispanic Serving Institute of \$623,467.
- Massachusetts Department of Elementary & Secondary Education grants received for Perkins Career and Technical Education grant of \$449,412 and Adult Education Boston grant of \$853,361.
- Boston Public School grant received for Dual Enrollment of \$128,908.
- Auxiliary enterprises (Workforce development contracts) revenue increased to \$1,796,988 in FY2023 from \$1,105,782 in FY2022 (a 63% increase). This is mainly due to \$661,500 from the Massachusetts Executive Office of Education funding and supporting high-demand workforce training programs.

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

Tuition and fees received by the College

	Year Ended June 30		Between 2023 and 2022	
	2023	2022	Change	Change percentage
Tuition	\$ 7,850,667	\$ 7,755,132	\$ 95,535	1%
Student fees	33,121,698	34,342,879	(1,221,181)	(4)%
Waivers	(1,300,149)	(1,021,169)	(278,980)	27%
Tuition and fees, net	<u>\$ 39,672,216</u>	<u>\$ 41,076,842</u>	<u>\$ (1,404,626)</u>	<u>(3)%</u>

Comparison of Expenses by Function

	Year Ended June 30		Between 2023 and 2022	
	2023	2022	Change	Change percentage
Instruction	\$ 37,496,601	\$ 38,056,258	\$ (559,657)	(1)%
Academic support	12,317,082	12,743,631	(426,549)	(3)%
Student services	17,374,729	17,233,231	141,498	1%
Scholarships and fellowships	11,028,146	15,320,002	(4,291,856)	(28)%
Operation and maintenance of plant	5,337,316	8,608,726	(3,271,410)	(38)%
Institutional support and other	14,936,727	14,019,783	916,944	7%
Depreciation and amortization	5,580,288	5,293,407	286,881	5%
	<u>\$ 104,070,889</u>	<u>\$ 111,275,038</u>	<u>\$ (7,204,149)</u>	<u>(6)%</u>

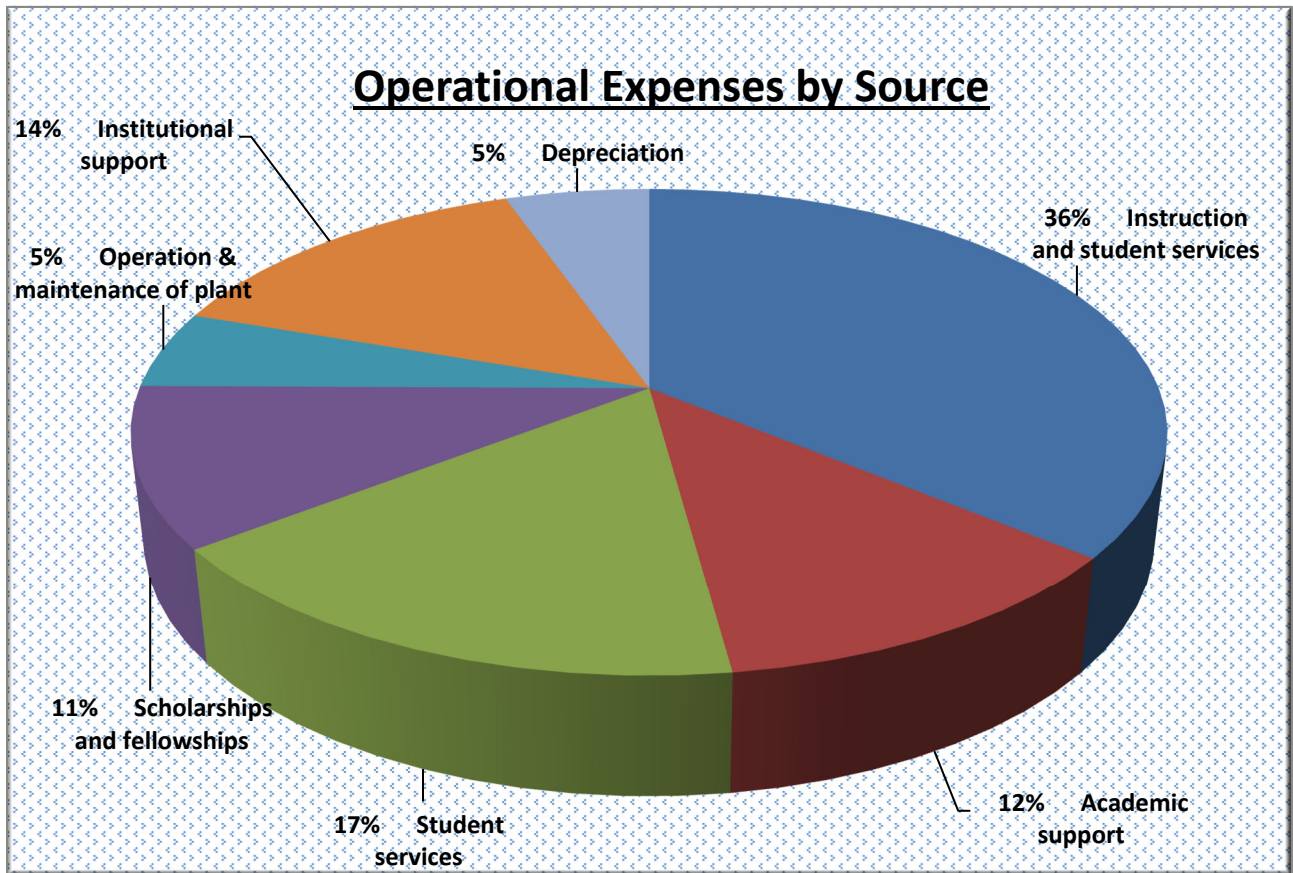
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



Highlights of operating expense activity:

- Of the total operating expenses in FY2023 of \$104,070,889, 76% relates to instruction, academic support, student services, and scholarship and fellowships. Of the total operating expenses in FY2022 of \$111,275,038, 74% relates to instruction, academic support, student services, and scholarship and fellowships.

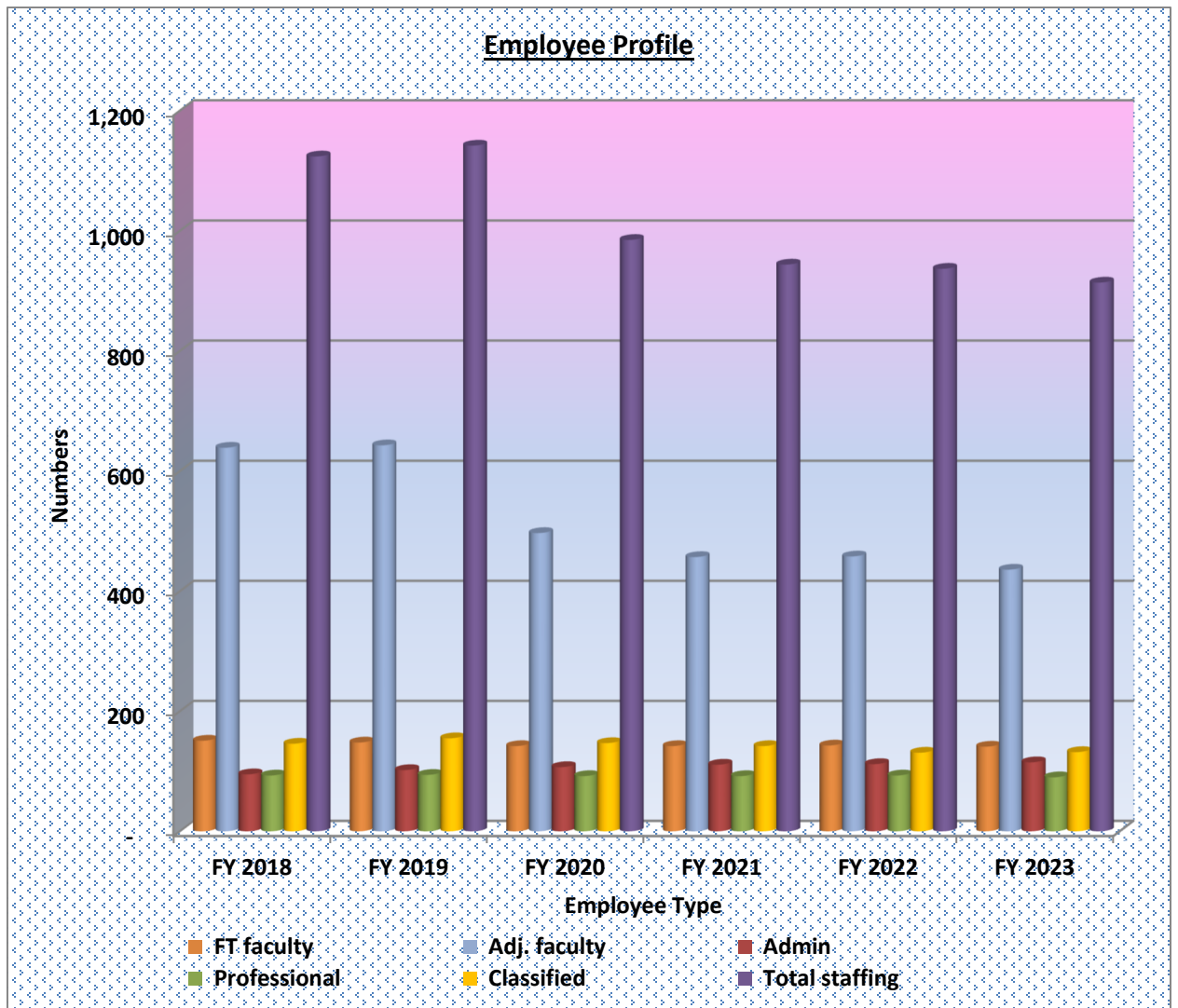
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

Loss from Operations

The following schedule presents the College's operating loss for the years ended June 30:

	Year Ended June 30		Between 2023 and 2022	
	2023	2022	Change	Change percentage
Tuition and fees	\$ 39,672,216	\$ 41,076,842	\$ (1,404,626)	(3)%
Less scholarship allowances	(13,054,282)	(19,637,745)	6,583,463	(34)%
Net tuition and fees	26,617,934	21,439,097	5,178,837	24%
Grants and contracts	28,028,103	27,172,674	855,429	3%
Other revenue	3,054,219	2,203,220	850,999	39%
Operating expenses	(104,070,889)	(111,275,038)	7,204,149	(6)%
Operating loss	\$ (46,370,633)	\$ (60,460,047)	\$ 14,089,414	(23)%

Pursuant to Governmental Accounting Standards Board (GASB) Statements No. 34 and 35, the State appropriation is not classified as operating revenue. Therefore, institutions of public higher education generally incur a loss from operations. The Commonwealth's Department of Higher Education sets tuition while the College's Board of Trustees sets general course fees. Commonwealth appropriations and other state support to the College reduced the loss from operations. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued

Non-Operating Revenues and Expenses

	Year Ended June 30		Between 2023 and 2022	
	2023	2022	Change	Change percentage
Operating loss	\$ (46,370,633)	\$ (60,460,047)	\$ 14,089,414	-23%
Nonoperating:				
Total state support	81,363,875	55,825,186	25,538,689	46%
Federal Grants	2,924,702	29,417,394	(26,492,692)	-90%
Net other nonoperating	6,249,803	(7,214,090)	13,463,893	-187%
Increase (decrease) in net position	\$ 44,167,747	\$ 17,568,443	\$ 26,599,304	151%

State appropriation for FY2023 was the largest single source of revenue at \$81,363,875 or 52% of the total revenue. Grants and contracts amounted to \$30,952,805 or 20% and gross tuition and fees amounted to \$39,672,216 or 26%.

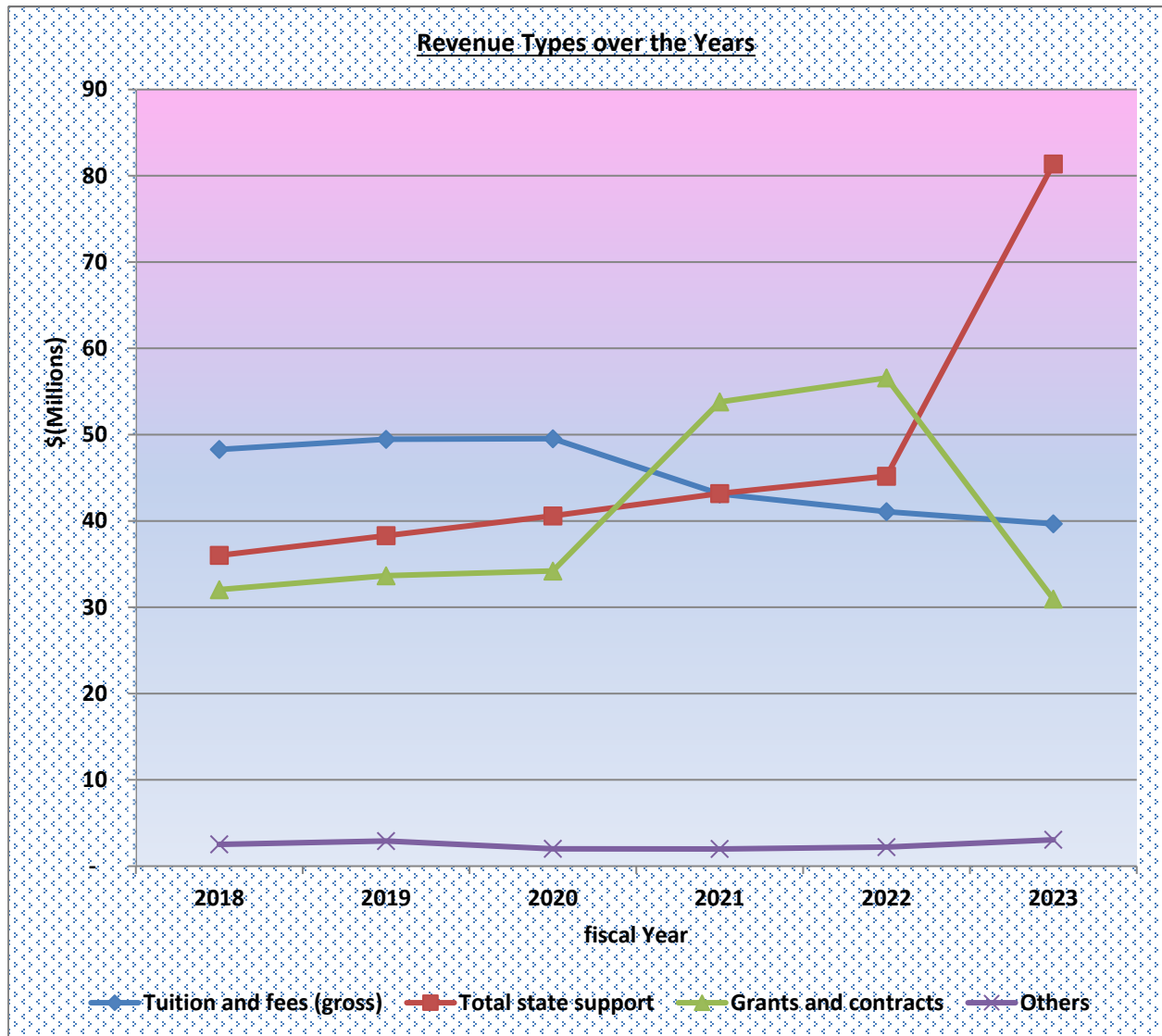
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis - Continued



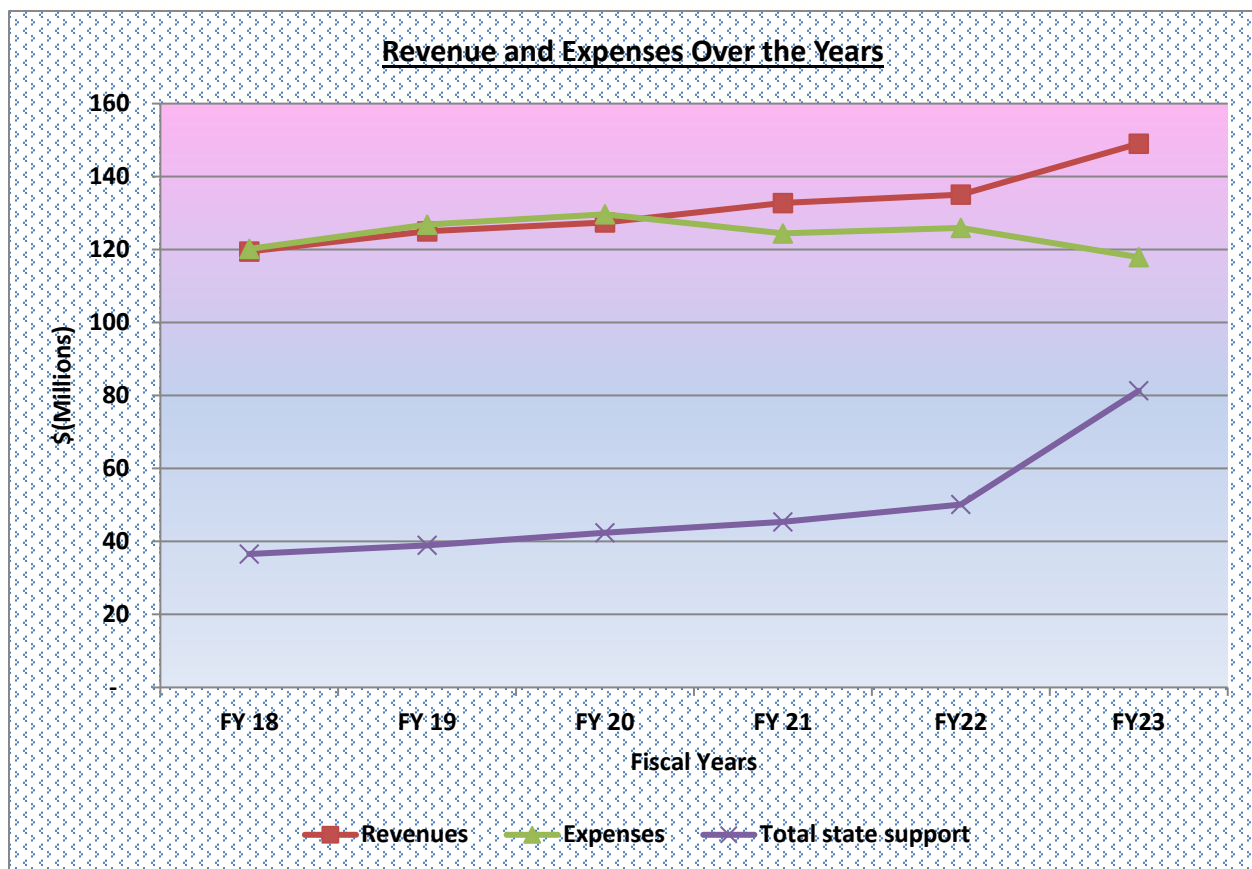
BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Financial Analysis – Continued



From the past six years, FY2018 revenue (excluding scholarship allowances) broke even with expenses. However, in FY2019 and 2020, the expenses slightly increased and exceeded revenues due to effect of implementation of GASB 75 OPEB liabilities. FY2021 was an unusual year due to COVID-19 pandemic and supplemental grant revenue received through the Federal government and the CARES act. The pandemic and funding received through the CARES act continued through FY2022 but was finally finished in FY2023. In FY2023 the College also received a \$34M capital appropriation from the State for the construction of our new academic student success center, and expenses also decreased as there is a decrease in salaries expense due to staff shortages and less rental expenses were incurred as a lease was terminated early at the end of the prior fiscal year.

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Capital Assets of the College

The College's capital assets as of June 30, 2023 amounted to \$105.2 million, net of accumulated depreciation. The capital assets include land, buildings and improvements, furnishings, and equipment. The Board of Trustees approves capital asset purchases. Note that we also implemented GASB87 and GASB96 and recognized leases as capital assets and liabilities as required per the regulation. Additional information about the College's capital assets can be found in Note 6.

Long-Term Liabilities of the College

During the FY2007, the College participated in a Pool M3-C Series, tax exempt, variable rate bond issued through Massachusetts Health and Educational Facilities Authority Capital Assets Program (HEFA) to finance the construction of the Health and Wellness Center. Of the Pool M3-C Series, tax exempt bond of \$8,000,000, a sum of \$47,002 is held as a debt service reserve fund at the Peoples United Bank.

The College also entered into an interest rate swap agreement with Citizens Bank to manage (hedge) cash flows associated with the variable rate bond. The terms of the swap transaction are as follows:

Original notional amount	\$	7,920,000
Trade date		February 9, 2007
Effective date		February 11, 2007
Termination date		June 15, 2031
Rate paid by College		4.18%
Rate paid by counterparty		SIFMA Swap Index
Fair value – liability at June 30, 2023	\$	281,959

BUNKER HILL COMMUNITY COLLEGE

Management's Discussion and Analysis - Continued

June 30, 2023

(Unaudited)

Long-Term Liabilities of the College - Continued

In November 2011, the College participated in a clean energy (savings) program which was administered by the Department of Capital Asset Management and Maintenance (DCAMM). This project, DCAM project number BHC 1001-EC1 was funded in part by a loan from the Clean Energy Investment program (CEIP) funds and in part by a General Obligation Bond through DCAMM. The status of the CEIP funds as June 30, 2023, is as follows:

Date of note	November 29, 2011
Original amount of note	\$3,330,488
Unpaid principal balance	\$1,822,124
Maturity date	January 01, 2032
Interest rate	4.00%
Date to which interest has been paid	January 01, 2022

Economic Factors and Decisions Affecting Next Year's Tuition and Student Fee Revenues

The seasonally adjusted unemployment rate for the Commonwealth within which the College primarily draws students, decreased from 3.7% in June 2022 to 2.6% in June 2023, according to the United States Department of Labor, Bureau of Labor Statistics. The seasonally adjusted unemployment rate on a national level is unchanged at 3.6% as of June 2022 and June 2023. The trend is that unemployment will continue to decrease if the performance of the economy improves and vice versa. It is difficult for the College to predict the extent to which enrollment may vary in the current environment.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of the Vice President, Administration and Finance, Bunker Hill Community College, 250 New Rutherford Avenue, Boston, Massachusetts 02129.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Current Assets:		
Cash and equivalents	\$ 4,358,885	\$ 885,759
Deposits held by State Treasurer	3,131,885	-
Cash held by State Treasurer	635,541	-
Restricted cash	-	452,637
Short-term investments	34,579,637	-
Deposits with bond trustee - restricted	47,002	-
Accounts receivable, net	6,201,287	676,667
Pledges receivable	-	80,575
Other assets	<u>604,786</u>	<u>6,698</u>
Total Current Assets	<u>49,559,023</u>	<u>2,102,336</u>
Non-Current Assets:		
Long-term investments	27,437,390	8,066,248
Pledges receivable, net of current portion	-	205,900
Capital assets, net of accumulated depreciation	<u>105,210,607</u>	<u>-</u>
Total Non-Current Assets	<u>132,647,997</u>	<u>8,272,148</u>
Total Assets	<u>182,207,020</u>	<u>10,374,484</u>
Deferred Outflows of Resources		
Interest rate swap	281,959	-
Deferred outflows related to pension	2,849,751	-
Deferred outflows related to OPEB	<u>3,176,088</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>6,307,798</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 188,514,818</u></u>	 <u><u>\$ 10,374,484</u></u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 7,427,342	\$ 103,045
Accrued payroll	2,990,021	-
Compensated absences and workers' compensation	4,086,433	-
Unearned revenues	2,233,282	-
Students' deposits	1,236,046	-
Current portion of lease liability	1,471,786	-
Current portion of SBITA liability	520,722	-
Current portion of bonds payable	310,000	-
Current portion of liability for energy project	<u>172,178</u>	<u>-</u>
Total Current Liabilities	<u>20,447,810</u>	<u>103,045</u>
Non-Current Liabilities:		
Compensated absences and workers compensation, net of current portion	2,974,800	-
Lease liability, net of current portion	3,350,739	-
SBITA liability, net of current portion	1,414,982	-
Bonds payable, net of current portion	4,437,002	-
Liability for energy project, net of current portion	1,649,946	-
Liability for derivative instrument	281,959	-
Pension liability, net	10,797,382	-
OPEB liability, net	<u>13,588,403</u>	<u>-</u>
Total Non-Current Liabilities	<u>38,495,213</u>	<u>-</u>
Total Liabilities	<u>58,943,023</u>	<u>103,045</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	4,385,541	-
Deferred inflows related to OPEB	<u>13,677,659</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>18,063,200</u>	<u>-</u>
Net Position:		
Net investment in capital assets	91,930,254	-
Restricted:		
Expendable	-	4,793,608
Non-expendable	-	4,181,624
Unrestricted	<u>19,578,341</u>	<u>1,296,207</u>
Total Net Position	<u>111,508,595</u>	<u>10,271,439</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 188,514,818</u>	<u>\$ 10,374,484</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 39,672,216	\$ -
Less: scholarship allowance	<u>(13,054,282)</u>	<u>-</u>
Net tuition and fees	26,617,934	-
Federal, state, local and private grants and contracts	28,028,103	3,364,084
Other auxiliary enterprises	1,796,988	-
Other sources	<u>1,257,231</u>	<u>279,427</u>
Total Operating Revenues	<u>57,700,256</u>	<u>3,643,511</u>
Operating Expenses:		
Instruction	37,496,601	-
Academic support	12,317,082	-
Student services	17,374,729	-
Scholarships	11,028,146	1,023,785
Operation and maintenance of plant	5,337,316	-
Institutional support	14,936,727	-
Depreciation and amortization	5,580,288	-
Other operating expenses	<u>-</u>	<u>196,856</u>
Total Operating Expenses	<u>104,070,889</u>	<u>1,220,641</u>
Operating Income (Loss)	<u>(46,370,633)</u>	<u>2,422,870</u>
Non-Operating Revenues (Expenses):		
State appropriations	47,474,163	-
Federal grants	2,924,702	-
Payments between Foundation and College	2,437,934	(2,437,934)
Net investment revenue	4,600,888	668,550
Interest expense	<u>(789,019)</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>56,648,668</u>	<u>(1,769,384)</u>
Changes in Net Position Before Capital Appropriations	10,278,035	653,486
Capital appropriations	<u>33,889,712</u>	<u>-</u>
Changes in Net Position	<u>44,167,747</u>	<u>653,486</u>
Net Position, Beginning of Year	<u>67,340,848</u>	<u>9,617,953</u>
Net Position, End of Year	<u>\$ 111,508,595</u>	<u>\$ 10,271,439</u>

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows

For the Year Ended June 30, 2023

	<u>College</u>
Cash Flows from Operating Activities:	
Tuition and fees	\$ 24,982,623
Grants and contracts	28,963,066
Payments to suppliers	(12,209,960)
Payments to employees	(61,017,000)
Payments to students	(11,028,146)
Other operating revenues	<u>2,895,576</u>
Net Cash Applied to Operating Activities	<u>(27,413,841)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriations	33,536,873
Federal grants	16,808,148
Contributions from Foundation	<u>2,437,934</u>
Net Cash Provided by Non-Capital Financing Activities	<u>52,782,955</u>
Cash Flows from Capital Financing Activities:	
Purchases of capital assets	(15,039,675)
Principal payments on capital debt	(2,538,835)
Interest paid on capital debt	<u>(789,019)</u>
Net Cash Applied to Capital Financing Activities	<u>(18,367,529)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	5,048,621
Interest and dividends on investments, net	45,533
Purchases of investments	<u>(10,974,455)</u>
Net Cash Applied to Investing Activities	<u>(5,880,301)</u>
Net Increase in Cash and Equivalents	1,121,284
Cash and Equivalents, Beginning of Year	<u>7,052,029</u>
Cash and Equivalents, End of Year	<u>\$ 8,173,313</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows - Continued

For the Year Ended June 30, 2023

	<u>College</u>
Reconciliation of Net Operating Loss to	
Net Cash Applied to Operating Activities:	
Net operating loss	\$ (46,370,633)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	5,580,288
Bad debts	363,676
Fringe benefits paid by state	13,937,290
Changes in assets and liabilities:	
Accounts receivable	(2,538,301)
Other current assets	(104,728)
Accounts payable and accrued expenses	1,095,875
Accrued salaries and wages	977,459
Accrued compensated absences and workers' compensation	78,564
Unearned revenues	1,157,318
Students' deposits	118,749
Net pension activity	(439,625)
Net OPEB activity	<u>(1,269,773)</u>
Net Cash Applied to Operating Activities	<u>\$ (27,413,841)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:	
Cash and equivalents	\$ 4,358,885
Deposits held by State Treasurer	3,131,885
Cash held by State Treasurer	635,541
Deposits with bond trustee - restricted	<u>47,002</u>
Cash and Equivalents, End of Year	<u>\$ 8,173,313</u>
Non-Cash Transactions:	
Fringe benefits provided by the state	<u>\$ 13,937,290</u>
Capital assets acquired through state appropriation	<u>\$ 33,889,712</u>
Capital assets acquired through leases and software arrangements	<u>\$ 796,164</u>
Unrealized gain on investments	<u>\$ 4,600,888</u>

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Assets

	<u>Custodial Funds</u>
Assets:	
Cash and equivalents	\$ 2,722,594
Accounts receivable	<u>1,011,477</u>
Total Assets	<u>\$ 3,734,071</u>

Liabilities and Fiduciary Net Position

Liabilities:	
Accounts payable and accrued liabilities	\$ 1,417,658
Compensated absences and workers' compensation	<u>246,137</u>
Total Liabilities	<u>1,663,795</u>
Fiduciary Net Position:	
Restricted for other governmental agencies	<u>2,070,276</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 3,734,071</u>

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions:	
Professional services	\$ 2,691,636
Federal, state, local and private grants and contracts	4,322,299
Other sources	<u>16,500</u>
Total Additions	<u>7,030,435</u>
Deductions:	
Compensation and benefits	2,440,798
Administration, supplies and services	<u>4,623,250</u>
Total Deductions	<u>7,064,048</u>
Net increase (decrease) in fiduciary net position	<u>(33,613)</u>
Fiduciary Net Position, Beginning of Year	<u>2,103,889</u>
Fiduciary Net Position, End of Year	<u>\$ 2,070,276</u>

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2023

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

Organization

Bunker Hill Community College (the "College") is the largest community college in Massachusetts and is accredited by the New England Commission of Higher Education. The College is located in Charlestown, Massachusetts with a branch campus in Chelsea, Massachusetts and three satellite campuses throughout Greater Boston, providing instruction and training in a variety of liberal arts and sciences, allied health, engineering technologies and business fields of study. Through the Division of Continuing Education, the College offers credit and non-credit courses as well as community service programs.

COVID-19

In response to the pandemic, the Federal government provided to the University the 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.

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

	Student Aid Award	Institutional Award	Minority Serving Institution	Total
CARES	\$ 4,155,154	\$ 4,155,153	\$ 557,328	\$ 8,867,635
CRRSAA	4,155,154	13,784,117	1,026,244	18,965,515
ARPA	15,923,657	15,589,171	1,749,143	33,261,971
Total	\$ 24,233,965	\$ 33,528,441	\$ 3,332,715	\$ 61,095,121

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

COVID-19 - continued

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

	Student Aid Award	Institutional Award	Minority Serving Institution	Total
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	-	-	-
ARPA	1,392,015	1,532,687	-	2,924,702
Total	\$ 1,392,015	\$ 1,532,687	\$ -	\$ 2,924,702

As of June 30, 2023, the College has spent all the HEERF and SIP funds that it was awarded.

Basis of Presentation

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

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The College's policy for defining operating activities in the statement of revenue, expenses and changes in net position, are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as non-operating activities. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Bunker Hill Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt organization established in July 1986. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is located at the College's Charlestown campus. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2023, and is therefore discretely presented in the College's financial statements.

Basis of Presentation - continued

During the year ended June 30, 2023, the Foundation distributed \$2,437,934 to the College for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained from Bunker Hill Community College Foundation at 250 New Rutherford Avenue, Suite H150, Charlestown, Massachusetts 02129.

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, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Unrestricted: Net position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The College has adopted a policy of generally utilizing restricted expendable funds, when available, prior to unrestricted funds.

Cash and Equivalents

The College considers all highly liquid debt instruments purchased with an original maturity date of three months or less, cash and deposits held by state agencies on behalf of the College, cash held by the College on behalf of another agency and deposits with bond trustee to be cash equivalents.

Investments

Investments in marketable securities are stated at fair value. Dividends, interest, and net realized and unrealized gains or losses on investments are reported in the statement of revenues, expenses and changes in net position. Gains and losses on the disposition of investments are determined based on specific identification of securities sold. Investment income is recognized when earned. The College has no donor-restricted endowments as of June 30, 2023.

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of less experience, known and inherent risks and current economic conditions.

Capital Assets

Real estate, including improvements, furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/ subscription term or useful life of the underlying asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Capital Assets - continued

extend assets lives are not capitalized. Amortization of leasehold improvements and leased assets is included within depreciation expense.

The College does not hold collections of historical treasures, works of art or other items requiring capitalization or depreciation.

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

Students' Deposits and Unearned Revenues

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

Fringe Benefits

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

Workers' Compensation

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2023. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2023. Upon retirement, these employees are entitled to receive payment for this accrued balance.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employee's Retirement System ("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.

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.

Derivative Instruments

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), requires the fair value of a hedging derivative instrument be reported in the financial statements. Changes in the fair value of an effective hedging derivative instrument are deferred and reported as deferred outflows or deferred inflows on the statement of net position. In compliance with GASB Statement 53, the College has recorded a deferred outflow and corresponding liability on the Statement of Net Position.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Tax Status

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

Use of Estimates

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

Fiduciary Activities

These custodial funds are used to account for resources held for the benefit of parties outside the College. Fiduciary funds are not included in the College's statement of revenues, expenses and changes in net position because the resources of these activities are not available to support the College's programs. Fiduciary activities are reported using the accrual basis of accounting.

Future Governmental Accounting Pronouncements Not Implemented

GASB Statement 99 - *Omnibus 2023* has multiple effective dates. The objective of this statement is to clarify 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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Future Governmental Accounting Pronouncements Not Implemented - continued

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

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

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

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

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the adjustment for the right to use assets - SBITAs of \$2,180,260 was completely offset by the adjustment for the SBITA liability. The right of use assets and liability for SBITAs was previously \$0 as of July 1, 2022.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 3 - Cash and Investments

Overall Deposits and Investments Descriptions

Deposits and investments consist of the following at June 30:

<u>Investment type</u>	<u>2023</u>
Cash in bank	\$ 4,358,885
Proprietary money market funds - restricted	<u>47,002</u>
Total Deposits - College	<u>4,405,887</u>
Cash in bank - fiduciary funds	<u>2,722,594</u>
Total Deposits - Fiduciary	<u>2,722,594</u>
Money market funds	8,048,825
Corporate bonds	14,534,897
Mutual funds	8,232,444
Federal agencies	4,670,049
Equity securities	<u>26,530,812</u>
Total Investments	<u>62,017,027</u>
Total Deposits and Investments	<u><u>\$ 69,145,508</u></u>

The proprietary money market funds represent unspent proceeds of a Pool M3-C Series Bond issue through Mass HEFA, which was converted to a MHEFA Pool 'O' Series Bond.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. The College does not have a formal deposit policy for custodial credit risk. The College's bank balances, including money market funds, as of June 30, 2023, were approximately \$14,700,000. Of these balances, approximately \$14,000,000 were exposed to custodial credit risk as uninsured and uncollateralized as of June 30, 2023. For fiduciary funds bank balances, as of June 30, 2023, were approximately \$2,700,000. Of these balances, approximately \$2,450,000 were exposed to custodial credit risk as uninsured and uncollateralized as of June 30, 2023.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

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 Massachusetts 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 may establish investment fund ceilings and broad asset allocation guidelines, but delegates to the president or her designee, the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

Fair Value Hierarchy

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

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Fair Value Hierarchy - continued

With the adoption of GASB Statement 72, there have been no changes in the methodologies used to measure fair value.

Federal agencies, corporate bonds and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at daily closing prices as reported by the fund. Mutual funds held by the College are open-end mutual funds that are registered with the SEC.

These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the College are deemed to be actively traded.

Money market funds: Valued based on the net asset value per share.

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

The following table sets forth, by level, the College’s investments:

	June 30, 2023				
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Federal agencies	\$ -	\$ 4,670,049	\$ -	\$ -	\$ 4,670,049
Corporate bonds	-	-	14,534,897	-	14,534,897
Money market funds	8,048,825	-	-	-	8,048,825
Mutual funds	-	8,232,444	-	-	8,232,444
Equity securities	-	26,530,812	-	-	26,530,812
	<u>-</u>	<u>26,530,812</u>	<u>-</u>	<u>-</u>	<u>26,530,812</u>
Total marketable securities at fair value	<u>\$ 8,048,825</u>	<u>\$ 39,433,305</u>	<u>\$ 14,534,897</u>	<u>\$ -</u>	<u>\$ 62,017,027</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Interest Rate Risk

Maturities of investments exposed to interest rate risk were as follows at June 30, 2023:

Investment type	Fair value	2023			
		Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt securities:					
Federal agencies	\$ 4,670,049	\$ 2,979,497	\$ 1,690,552	\$ -	\$ -
Corporate bonds	14,534,897	3,151,645	9,077,889	2,305,363	
	<u>19,204,946</u>	<u>\$ 6,131,142</u>	<u>\$ 10,768,441</u>	<u>\$ 2,305,363</u>	<u>\$ -</u>
 Cash in bank	4,358,885				
Cash in bank - fiduciary funds	2,722,594				
Money market funds	8,048,825				
Proprietary money market funds	47,002				
Mutual funds	8,232,444				
Equity securities	<u>26,530,812</u>				
	<u>\$ 69,145,508</u>				

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Disclosure of Credit Risk of Debt Securities

Credit risk disclosures of debt securities were as follows at June 30, 2023:

Rated debt investments	Fair value	2023			
		Quality ratings			
		Aaa	A1	A2	A3
Federal agencies	\$ 4,670,049	\$ 4,670,049	\$ -	\$ -	\$ -
Corporate bonds	14,534,897	286,198	2,035,670	3,370,023	3,032,271
Total	<u>\$ 19,204,946</u>	<u>\$ 4,956,247</u>	<u>\$ 2,035,670</u>	<u>\$ 3,370,023</u>	<u>\$ 3,032,271</u>

Rated debt investments	Quality ratings			
	Aa1	Aa2	Aa3	Baa1,2,3
Federal agencies	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	365,877	674,284	4,770,574
Total	<u>\$ -</u>	<u>\$ 365,877</u>	<u>\$ 674,284</u>	<u>\$ 4,770,574</u>

Investments of the Foundation

The Foundation's long-term investments consist of the following at June 30, 2023:

Corporate equities	\$ 4,144,395
Mutual funds	1,046,740
Corporate and other bonds	<u>2,875,113</u>
	<u>\$ 8,066,248</u>

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

Accounts payable and accrued salaries to be funded by cash forwarded by the College to, and held by, the State Treasurer for payment of so-called 'non-appropriated' liabilities at June 30, 2023, through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sum of \$3,131,885.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 4 - **Deposits and Cash Held by State Treasurer - Continued**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$635,541 at June 30, 2023. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Accounts Receivable**

Accounts receivable include the following at June 30, 2023:

	2023
Student accounts receivable	\$ 2,357,811
Grants receivable	1,720,078
Financial aid receivable	718,655
Other receivables	<u>2,015,342</u>
	6,811,886
Less: allowance for doubtful accounts	<u>(610,599)</u>
	<u><u>\$ 6,201,287</u></u>

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 6 - Capital Assets

Capital assets of the College consist of the following at June 30, 2023:

		<u>2023</u>				
	Estimated lives (in years)	(Restated) Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Land		\$ 208,827	\$ -	\$ -	\$ -	\$ 208,827
Capital work in progress		13,533,695	48,107,522	-	(2,920,421)	58,720,796
Total not depreciated		13,742,522	48,107,522	-	(2,920,421)	58,929,623
Capital assets depreciated:						
Building, including improvements	20-40	72,920,880	54,398	-	2,920,421	75,895,699
Furnishings and equipment	3-10	12,375,882	767,467	-	-	13,143,349
Software	5	5,581,783	-	-	-	5,581,783
Motor vehicles	3-10	172,176	-	-	-	172,176
Books	5	614,858	-	-	-	614,858
Leased buildings	2.5-10	5,901,004	-	-	-	5,901,004
Leased equipment	5	1,619,975	230,489	-	-	1,850,464
Software arrangements	5	2,180,260	457,326	-	-	2,637,586
Leased motor vehicles	5	52,806	108,349	-	-	161,155
Total depreciated		101,419,624	1,618,029	-	2,920,421	105,958,074
Less accumulated depreciation:						
Building, including improvements		(36,531,527)	(2,394,621)	-	-	(38,926,148)
Furnishings and equipment		(9,935,128)	(798,317)	-	-	(10,733,445)
Software		(5,007,051)	(287,365)	-	-	(5,294,416)
Motor vehicles		(172,173)	-	-	-	(172,173)
Books		(614,858)	-	-	-	(614,858)
Leased buildings		(1,063,215)	(1,123,695)	-	-	(2,186,910)
Leased equipment		(752,409)	(361,095)	-	-	(1,113,504)
Software arrangements		-	(591,368)	-	-	(591,368)
Leased motor vehicles		(20,441)	(23,827)	-	-	(44,268)
Total accumulated depreciation		(54,096,802)	(5,580,288)	-	-	(59,677,090)
Capital assets, net		\$ 61,065,344	\$ 44,145,263	\$ -	\$ -	\$ 105,210,607

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 7 - Long-Term Liabilities

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

	(Restated) Beginning balance	Additions	2023 Reductions	Ending balance	Current portion
Other long-term liabilities:					
Compensated absences	\$ 6,427,995	\$ 136,018	\$ (129,204)	\$ 6,434,809	\$ 4,012,844
Workers' compensation	554,674	71,750	-	626,424	73,589
Net OPEB liability	15,647,024	-	(2,058,621)	13,588,403	-
Net pension liability	8,911,784	1,885,598	-	10,797,382	-
Lease liability	5,852,084	338,838	(1,368,397)	4,822,525	1,471,786
SBITAs liability	2,180,260	457,326	(701,882)	1,935,704	520,722
Bonds payable	5,050,002	-	(303,000)	4,747,002	310,000
Energy project liability	1,987,680	-	(165,556)	1,822,124	172,178
Derivative instrument	514,602	-	(232,643)	281,959	-
Total long-term liabilities	\$ 47,126,105	\$ 2,889,530	\$ (4,959,303)	\$ 45,056,332	\$ 6,561,119

Leases

Description	Date	Terms	Payment Amount (annual)	Interest Rate	Lease Liability
Equipment -1	8/31/2020	5 years	\$ 272,960	2.90%	\$ 523,040
Equipment -2	7/1/2020	5 years	21,276	4.25%	40,727
Equipment -3	7/15/2022	5 years	55,078	7.50%	191,014
Vehicle -1	1/15/2020	5 years	18,469	3.06%	18,142
Vehicle -2	5/23/2023	5 years	24,024	4.69%	109,199
Building -1	1/1/2022	2.5 years	127,264	4.25%	124,822
Building -2	1/17/2017	10 years	Varies	4.25%	3,815,581
					<u>\$ 4,822,525</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Leases

On August 31, 2020, the College entered into a five-year lease for computer equipment with a fixed interest rate of 2.90%. Payments of \$272,960 are due annually. The College did not make payments for this lease other than the lease payment for the year end June 30, 2023. The lease has an option to purchase the equipment; however, management does not believe that the College will purchase the equipment at the end of the lease.

On July 1, 2020, the College entered into a five-year lease for postage meter equipment with a fixed interest rate of 4.25%. Payments of \$1,773 are due monthly. The College did not make payments for this lease other than the lease payments for the year end June 30, 2023. The lease has no option to purchase or renew the equipment.

On July 15, 2022, the College entered into a five-year lease for printers with a fixed interest rate of 7.50%. Payments of \$4,590 are due monthly. The College did not make payments for this lease other than the lease payments for the year end June 30, 2023. The lease has no option to purchase or renew the equipment.

On January 15, 2020, the College entered into a five-year lease for police cruiser vehicles with a fixed interest rate of 3.06%. Payments of \$18,469 are due annually. The College did not make payments for this lease other than the lease payment for the year end June 30, 2023. The lease has an option to purchase the vehicles; however, management does not believe that the College will purchase the vehicles at the end of the lease.

On May 23, 2023, the College entered into a five-year lease for police cruiser vehicles with a fixed interest rate of 4.69%. Payments of \$24,024 are due annually. The College did not make payments for this lease other than the lease payment for the year end June 30, 2023. The lease has an option to purchase the vehicles; however, management does not believe that the College will purchase the vehicles at the end of the lease.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Leases (continued)

On January 1, 2022, the College entered into a two-and-a-half-year lease with the Boston Chinatown Neighborhood Center. The lease can be renewed for an additional two years at the expiration of the term, upon the mutual, written agreement of the parties. Payments of \$31,816 are due quarterly. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. The College did not make payments for this lease other than the lease payments for the year end June 30, 2023.

On January 1, 2017, the College entered into a ten-year lease agreement for classroom space. Payments are due monthly and increase each year during the agreement. In addition, the College is charged a fee for after-hour HVAC charges. For the year ended June 30, 2023, this fee was \$18,514. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. The lease has an option to renew for two years after the expiration of the term, upon the mutual written agreement of the parties.

At June 30, 2023, the total amount of the leased right of use assets and accumulated amortization for leases were \$7,912,623 and \$3,344,682, respectively.

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

Years Ending			
<u>June 30,</u>		<u>Principal</u>	<u>Interest</u>
2024	\$	1,471,786	\$ 193,084
2025		1,410,332	130,199
2026		1,200,992	67,079
2027		715,485	13,437
2028		<u>23,930</u>	<u>94</u>
Total	\$	<u>4,822,525</u>	<u>\$ 403,893</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Subscription-Based Information Technology Arrangements

The College has entered into subscription-based information technology arrangements (SBITAS) involving its financial managements software and document management software.

The Smartnet subscription (Key Government) is a three year agreement, initiated in fiscal year 2023 with a monthly payment of \$12,703. The College has used a 3.53% interest rate for this agreement based on another equipment lease during the same fiscal year to determinate the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this agreement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

The Colleague System (Ellucian) is a five year agreement, initiated in fiscal year 2023 with a monthly payment of \$32,503. The College has used a 7.50% interest rate provided by the bank for this agreement to determinate the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this agreement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

The Softdocs software (Softdocs) is a three year agreement, initiated in fiscal year 2023 with a monthly payment of \$32,503. The College has used a 7.50 % interest rate provided by the bank for this agreement to determinate the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this agreement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

The Informatica Cloud subscription (TargetX) is a two year agreement, initiated in fiscal year 2023 with a monthly payment of \$2,926. The College has used a 7.50% interest rate provided by the bank for this agreement to determinate the present value of the intangible right-to-use asset and SBITA liability. The College has an option to extend this agreement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$2,637,586 and \$591,368, respectively.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Subscription-Based Information Technology Arrangements - continued

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

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 520,722	\$ 137,732
2025	569,990	103,467
2026	399,986	65,599
2027	<u>445,006</u>	<u>34,547</u>
Total	<u>\$ 1,935,704</u>	<u>\$ 341,345</u>

Bonds Payable

During fiscal year 2010, the College issued Pool O-1 Series Bonds through the Massachusetts Health and Educational Facilities Authority ("MHEFA") to refinance the Pool M3-C Series tax-exempt variable rate bond that was previously issued by the College to finance the construction of the Health and Wellness Center and other projects.

The bonds are payable in annual installments and are due June 2031. The following schedule summarizes future principal and interest payments on bonds payable as of June 30, 2023:

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Bonds Payable - continued

Years Ending June 30,	Principal	Interest	Interest rate swap, net*	Total
2024	\$ 310,000	\$ 120,496	\$ 73,579	\$ 504,075
2025	320,000	112,681	68,217	500,898
2026	340,000	104,615	62,519	507,134
2027	350,000	96,044	56,654	502,698
2028	360,000	87,221	50,621	497,842
2029 – 2031	<u>3,067,002</u>	<u>205,448</u>	<u>81,971</u>	<u>3,354,421</u>
	<u>\$ 4,747,002</u>	<u>\$ 726,505</u>	<u>\$ 393,561</u>	<u>\$ 5,867,068</u>

* In conjunction with its February 2007 issuance of variable rate bonds, the College entered into an agreement with a financial institution counterparty to synthetically fix the interest rate on the bonds at 4.18%. This column represents the projected net amounts the College would have to pay the counterparty under the swap contract if interest rates were to remain unchanged from their value at June 30, 2023, during the remaining life of the swap. The variable rate on the bonds as of June 30, 2023, was 2.52%.

The bank provides credit enhancement in the form of a Direct Pay Letter of Credit on the tax-exempt bonds issued under the MHEFA Pool O Bond. The College is a Pool O borrower. The short-term rating of the bank was lowered by Standards & Poor's ("S&P") in March 2009 to "A-2 status." This downgrade resulted in the weekly interest rate on the pool bonds increasing by 200 - 300 basis points. In order to reduce the weekly interest rate on the pool bonds, the bank arranged to have the Federal Home Loan Bank of Boston ("FHLB") provide a confirming Letter of Credit for the Pool O Bonds. The Pool O Bonds, with the bank's Letter of Credit and the FHLB confirming Letter of Credit, are rated AA+/A-1+ by S&P. During the fiscal year 2023, the short-term rating of the bank changed to the status of A-1.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

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

Clean Energy Investment Project

In fiscal year 2012, the College entered into an agreement with the Department of Capital Asset Management (“DCAMM”) to participate in the Massachusetts Clean Energy Investment Program (“CEIP”). Under the program, DCAMM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. Upon completion of the construction, the College is responsible for reimbursing the Commonwealth for the CEIP funding of \$3.3 million plus interest. The interest rate on this obligation is 4% and semi-annual payments began in January 2013 and run through 2032.

Years Ending June 30,	Principal	Interest	Total
2024	\$ 172,178	\$ 72,885	\$ 245,063
2025	179,065	65,998	245,063
2026	186,228	58,835	245,063
2027	193,677	51,386	245,063
2028	201,424	43,639	245,063
2029 – 2032	889,552	90,700	980,252
	<u>\$ 1,822,124</u>	<u>\$ 383,443</u>	<u>\$ 2,205,567</u>

Note 8 - **Interest Rate Swap**

Objective and Terms

As a means to manage cash flows and lower its borrowing costs, the College entered into a fixed interest rate swap agreement with Citizens Bank (the “counterparty”) in connection with its Pool M3-C Series tax-exempt variable rate bond in February 2007. This bond was replaced during fiscal year 2010 with a MHEFA Pool ‘O’ Series Bond. The purpose of the swap agreement was to synthetically create a fixed rate on the underlying debt, and not for any speculative purposes.

The swap agreement, as amended in October 2010, is scheduled to mature on June 15, 2031. The swap’s notional amount at inception was \$7,920,000 and will amortize in line with each payment of principal on the bonds. The notional amount at June 30, 2023, was \$4,700,000. Under the swap agreement, on the first day of each month, the College pays the counterparty monthly payments based on the fixed rate of 4.18% and

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 8 - Interest Rate Swap - Continued

Objective and Terms - continued

the counterparty pays the bond trustee the floating rate, which is the Securities Industry and Financial Markets Association Swap Index (“SIFMA”), on the same day.

Fair Value

The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payment required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The swap’s fair value is measured using Level 2 inputs.

The fair value of the College’s interest rate swap at June 30, 2023, was a liability of \$281,959, which is recorded in the College’s statement of net position. The change in the fair value of the interest rate swap was \$(232,643) for the year ended June 30, 2023. The College has determined its interest rate swap to be an effective hedge and has recorded a corresponding deferred outflow in the statement of net position.

Credit Risk

The College is reliant upon the performance of the counterparty to perform according to the terms of the interest rate swap agreement. The College monitors the counterparty’s credit rating, which is currently rated at A- by S&P. The College is not exposed to credit risk at June 30, 2023 because the interest rate swap had a negative value.

Basis Risk

The College is exposed to basis risk on the interest rate swap because the floating rate received on the swap (“SIFMA”) has a different basis than the variable rate on the associated bonds. Should these rates differ, the College will not achieve the intended synthetic fixed rate.

Termination Risk

The College or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. If, at the time of termination, the interest rate swap is in a liability position, the College would be liable to the counterparty for a payment approximating the liability, subject to netting arrangements.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - **Pensions**

Defined-Benefit Plan Description

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

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

Benefit Provisions

MSERS 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 creditable 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, cannot retire prior to age 60.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - **Pensions - Continued**

Contributions

The MSERS' 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 MSERS 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 MSERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 - 6/30/1996	8% of regular compensation
7/1/1996 - present	9% of regular compensation
	Police which is 12% of regular compensation
7/1/2001 - Present	11% of regular compensation (for teacher hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 - present	An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000.

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$5,892,475, \$5,240,700 and \$4,883,482 for the years ended June 30, 2023, 2022 and 2021, 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 16.7%, 16.11% and 14.66% of annual covered payroll for the years ended June 30, 2023, 2022 and 2021. The College contributed \$808,606, \$1,092,546 and \$1,015,804 for the years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for the year.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - Pensions - Continued

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

At June 30, 2023, the College reported a liability of \$10,797,382 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, rolled forward to June 30, 2022.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.078%.

For the year ended June 30, 2023, the College recognized pension expense of \$368,981. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2023</u>
Contributions made subsequent to the measurement date	\$ 808,606
Differences between expected and actual experience	268,589
Changes in proportion from Commonwealth	739
Changes in plan actuarial assumptions	297,269
Changes in proportions due to internal allocations	<u>1,474,548</u>
Total	<u>\$ 2,849,751</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - **Pensions - Continued**

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

<u>Deferred Inflows of Resources Related to Pension</u>	<u>2023</u>
Differences between expected and actual experience	\$ 421,425
Changes in proportion from Commonwealth	29,207
Changes in proportions due to internal allocations	3,877,347
Differences between projected and actual investment earnings on plan investments	<u>57,562</u>
Total	<u>\$ 4,385,541</u>

The College's contributions of \$808,606 made during the fiscal year ended June 30, 2023, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2024	\$ (501,147)
2025	(689,359)
2026	(1,028,707)
2027	44,440
2028	<u>(169,623)</u>
	<u>\$ (2,344,396)</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - **Pensions - Continued**

Actuarial Assumptions

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

	<u>2023</u>
Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	4.0% to 9.0%
Investment rate of return	7.00%
Interest rate credited to annuity savings fund	3.50%

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

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

Experience studies were performed as followed:

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

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - **Pensions - Continued**

Actuarial Assumptions - continued

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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	38.0%	4.2%
Portfolio Completion Strategies	10.0%	2.7%
Core Fixed Income	15.0%	0.5%
Private Equity	15.0%	7.3%
Value Added Fixed Income	8.0%	3.7%
Real Estate	10.0%	3.3%
Timber/Natural Resources	4.0%	3.9%
	<u>100%</u>	

Discount Rate

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 9 - Pensions - Continued

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

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2023. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

June 30, 2023		
Current		
1.00% Decrease (6.0%)	Discount Rate (7.0%)	1.00% Increase (8.0%)
\$ 14,892,048	\$ 10,797,382	\$ 7,332,700

Note 10 - Other Post-Employment Benefits ("OPEB")

Plan Description

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

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

Management of the SRBT is vested with the board of trustees, which consists of seven members (or their designatee) and includes the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, 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.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - OPEB - Continued

Plan Description - continued

The SRBT does not issue a stand-alone audited financial statement 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, 2023, and as of the valuation date (January 1, 2022), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to the plan determine whether entities are billed for OPEB costs. Consequently, the plan developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the year ended June 30, 2023. The College contributed \$352,383 for the year ended June 30, 2023, equal to 100% of the required contribution for the year.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - OPEB - Continued

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

At June 30, 2023, the College reported a liability of \$13,588,403 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was 0.1018%.

For the year ended June 30, 2023, the College recognized OPEB income of \$755,510. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2023:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2023</u>
Contributions subsequent to the measurement date	\$ 352,383
Changes in OPEB plan actuarial assumptions	1,000,831
Difference between expected and actual experience	250,145
Difference between Inv Earning Expected and actual	20,656
Changes in proportion from Commonwealth	6,243
Changes in proportion due to internal allocation	<u>1,545,830</u>
Total deferred outflows related to OPEB	<u>\$ 3,176,088</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - **OPEB - Continued**

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

<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2023</u>
Differences between expected and actual experience	\$ 2,249,707
Changes in OPEB plan actuarial assumptions	4,917,931
Changes in proportion from Commonwealth	67,106
Changes in proportion due to internal allocation	<u>6,442,915</u>
Total deferred inflows related to OPEB	<u>\$ 13,677,659</u>

The College's contributions of \$352,383 made during the fiscal year ended June 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the following year.

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 Ended <u>June 30,</u>	
2024	\$ (2,594,925)
2025	(2,574,258)
2026	(2,495,849)
2027	(2,404,260)
2028	<u>(784,662)</u>
	<u>\$ (10,853,954)</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - OPEB - Continued

Actuarial Assumptions

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

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.0%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published SOA-Getzen trend rate model, version 2022_f4. Medicare and non-medicare benefits range from 5.00% to 7.60%

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 85% of current and future contingent eligible participants will elect healthcare benefits at age 55, or current age if later.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - OPEB - Continued

Actuarial Assumptions - continued

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

	2023	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	28.0%	96.0%
POS/PPO	62.0%	0.0%
HMO	10.0%	4.0%

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

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2023, is the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate (3.54) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2042 for the fiscal year 2023. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 10 - OPEB - Continued

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:

June 30, 2023		
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
3.30%	4.30%	5.30%
<hr/>		
\$ 15,852,339	\$ 13,588,403	\$ 11,728,745

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

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

June 30, 2023		
	Cost Trend Rate	
1.00% Decrease		1.00% Increase
(B)	(A)	(C)
<hr/>		
\$ 11,390,971	\$ 13,588,403	\$ 16,370,088

(A) - Current healthcare cost trend rate, as disclosed earlier

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

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 11 - **Contingencies**

During fiscal year 2022, the College was notified that faculty questioned the terms of their agreement with the College for compensating on-line teaching. Discovery for this matter is on-going. The impact of this matter, if any, cannot be presently determined.

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

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

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

The College has evaluated the requirements of GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), and has determined that asbestos-containing material was used to fireproof some of its buildings. Currently, there are no obligating events, as defined within GASB 49, that require the College to measure and report this pollution remediation obligation. The College has implemented a program to remediate this pollutant.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 12 - Operating Expenses

The College's operating expenses, on a natural classification basis, consisted of the following for the year ended June 30, 2023:

Compensation and benefits	\$ 76,010,313
Supplies and services	11,452,142
Depreciation and amortization	5,580,288
Scholarships	11,028,146
	<u>\$ 104,070,889</u>

Note 13 - 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) using the statutory basis of accounting. The statutory basis of accounting is modified accrual and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's Office for Higher Education Audited Financial Statements.

The College's total state support is composed of the following for the year ended June 30, 2023:

Direct unrestricted appropriations	\$ 33,144,396
Add fringe benefits for benefited employees on the state payroll	13,937,290
Add supplemental appropriation for MRC	<u>392,477</u>
Total unrestricted state support	47,474,163
Capital appropriation	<u>33,889,712</u>
Total state support	<u>\$ 81,363,875</u>

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 13 - Management Accounting and Reporting System - Continued

For the year ended June 30, 2023, a timing difference occurred where the College had additional revenue in the amount of \$568,454 that will be reported to MMARS after August 31, 2023, reconciled as follows (unaudited):

Revenue per MMARS	\$ 124,165,458
Revenue per College	<u>124,733,912</u>
 Difference	 <u>\$ 568,454</u>

Note 14 - Other Fringe Benefits

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

Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions

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 fringe benefited 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 health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 14 - **Other Fringe Benefits - Continued**

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 development authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent-multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC administers a plan included within the State Retirement Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution rates.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2023, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its 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 Employee Benefits

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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023

Note 15 - **Pass-Through Loans**

The College distributed \$3,716,648 for student loans through the U.S. Department of Education Federal Direct Lending Program for the year ended June 30, 2023. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

Note 16 - **Subsequent Event**

In July 2023 the College entered into a new financing agreement with the Massachusetts State College Building Authority for the Learning & Resource Center. \$35.3M will be financed with the proceeds of Series 3 bonds, with the first debt service payment to be made in Fall 2023.

REQUIRED SUPPLEMENTARY INFORMATION

BUNKER HILL 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, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.078%	0.085%	0.113%	0.089%	0.108%	0.095%	0.072%	0.091%	0.104%
Proportionate share of the collective net pension liability	\$ 10,797,382	\$ 8,911,784	\$ 19,461,249	\$ 13,083,931	\$ 14,246,192	\$ 12,158,456	\$ 9,915,602	\$ 10,411,537	\$ 7,723,013
College's covered payroll	\$ 6,781,788	\$ 6,929,086	\$ 8,705,511	\$ 7,382,479	\$ 8,359,278	\$ 7,449,176	\$ 5,464,180	\$ 5,511,376	\$ 7,716,356
College's proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.42%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	71.05%	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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 808,606	\$ 1,092,546	\$ 1,015,804	\$ 1,225,736	\$ 890,327	\$ 984,723	\$ 741,193	\$ 516,365	\$ 572,632
Contributions in relation to the statutorily required contribution	<u>(808,606)</u>	<u>(1,092,546)</u>	<u>(1,015,804)</u>	<u>(1,225,736)</u>	<u>(890,327)</u>	<u>(984,723)</u>	<u>(741,193)</u>	<u>(516,365)</u>	<u>(572,632)</u>
Contribution (excess)/deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 4,841,952	\$ 6,781,788	\$ 6,929,086	\$ 8,705,511	\$ 7,382,479	\$ 8,359,278	\$ 7,449,176	\$ 5,464,180	\$ 5,511,376
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2023

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Note 1 - Change in Plan Actuarial and Assumptions - Continued

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:

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Note 1 - Change in Plan Actuarial and Assumptions - Continued

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

BUNKER HILL 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, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.102%	0.098%	0.121%	0.141%	0.088%	0.135%
Proportionate share of the collective net OPEB liability	\$ 13,588,403	\$ 15,647,024	\$ 25,042,067	\$ 24,665,436	\$ 31,174,036	\$ 23,648,250
College's covered payroll	\$ 6,781,788	\$ 6,929,086	\$ 8,705,511	\$ 7,382,479	\$ 8,359,278	\$ 7,449,173
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 352,383	\$ 518,863	\$ 533,411	\$ 634,962	\$ 649,222	\$ 745,553
Contributions in relation to the statutorily required contribution	<u>(352,383)</u>	<u>(518,863)</u>	<u>(533,411)</u>	<u>(634,962)</u>	<u>(649,222)</u>	<u>(745,553)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,841,952	\$ 6,781,788	\$ 6,929,086	\$ 8,705,511	\$ 7,382,479	\$ 8,359,278
Contribution as a percentage of covered payroll	7.28%	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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - OPEB (Unaudited)

For the Year Ended June 30, 2023

Note 1 - Change in Plan Assumptions

Fiscal year June 30, 2023

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

Change in Discount Rate

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

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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Note 1 - Change in Plan Assumptions - Continued

Fiscal year June 30, 2022 - Continued

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 Insurance Fee and Excise Tax.

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Note 1 - Change in Plan Assumptions - Continued

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 impacts 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.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

For the Year Ended June 30, 2023

Note 1 - Change in Plan Assumptions - Continued

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

Change in Mortality Rates

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

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

Change in Discount Rate

The discount rate was increased to 3.92% (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%.

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

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

To the Board of Trustees of
Bunker Hill Community College:

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 the business-type activity and the aggregate remaining fund information of Bunker Hill Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bunker Hill 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 an 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bunker Hill 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.

A handwritten signature in blue ink that reads "Wilhem Smith + Brown, PC". The signature is written in a cursive, flowing style.

October 23, 2023