

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

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

JUNE 30, 2020

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

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

June 30, 2020

C O N T E N T S

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-29
Financial Statements:	
Statements of Net Position	30
Statements of Revenues and Expenses	31
Statements of Changes in Net Position	32
Statements of Cash Flows	33-34
Statements of Fiduciary Net Position - Fiduciary Funds	35
Statements of Changes in Fiduciary Net Position - Fiduciary Funds	36
Notes to the Financial Statements	37-81
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability (Unaudited)	82
Schedule of Contributions - Pension (Unaudited)	83
Notes to the Required Supplementary Information - Pension (Unaudited)	84-85
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	86
Schedule of Contributions - OPEB (Unaudited)	87
Notes to the Required Supplementary Information - OPEB (Unaudited)	88-89

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

90-91



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Bunker Hill Community College
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Bunker Hill Community College (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "College"), and its discretely presented component unit, the Bunker Hill Community College Foundation (the "Foundation"), as of and for the years ending June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 2 of the financial statements, the College restated prior balances with regards to the College's Other Post Employment Benefits liability and the related deferred inflows and outflows. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, *GASBS No. 84, Fiduciary Activities*. Our opinion is not modified with respect to this matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of Bunker Hill Community 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 Bunker Hill Community College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 19, 2020

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2020 and 2019

(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, 2020 and 2019, 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 nearly 11,800 students in fall 2019 semester, with 142 full time faculty, 497 adjunct faculty, and 346 staff members at the year ended June 30, 2020. 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 64 programs leading to associate degrees including two concentrations that prepare students to enter technical programs and 45 certificate programs. Through our initiatives the College seeks to empower and inspire students, faculty and staff from diverse backgrounds to make meaningful contributions to our local and global communities.

Financial Highlights

- At June 30, 2020, the College's assets and deferred outflows were \$98,097,682 and its liabilities and deferred inflows were \$74,626,874 resulting in net position of \$23,470,808. This represents an increase in net position of \$2,780,181 for fiscal year 2020. By contrast, at June 30, 2019, the College's assets and deferred outflows were \$95,081,117 and its liabilities and deferred inflows were \$74,390,490 resulting in net position of \$20,690,627.

	<u>2020</u>	<u>June 30 Restated 2019</u>	<u>2018</u>
Invested in capital assets, net of related liabilities Unrestricted	\$ 36,490,852 (13,020,044)	\$ 35,403,540 (14,712,913)	32,948,525 (10,947,673)
Total net position	<u>\$ 23,470,808</u>	<u>\$ 20,690,627</u>	<u>22,000,852</u>

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 Discussion and Analysis

June 30, 2020 and 2019

(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 fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and 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 three basic statements:

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

The Statement of Revenues, Expenses, and Changes in Net Position present 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

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Overview of the Financial Statements - Continued

resources of these funds are not available 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 30-36 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 37-81 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 fiscal year 2020, assets exceeded liabilities by \$23,470,808 compared to \$20,690,627 in fiscal year 2019.

The College's FY 2020 net position of \$23,470,808 includes investment in capital assets of \$36,490,852 (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 Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Financial Analysis - Continued

	Summary of the College's Net Position			
	June 30		Between 2020 and 2019	
	2020	Restated 2019	Dollar change	Change percentage
Current assets	\$ 29,403,242	\$ 24,253,911	\$ 5,149,331	21%
Noncurrent assets	52,803,188	52,515,736	287,452	1%
Deferred outflows	15,891,252	18,311,470	(2,420,218)	-13%
Total assets and deferred outflows	<u>98,097,682</u>	<u>95,081,117</u>	<u>3,016,565</u>	<u>3%</u>
Current liabilities	13,785,349	13,059,420	725,929	6%
Noncurrent liabilities	48,884,711	56,656,566	(7,771,855)	-14%
Deferred inflows	11,956,814	4,674,504	7,282,310	156%
Total liabilities	<u>74,626,874</u>	<u>74,390,490</u>	<u>236,384</u>	<u>0%</u>
Net position:				
Invested in capital assets, net of related debt	36,490,852	35,403,540	1,087,312	3%
Unrestricted	<u>(13,020,044)</u>	<u>(14,712,913)</u>	<u>1,692,869</u>	<u>-12%</u>
Total net position	<u>\$ 23,470,808</u>	<u>\$ 20,690,627</u>	<u>\$ 2,780,181</u>	<u>13%</u>

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2020 and 2019

(Unaudited)

Financial Analysis - Continued

	Summary of the College's Net Position			
	June 30		Between 2019 and 2018	
	Restated 2019	Restated 2018	Dollar change	Change percentage
Current assets	\$ 24,253,911	\$ 27,914,688	\$ (3,660,777)	-13%
Noncurrent assets	52,515,736	47,408,902	5,106,834	11%
Deferred outflows	18,311,470	13,150,082	5,161,388	39%
Total assets and deferred outflows	95,081,117	88,473,672	6,607,445	7%
Current liabilities	13,059,420	13,997,305	(937,885)	-7%
Noncurrent liabilities	56,656,566	47,528,671	9,127,895	19%
Deferred inflows	4,674,504	4,946,844	(272,340)	-6%
Total liabilities	74,390,490	66,472,820	7,917,670	12%
Net position:				
Invested in capital assets, net of related debt	35,403,540	32,948,525	2,455,015	7%
Unrestricted	(14,712,913)	(10,947,673)	(3,765,240)	34%
Total net position	\$ 20,690,627	\$ 22,000,852	\$ (1,310,225)	-6%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2020 and 2019	
	2020	Restated 2019	Change	Change percentage
Operating:				
Tuition and fees, net of scholarship allowances	\$ 31,443,594	\$ 30,529,892	\$ 913,702	3%
Grants and contracts	31,011,859	32,986,503	(1,974,644)	(6)%
Other operating revenues	2,008,504	2,908,814	(900,310)	(31)%
Total operating revenues	64,463,957	66,425,209	(1,961,252)	(3)%
Total operating expenses	109,271,537	108,458,572	812,965	1%
Operating loss	(44,807,580)	(42,033,363)	(2,774,217)	7%
Nonoperating:				
Total state support	42,373,190	38,918,104	3,455,086	9%
Federal grants	3,189,839	-	3,189,839	100%
Net other nonoperating	2,024,732	1,805,034	219,698	12%
Total change in net position	2,780,181	(1,310,225)	4,090,406	(312)%
Net position, beginning of year	20,690,627	22,000,852	(1,310,225)	(6)%
Net position, end of year	\$ 23,470,808	\$ 20,690,627	\$ 2,780,181	13%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2019 and 2018	
	Restated 2019	2018	Change	Change percentage
Operating:				
Tuition and fees, net of scholarship allowances	\$ 30,529,892	\$ 30,490,034	\$ 39,858	—%
Grants and contracts	32,986,503	31,940,929	1,045,574	3
Other operating revenues	2,908,814	2,520,179	388,635	15
Total operating revenues	66,425,209	64,951,142	1,474,067	2
Total operating expenses	108,458,572	102,931,031	5,527,541	5
Operating loss	(42,033,363)	(37,979,889)	(4,053,474)	11
Nonoperating:				
Total state support	38,918,104	36,540,880	2,377,224	7
Net other nonoperating	1,805,034	1,236,019	569,015	46
Total change in net position	(1,310,225)	(202,990)	(1,107,235)	545
Net position, beginning of year	22,000,852	22,203,842	(202,990)	(1)
Net position, end of year	\$ 20,690,627	\$ 22,000,852	\$ (1,310,225)	(6)%

BUNKER HILL COMMUNITY COLLEGE

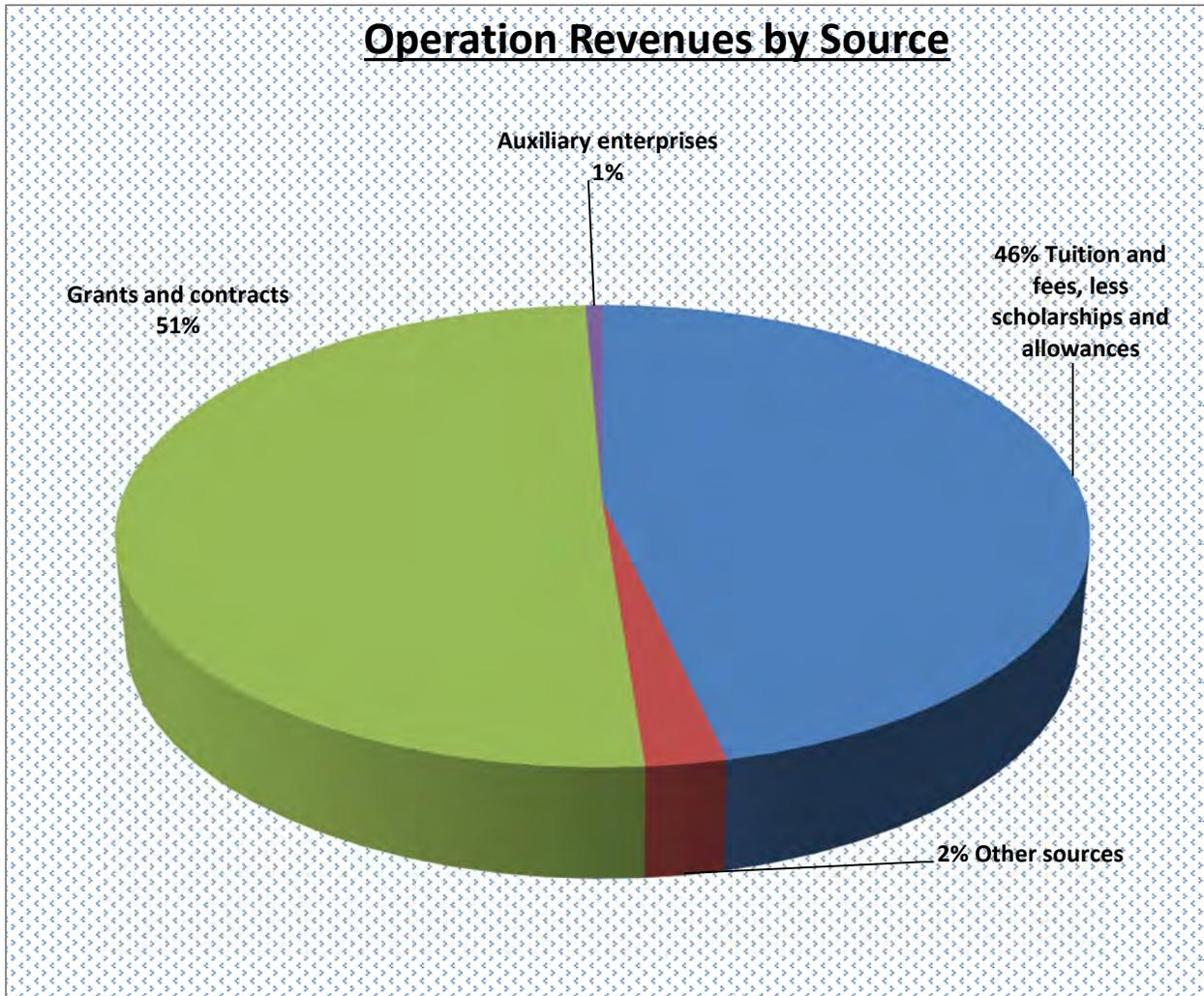
Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

Tuition and fees, less scholarships and allowances increased by 3% in fiscal year 2020 compared to a decrease of 1% in fiscal year 2019. Tuition and fees, less scholarship allowances were 46% of total operating revenues in fiscal year 2020 and in fiscal year 2019. Federal, State, Local and Private Grants and contracts revenue increased by 1% compared to fiscal year 2019 and was 51 % of total operating revenue in fiscal year 2020.



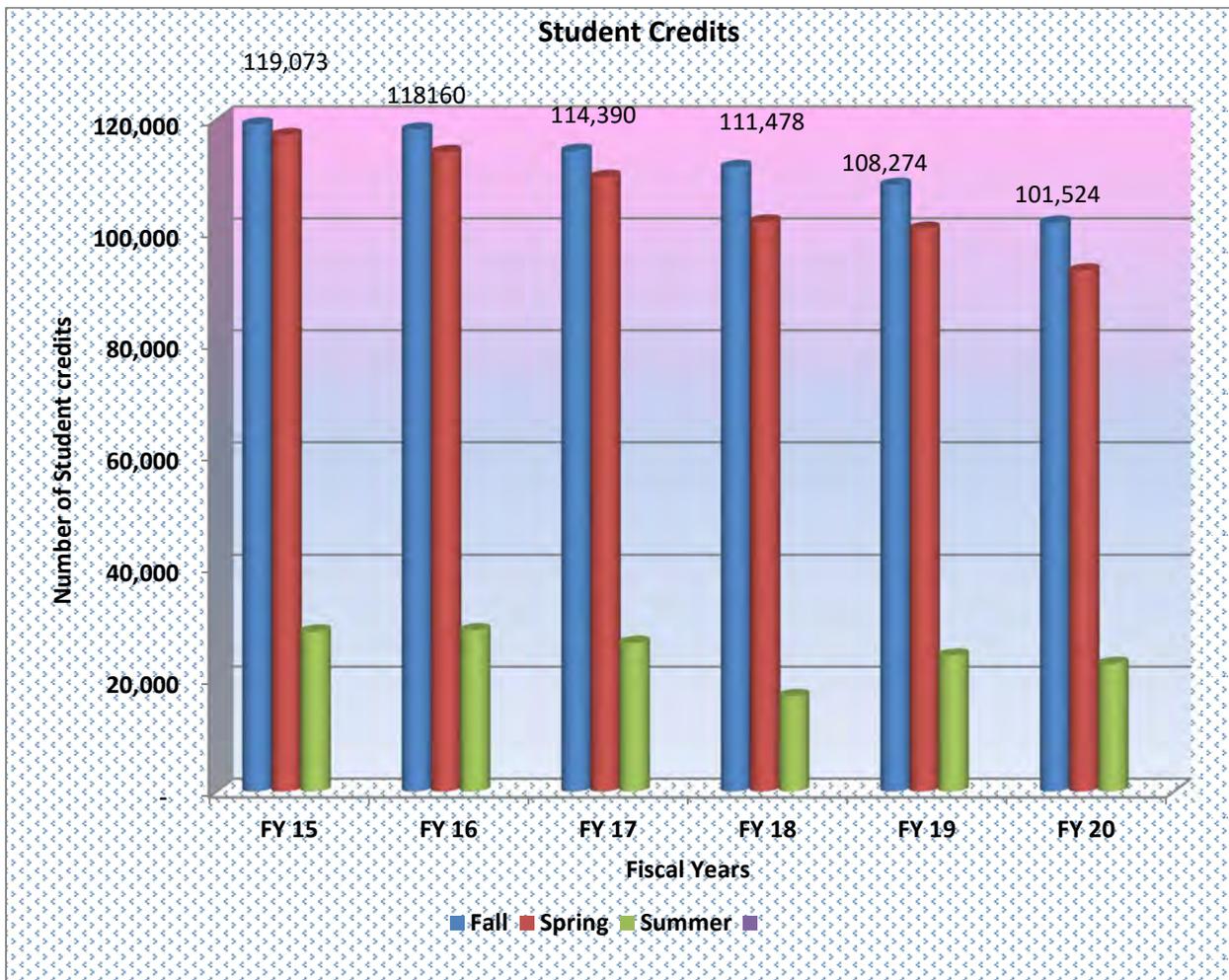
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



Although the student enrollment has declined in fiscal years 2019 and 2020, the College maintains its position as the largest of the fifteen Community Colleges in the Commonwealth of Massachusetts.

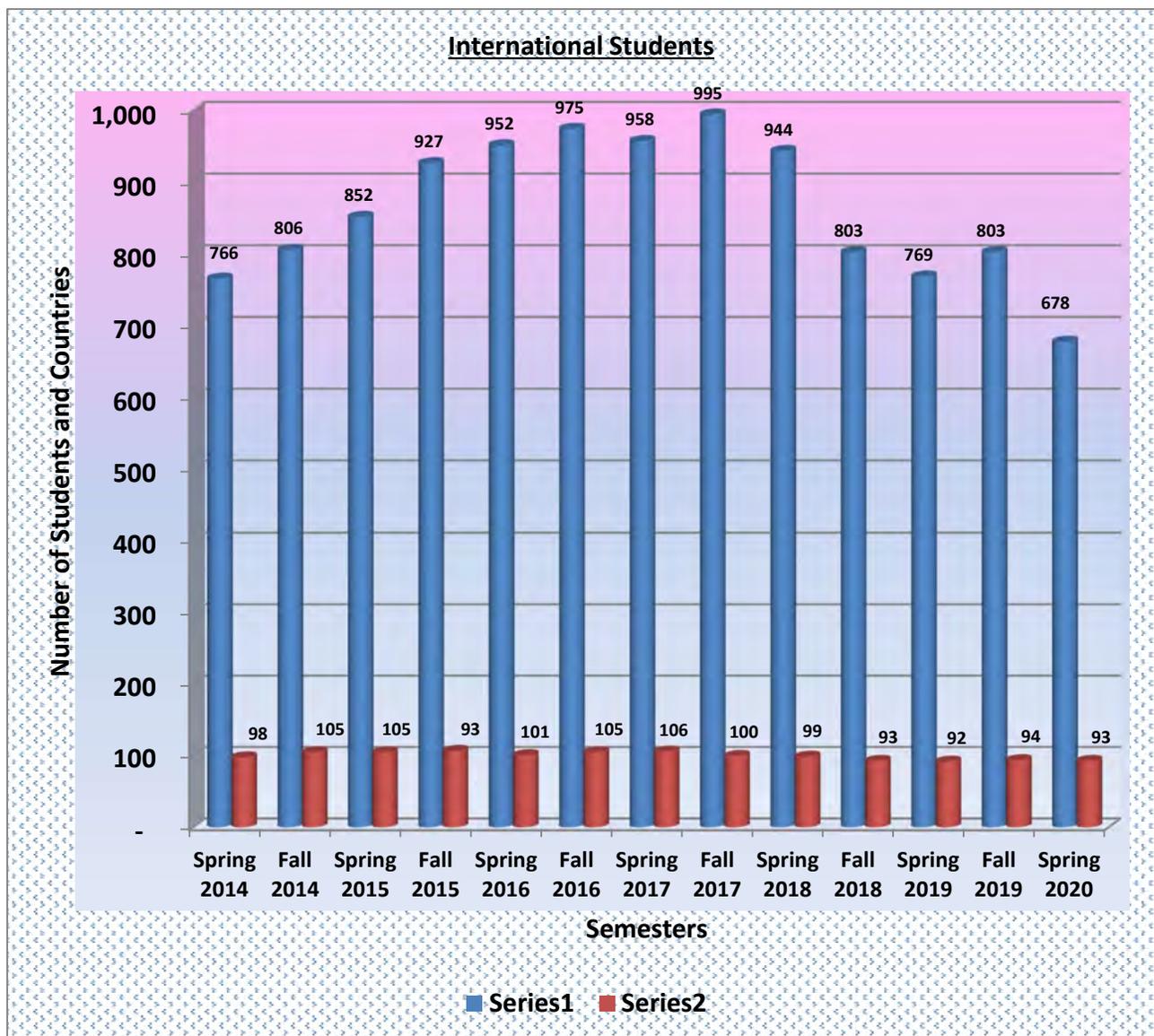
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



There was a 16% decline in the international student enrollments in spring 2020.

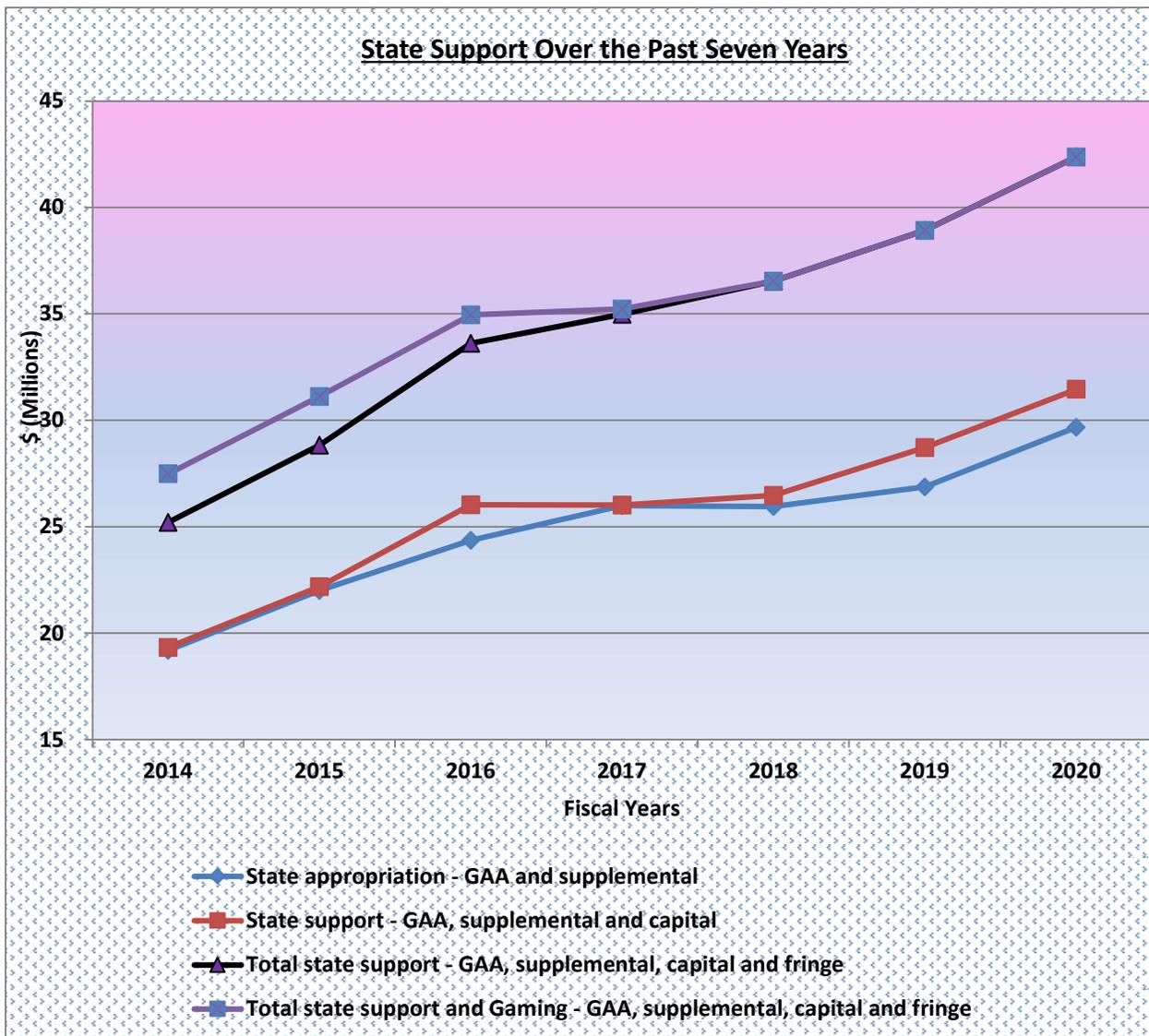
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



The seven-year trend analysis shows that for the year ended June 30, 2020, there has been an increase in general and supplemental state appropriation. The analysis also shows that there has been an increase in capital appropriation.

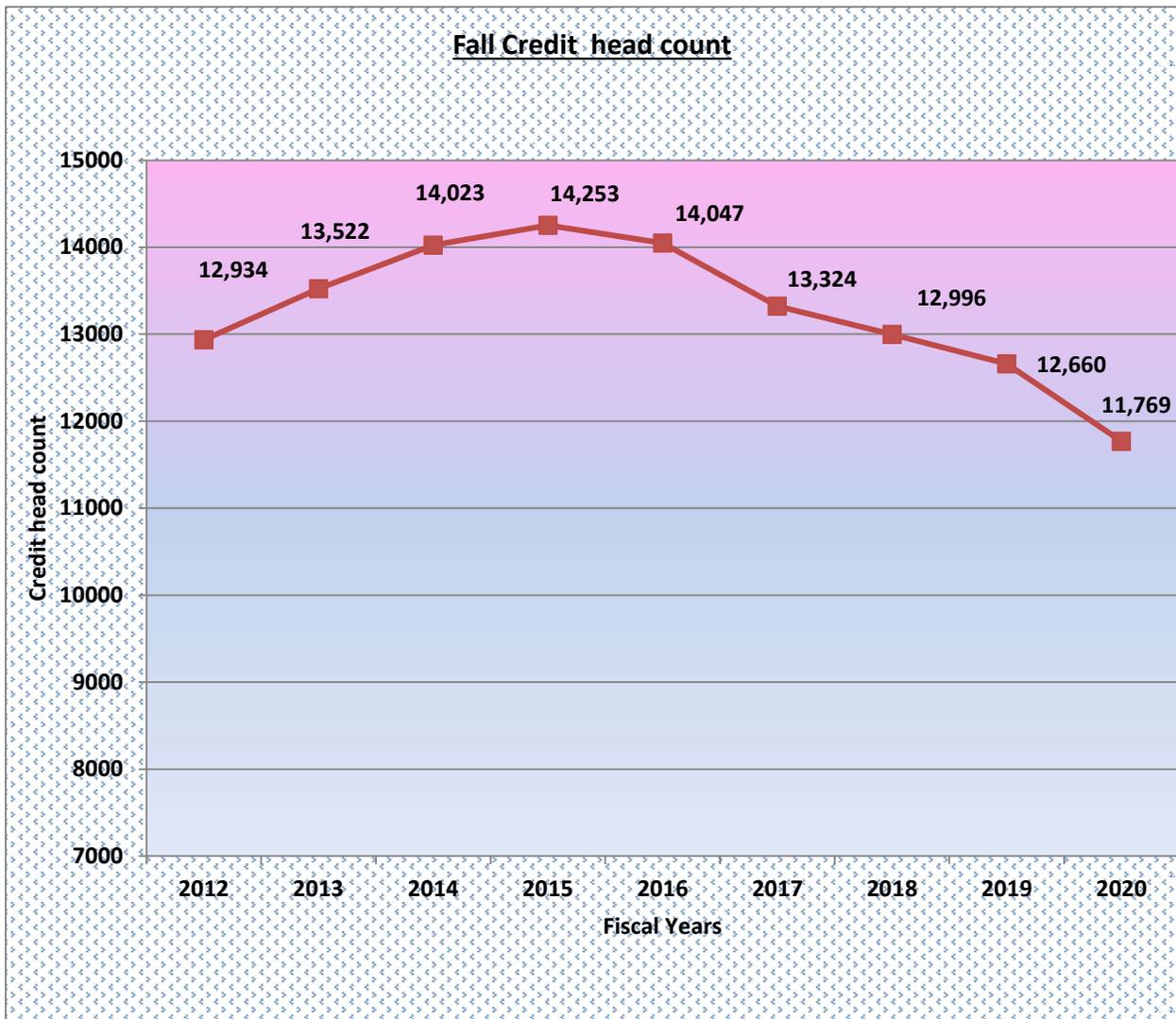
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis - Continued



The College's head count has increased consistently over the years to over 14,000 students in Fall 2013, 2014 and 2015 semesters and declined gradually to slightly below 12,000 students by Fall 2019.

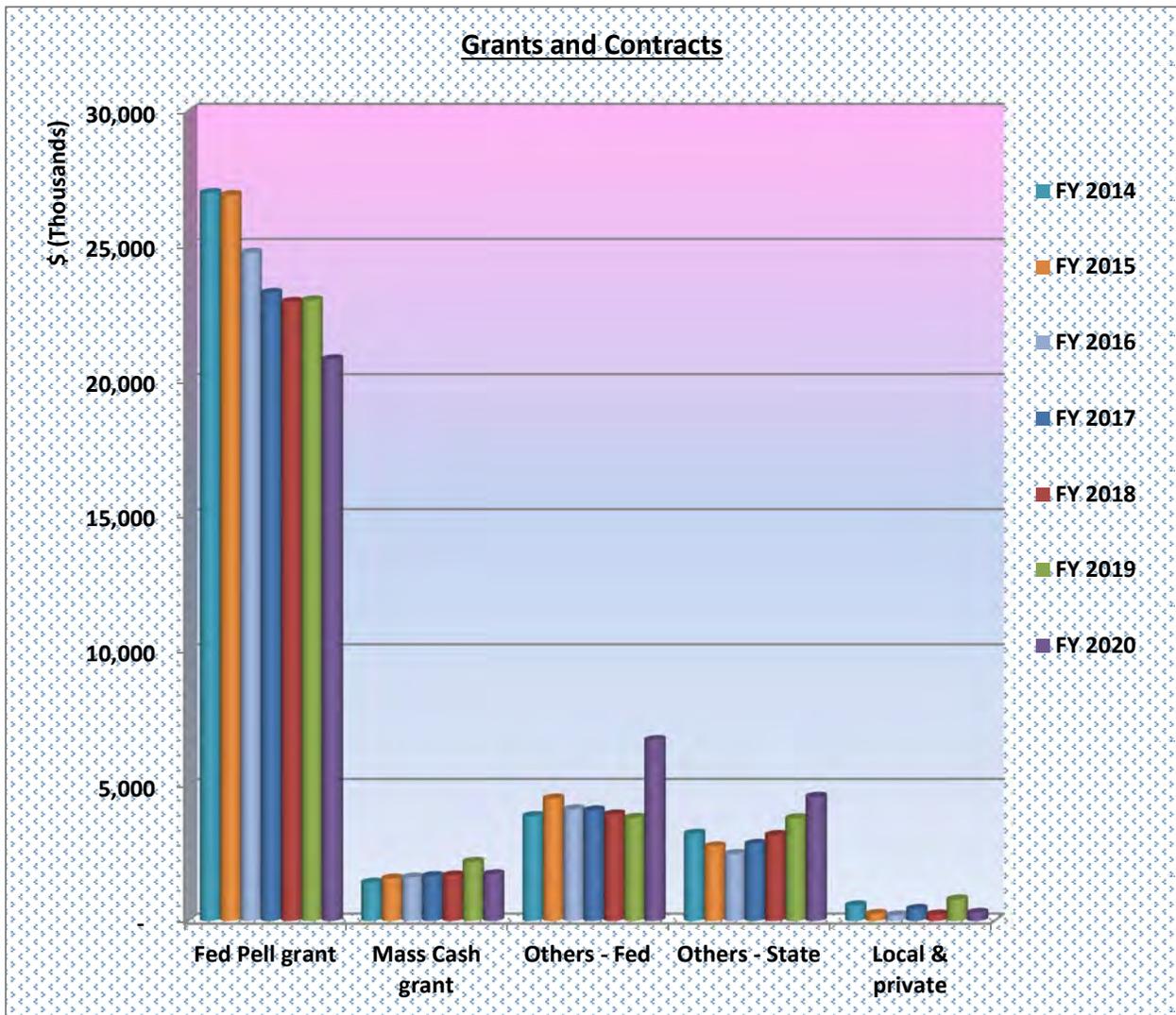
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



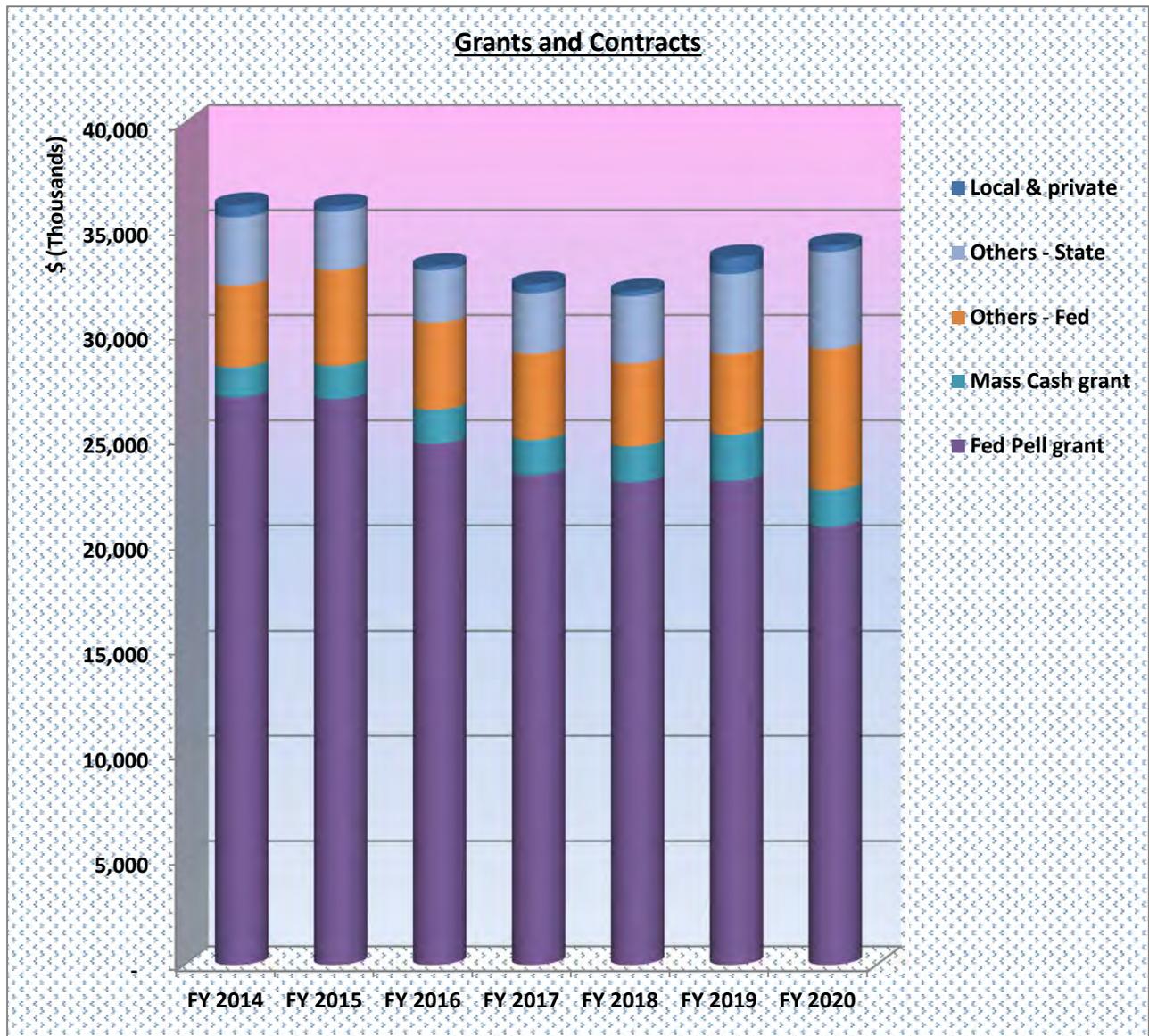
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

Major grants and contracts received by the College for 2020 included the following:

- PELL grant from US Department of Education in the amount of \$20,824,195 for student financial aid. This is a decrease of \$2,176,520 (9.5%) from 2019 and a decrease of \$2,123,970 (9.3%) from 2018.
- SEOG grant from US Department of Education in the amount of \$603,235 for student financial aid. This is a decrease of \$50,284 from 2019 and an increase of \$23,473 from 2018.
- Nursing grant from US Department of Health and Human Services in the amount of \$300,000 for student financial aid. This is same amount as in 2019 and an increase of \$14,845 from 2018.
- MASS CASH grant from Massachusetts Board of Higher Education in the amount of \$1,736,275 for student financial aid. This is a decrease of \$462,788 from 2019 and an increase of \$43,809 from 2018.
- MASS grant from Massachusetts Board of Higher Education in the amount of \$926,062 for student financial aid. This is a decrease of \$330,899 from 2019 and a decrease of \$176,489 from 2018.
- TRIO grant from U.S. Department of Education of \$549,924. This is a decrease of \$43,788 from 2019 and an increase of \$48,588 from 2018.
- CARE grant from U.S. Department of Education of \$3,189,839.
- Grants and contracts from other sources in the amount of \$9,500,263 for specific purposes. This is an increase of \$4,849,023 from 2019 and an increase of \$6,763,724 from 2018. Grants were received for following specific purposes:
 - State Appropriated grants received for MCAS of \$615,227.
 - Department of Higher Education grants received for Adult Basic Education of \$862,795 Perkins Vocational grant of \$526,475, Dual Enrollment grant of \$38,575, STEM Starter Academy \$272,429, NOVA Initiative Program – 35 for \$186,132 and Local AH grant \$265,405 .
 - Private grant of \$764,126 received from Smith Family Foundation
- Auxiliary enterprises (Workforce development contracts) revenue decreased by 10% or \$65,502 in fiscal year 2020. This is mainly due to decrease in our contract with Metro North Regional Employment Board offset by a new contract with Saint Mary’s Center for Women and Children.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

Tuition and fees received by the College included the following:

	<u>Year Ended June 30</u>		<u>Between 2020 and 2019</u>	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change percentage</u>
Tuition	\$ 10,488,787	\$ 11,214,032	\$ (725,245)	(6)%
Student fees	40,401,465	39,848,563	552,902	1%
Waivers	(1,353,977)	(1,602,182)	248,205	(15)%
Tuition and fees, net	<u>\$ 49,536,275</u>	<u>\$ 49,460,413</u>	<u>\$ 75,862</u>	<u>—%</u>

	<u>Year Ended June 30</u>		<u>Between 2019 and 2018</u>	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change percentage</u>
Tuition	\$ 11,214,032	\$ 12,044,929	\$ (830,897)	(7)%
Student fees	39,848,563	37,812,031	2,036,532	5%
Waivers	(1,602,182)	(1,570,242)	(31,940)	2%
Tuition and fees, net	<u>\$ 49,460,413</u>	<u>\$ 48,286,718</u>	<u>\$ 1,173,695</u>	<u>2%</u>

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

Comparison of Expenses by Function

	Year Ended June 30		Between 2020 and 2019	
	2020	Restated 2019	Change	Change percentage
Instruction	\$ 39,431,530	\$ 39,055,937	\$ 375,593	1%
Academic support	13,641,798	14,440,245	(798,447)	(6)%
Student services	16,691,186	15,569,129	1,122,057	7%
Scholarships and fellowships	12,132,385	10,578,904	1,553,481	15%
Operation and maintenance of plant	8,514,868	10,284,971	(1,770,103)	(17)%
Institutional support and other	14,502,744	14,788,094	(285,350)	(2)%
Depreciation and amortization	4,357,026	3,741,292	615,734	16%
	<u>\$ 109,271,537</u>	<u>\$ 108,458,572</u>	<u>\$ 812,965</u>	<u>1%</u>

	Year Ended June 30		Between 2019 and 2018	
	Restated 2019	2018	Change	Change percentage
Instruction	\$ 39,055,937	\$ 37,482,302	\$ 1,573,635	4%
Academic support	14,440,245	14,446,670	(6,425)	—%
Student services	15,569,129	15,374,037	195,092	1%
Scholarships and fellowships	10,578,904	10,363,044	215,860	2%
Operation and maintenance of plant	10,284,971	8,960,094	1,324,877	15%
Institutional support and other	14,788,094	12,774,850	2,013,244	16%
Depreciation and amortization	3,741,292	3,530,034	211,258	6%
	<u>\$ 108,458,572</u>	<u>\$ 102,931,031</u>	<u>\$ 5,527,541</u>	<u>5%</u>

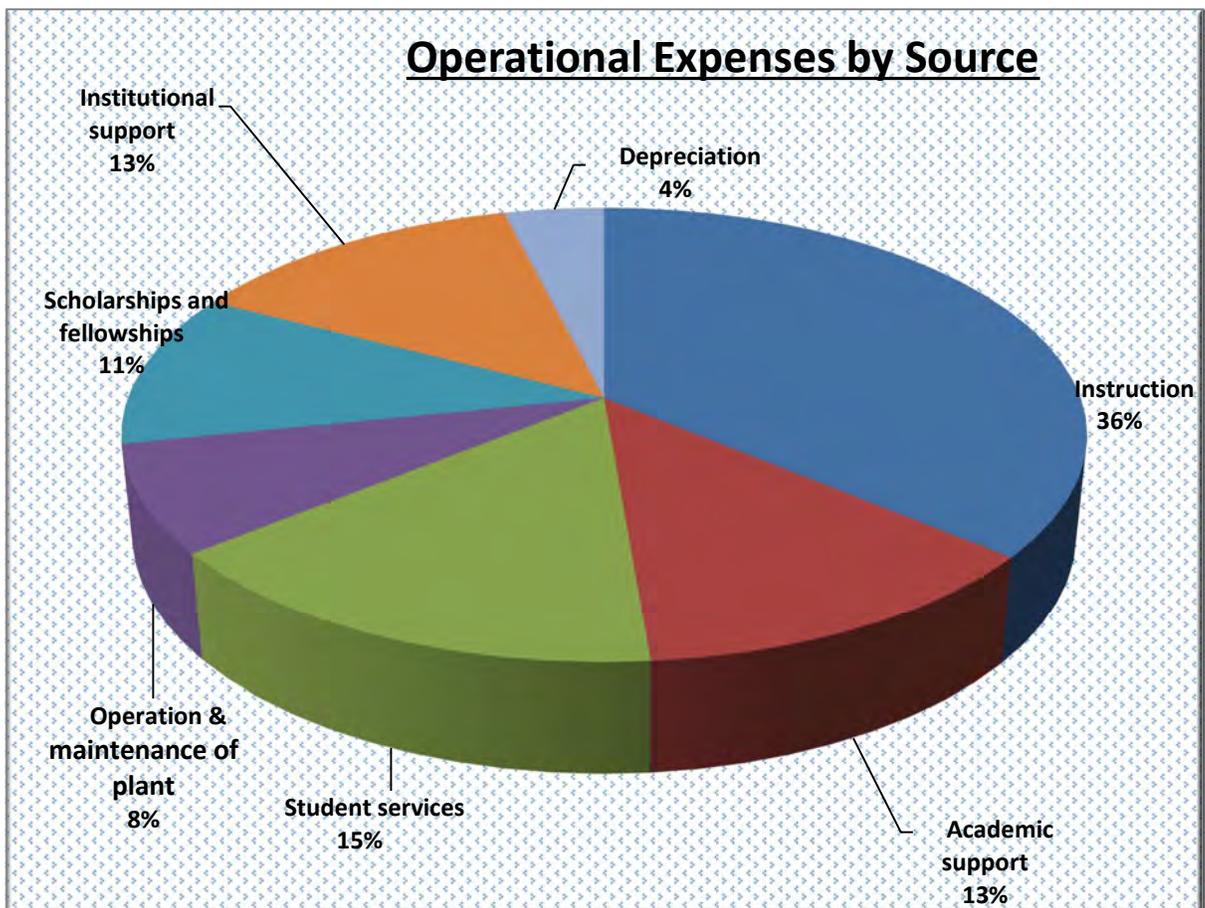
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



Highlights of operating expense activity:

- Of the total operating expenses in fiscal year 2020 of \$109,271,537, 75% relates to instruction, academic support, student services, and scholarship and fellowships. Of the total operating expenses in fiscal year 2019 of \$108,458,572, 74% relates to instruction, academic support, student services, and scholarship and fellowships.

BUNKER HILL COMMUNITY COLLEGE

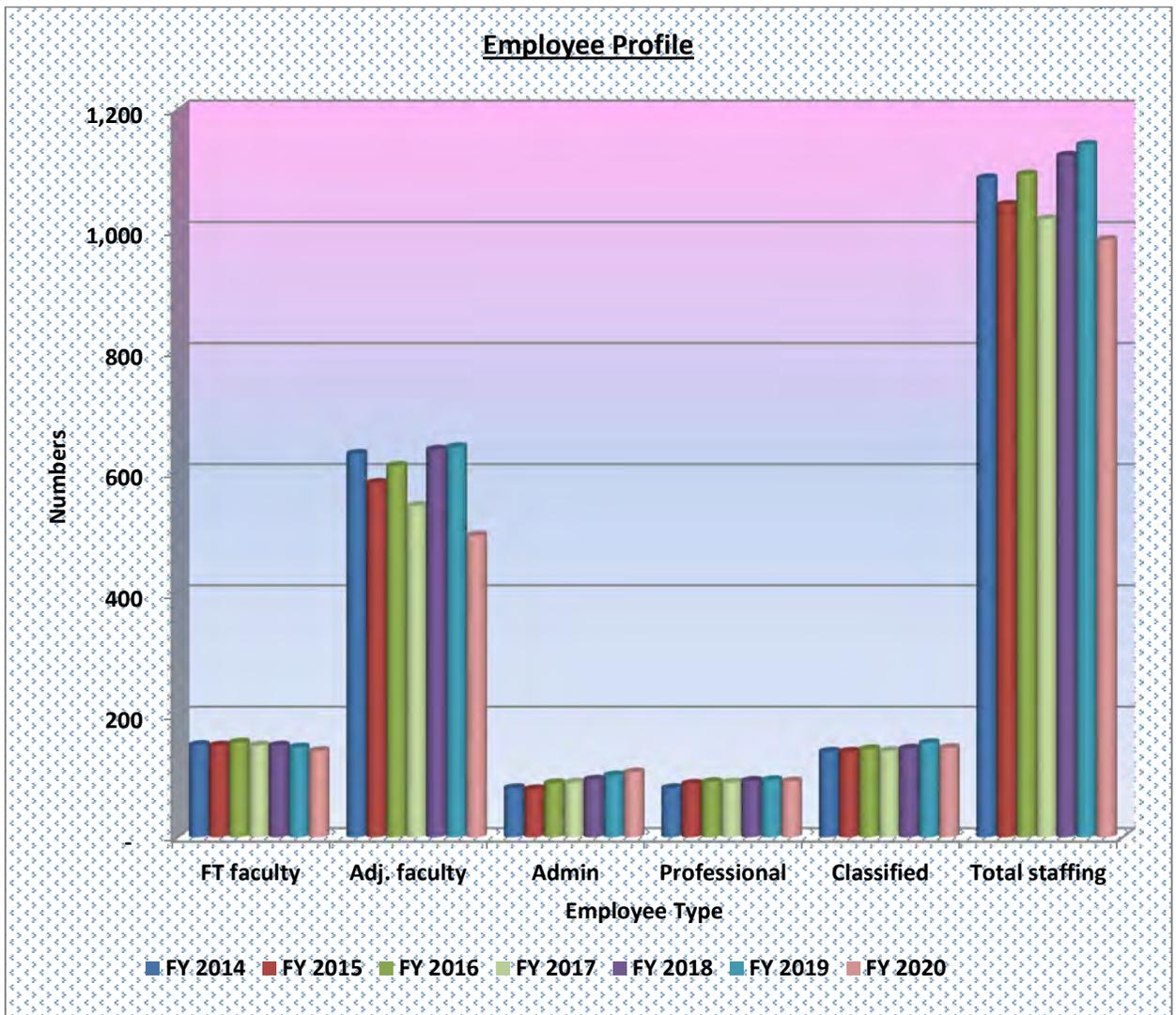
Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

The expenditure on scholarships and fellowships increased by 15% or \$1,553,481 in fiscal year 2020 due to the distribution of CARES Act funds to students.



BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(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 2020 and 2019	
	2020	Restated 2019	Change	Change percentage
Tuition and fees	\$ 49,536,275	\$ 49,460,413	\$ 75,862	—%
Less scholarship allowances	(18,092,681)	(18,930,521)	837,840	(4)%
Net tuition and fees	31,443,594	30,529,892	913,702	3%
Grants and contracts	31,011,859	32,986,503	(1,974,644)	(6)%
Other revenue	2,008,504	2,908,814	(900,310)	1%
Operating expenses	(109,271,537)	(108,458,572)	(812,965)	2%
Operating loss	\$ (44,807,580)	\$ (42,033,363)	\$ (3,687,919)	9%

	Year Ended June 30		Between 2019 and 2018	
	Restated 2019	2018	Change	Change percentage
Tuition and fees	\$ 49,460,413	\$ 48,286,718	\$ 1,173,695	2%
Less scholarship allowances	(18,930,521)	(17,796,684)	(1,133,837)	6%
Net tuition and fees	30,529,892	30,490,034	39,858	—%
Grants and contracts	32,986,503	31,940,929	1,045,574	3%
Other revenue	2,908,814	2,520,179	388,635	15%
Operating expenses	(108,458,572)	(102,931,031)	(5,527,541)	5%
Operating loss	\$ (42,033,363)	\$ (37,979,889)	\$ (4,053,474)	11%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis - Continued

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.

Non-Operating Revenues and Expenses

	Year Ended June 30		Between 2020 and 2019	
	2020	Restated 2019	Change	Change percentage
Operating loss	\$ (44,807,580)	\$ (42,033,363)	\$ (2,774,217)	7%
Nonoperating:				
Total state support	40,591,299	38,295,359	2,295,940	6%
Federal Grants	3,189,839	-	3,189,839	100%
Net other nonoperating	3,806,623	2,427,779	1,378,844	57%
Increase (decrease) in net position	\$ 2,780,181	\$ (1,310,225)	\$ 4,090,406	-312%

	Year Ended June 30		Between 2019 and 2018	
	Restated 2019	2018	Change	Change percentage
Operating loss	\$ (42,033,363)	\$ (37,979,889)	\$ (4,053,474)	11%
Nonoperating:				
Total state support	38,295,359	36,012,273	2,283,086	6%
Net other nonoperating	2,427,779	1,764,626	663,153	38%
Increase (decrease) in net position	\$ (1,310,225)	\$ (202,990)	\$ (1,107,235)	545%

BUNKER HILL COMMUNITY COLLEGE

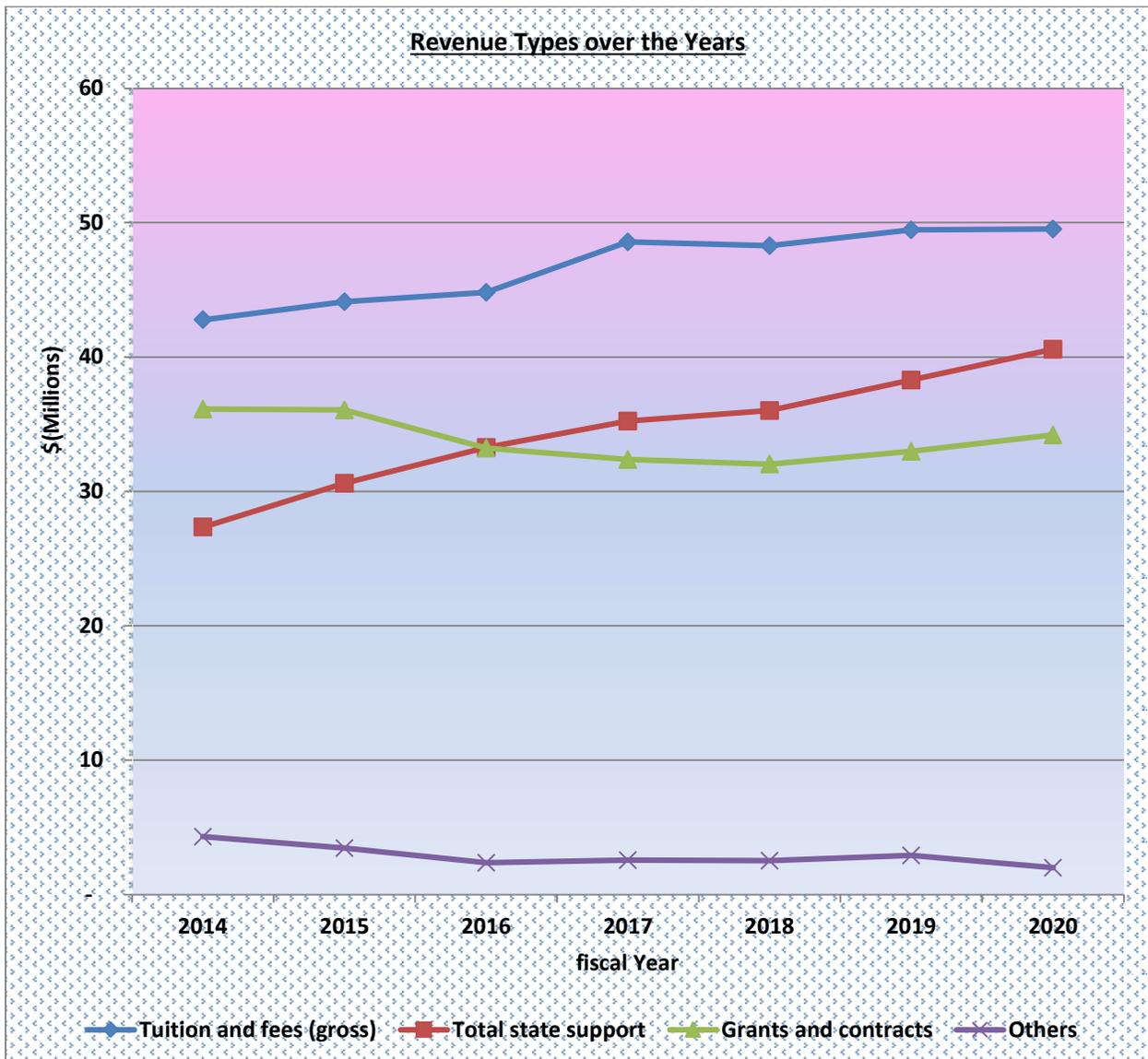
Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued

Gross tuition and fees net of waivers for FY 2020 was the largest single source of revenue at \$49,536,275 or 39% followed by State appropriation of \$40,591,299 or 32% and Grants and Contracts at \$34,201,698 or 27%.



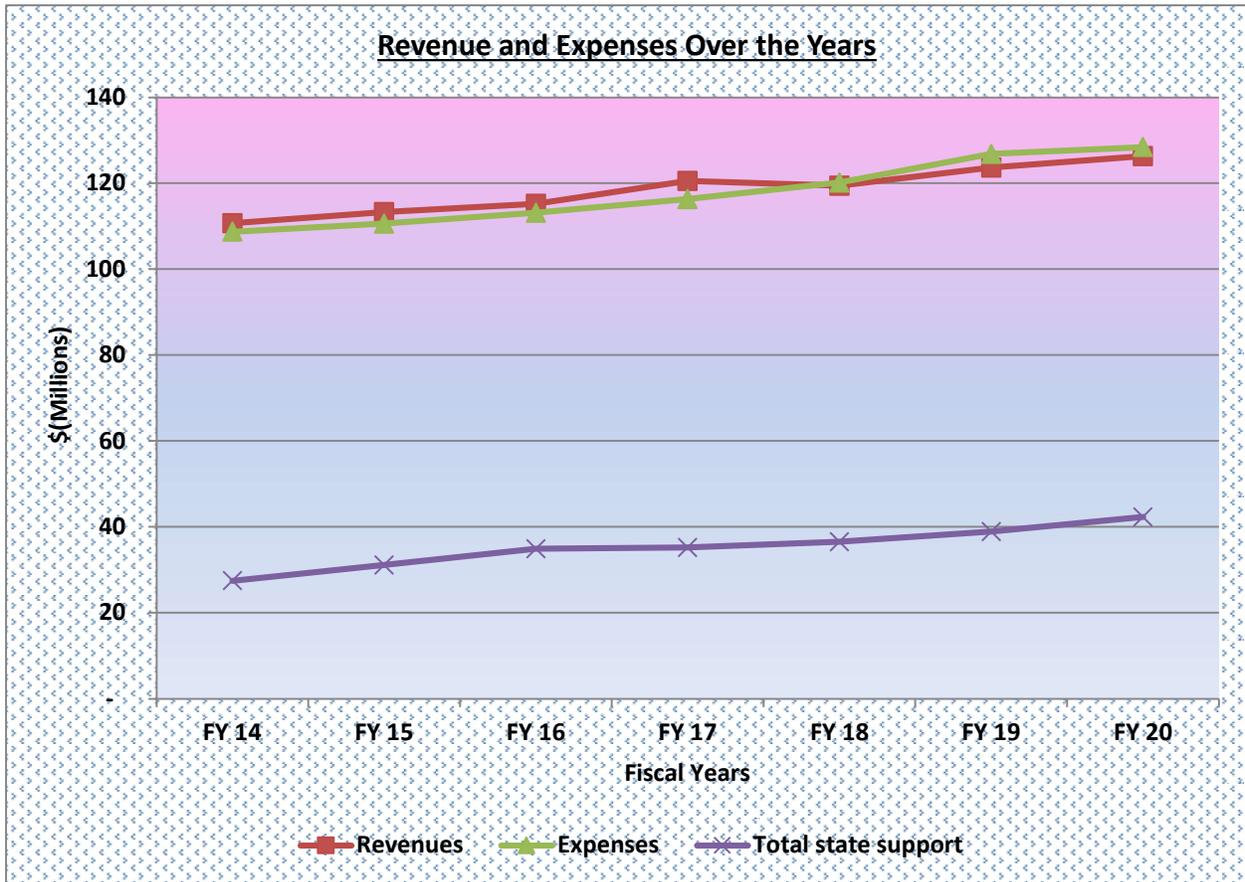
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Financial Analysis – Continued



The seven-year trend analysis shows that from FY 2014 to FY 2017 revenue (excluding scholarship allowances) has gradually exceeded and it broke even in FY 2018. However, in FY 2019 and 2020, the expenses slightly increased and exceeded revenues due to effect of implementation of GASB 75 OPEB liabilities

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

Capital Assets of the College

The College's capital assets as of June 30, 2020 amounted to \$44.5 million, net of accumulated depreciation. The capital assets include land, buildings and improvements, furnishings, and equipment. Capital assets net of depreciation increased marginally from \$44.1 million in FY 2019 to \$44.5 million in FY 2020. The Board of Trustees approves capital asset purchases. Additional information about the College's capital assets can be found in note 6.

Long-Term Liabilities of the College

During the fiscal year 2007, 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 \$55,602 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:

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, 2020	\$ 1,593,006

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(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 (DCAM). 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 DCAM. The status of the CEIP funds as June 30, 2020 is as follows:

Date of note	November 29, 2011
Original amount of note	\$3,330,488
Unpaid principal balance	\$2,299,935
Maturity date	January 01, 2032
Interest rate	4.00%
Date to which interest has been paid	January 01, 2020

During fiscal year 2016, the College leased equipment which was funded through Key Finance Government to upgrade Colleges computer network infrastructure. This was a five-year lease that was fully paid off by the end of the fiscal year. The capital lease obligations at June 30, 2020 are as follows.

Asset value	\$1,160,596
Interest	\$ 69,101
Period of the lease	60 months
Annual payment	\$ 245,939
Lease obligation at June 30, 2020	\$ 0

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, increased from 3.0% in June 2019 to 17.7% in June 2020, according to the United States Department of Labor, Bureau of Labor Statistics. The seasonally adjusted unemployment rate on a national level increased from 3.7% in June 2019 to 11.1% in June 2020. 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

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2020 and 2019

(Unaudited)

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

may vary in the current environment, particularly because of the existence of the unprecedented COVID-19 pandemic.

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)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2020	2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Assets:		(Restated)		
Cash and equivalents	\$ 1,354,819	\$ 2,673,339	\$ 573,016	\$ 845,148
Deposits held by State Treasurer	2,972,880	419,711	-	-
Cash held by State Treasurer	1,099,743	999,659	-	-
Restricted cash	-	-	1,483,607	1,074,380
Short-term investments	18,062,062	16,300,619	-	-
Deposits with bond trustee - restricted	55,602	58,202	-	-
Accounts receivable, net	5,504,696	3,337,712	28,742	85,286
Other assets	<u>353,440</u>	<u>464,669</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>29,403,242</u>	<u>24,253,911</u>	<u>2,085,365</u>	<u>2,004,814</u>
Non-Current Assets:				
Long-term investments	8,347,041	8,450,601	6,545,463	6,204,482
Capital assets, net of accumulated depreciation	<u>44,456,147</u>	<u>44,065,135</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>52,803,188</u>	<u>52,515,736</u>	<u>6,545,463</u>	<u>6,204,482</u>
Total Assets	<u>82,206,430</u>	<u>76,769,647</u>	<u>8,630,828</u>	<u>8,209,296</u>
Deferred Outflows of Resources				
Interest rate swap	1,593,006	1,262,354	-	-
Pension related, net	4,642,882	5,573,782	-	-
OPEB related, net	<u>9,655,364</u>	<u>11,475,334</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>15,891,252</u>	<u>18,311,470</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 98,097,682</u>	 <u>\$ 95,081,117</u>	 <u>\$ 8,630,828</u>	 <u>\$ 8,209,296</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	(Restated)			
	2020	2019	2020	2019
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 6,451,226	\$ 5,137,843	\$ 334,601	\$ 127,302
Accrued payroll	1,690,098	1,689,115	-	-
Compensated absences and workers' compensation	3,345,273	3,284,668	-	-
Unearned revenues	85,157	209,344	-	-
Students' deposits	1,738,910	2,042,150	-	-
Current portion of capital lease obligations	51,619	289,122	-	-
Current portion of bonds payable	270,000	260,000	-	-
Current portion of liability for energy project	<u>153,066</u>	<u>147,178</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>13,785,349</u>	<u>13,059,420</u>	<u>334,601</u>	<u>127,302</u>
Non-Current Liabilities:				
Compensated absences and workers compensation	1,996,126	1,950,487	-	-
Pension liability, net	13,083,931	14,246,192	-	-
OPEB liability, net	24,665,436	31,174,036	-	-
Capital lease obligations	53,741	105,359	-	-
Bonds payable	5,345,602	5,618,202	-	-
Liability for energy project	2,146,869	2,299,936	-	-
Liability for derivative instrument	<u>1,593,006</u>	<u>1,262,354</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>48,884,711</u>	<u>56,656,566</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>62,670,060</u>	<u>69,715,986</u>	<u>334,601</u>	<u>127,302</u>
Deferred Inflows of Resources				
Pension related, net	2,754,273	1,928,755		
OPEB, net	<u>9,202,541</u>	<u>2,745,749</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>11,956,814</u>	<u>4,674,504</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	36,490,852	35,403,540	-	-
Restricted:				
Expendable	-	-	5,074,907	5,044,784
Non-expendable	-	-	2,146,010	1,891,479
Unrestricted	<u>(13,020,044)</u>	<u>(14,712,913)</u>	<u>1,075,310</u>	<u>1,145,731</u>
Total Net Position	<u>23,470,808</u>	<u>20,690,627</u>	<u>8,296,227</u>	<u>8,081,994</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 98,097,682</u>	<u>\$ 95,081,117</u>	<u>\$ 8,630,828</u>	<u>\$ 8,209,296</u>

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

Statements of Revenues and Expenses

For the Years Ended June 30,

	Primary Government		Component Unit	
	(Restated)			
	2020 College	2019 College	2020 Foundation	2019 Foundation
Operating Revenues:				
Tuition and fees	\$ 49,536,275	\$ 49,460,413	\$ -	\$ -
Less: scholarship allowance	<u>(18,092,681)</u>	<u>(18,930,521)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	31,443,594	30,529,892	-	-
Federal, state, local and private grants and contracts	31,011,859	32,986,503	2,000,679	1,688,754
Other auxiliary enterprises	437,131	682,038	-	-
Other sources	<u>1,571,373</u>	<u>2,226,776</u>	<u>256,560</u>	<u>291,633</u>
Total Operating Revenues	<u>64,463,957</u>	<u>66,425,209</u>	<u>2,257,239</u>	<u>1,980,387</u>
Operating Expenses:				
Instruction	39,431,530	39,055,937	-	-
Academic support	13,641,798	14,440,245	-	-
Student services	16,691,186	15,569,129	-	-
Scholarships	12,132,385	10,578,904	339,106	437,657
Operation and maintenance of plant	8,514,868	10,284,971	-	-
Institutional support	14,502,744	14,788,094	-	-
Depreciation and amortization	4,357,026	3,741,292	-	-
Other operating expenses	<u>-</u>	<u>-</u>	<u>462,328</u>	<u>142,684</u>
Total Operating Expenses	<u>109,271,537</u>	<u>108,458,572</u>	<u>801,434</u>	<u>580,341</u>
Operating Income (Loss)	<u>(44,807,580)</u>	<u>(42,033,363)</u>	<u>1,455,805</u>	<u>1,400,046</u>
Non-Operating Revenues (Expenses):				
State appropriations	40,591,299	38,295,359	-	-
Federal grants	3,189,839	-	-	-
Payments between Foundation and College	1,407,941	754,258	(1,407,941)	(754,258)
Net investment income	1,082,004	1,547,053	166,369	465,436
Interest expense	<u>(465,213)</u>	<u>(496,277)</u>	<u>-</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>45,805,870</u>	<u>40,100,393</u>	<u>(1,241,572)</u>	<u>(288,822)</u>
Changes in Net Position Before Capital Appropriations	998,290	(1,932,970)	214,233	1,111,224
Capital appropriations	<u>1,781,891</u>	<u>622,745</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>\$ 2,780,181</u>	<u>\$ (1,310,225)</u>	<u>\$ 214,233</u>	<u>\$ 1,111,224</u>

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

Bunker Hill Community College
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	College				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance June 30, 2018	\$ 32,948,525	\$ -	\$ -	\$ (10,947,673)	\$ 22,000,852
Change in net position, as previously reported	2,455,015	-	-	(2,702,967)	(247,952)
Balance at June 30, 2019, as previously reported	35,403,540	-	-	(13,650,640)	21,752,900
Prior period adjustment - See Note 2	-	-	-	(1,062,273)	(1,062,273)
Balance June 30, 2019, as restated	35,403,540	-	-	(14,712,913)	20,690,627
Changes in net position	1,087,312	-	-	1,692,869	2,780,181
Balance, June 30, 2020	\$ 36,490,852	\$ -	\$ -	\$ (13,020,044)	\$ 23,470,808

	Foundation				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2018	\$ -	\$ 1,775,869	\$ 4,152,460	\$ 1,042,441	\$ 6,970,770
Changes in net position for 2019	-	115,610	892,324	103,290	1,111,224
Balance, June 30, 2019	-	1,891,479	5,044,784	1,145,731	8,081,994
Changes in net position for 2020	-	254,531	30,123	(70,421)	214,233
Balance, June 30, 2020	\$ -	\$ 2,146,010	\$ 5,074,907	\$ 1,075,310	\$ 8,296,227

See accompanying notes to the financial statements.

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

Statements of Cash Flows

For the Years Ended June 30,

	2020	(Restated)
	College	2019
	College	College
Cash Flows from Operating Activities:		
Tuition and fees	\$ 30,651,648	\$ 30,693,832
Grants and contracts	29,758,643	32,771,311
Payments to suppliers	(10,159,741)	(13,593,871)
Payments to students	(12,132,385)	(10,578,904)
Payments to employees	(67,812,798)	(66,396,249)
Other operating revenues	<u>1,459,255</u>	<u>3,264,879</u>
Net Cash Applied to Operating Activities	<u>(28,235,378)</u>	<u>(23,839,002)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	29,675,870	28,092,693
Federal grants	3,189,839	-
Contributions from Foundation	<u>1,407,941</u>	<u>754,258</u>
Net Cash Provided by Non-Capital Financing Activities	<u>34,273,650</u>	<u>28,846,951</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(2,966,147)	(4,901,196)
Principal payments on capital debt	(698,900)	(674,866)
Interest paid on capital debt	<u>(465,213)</u>	<u>(496,277)</u>
Net Cash Applied to Capital Financing Activities	<u>(4,130,260)</u>	<u>(6,072,339)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	10,138,169	11,439,964
Interest and dividends on investments, net	21,754	5,534
Purchases of investments	<u>(10,735,802)</u>	<u>(10,673,172)</u>
Net Cash (Applied to) Provided by Investing Activities	<u>(575,879)</u>	<u>772,326</u>
Net Increase (Decrease) in Cash and Equivalents	1,332,133	(292,064)
Cash and Equivalents, Beginning of Year	<u>4,150,911</u>	<u>4,442,975</u>
Cash and Equivalents, End of Year	\$ <u>5,483,044</u>	\$ <u>4,150,911</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2020	(Restated)
	<u>College</u>	<u>2019</u> <u>College</u>
Reconciliation of Net Operating Loss to		
Net Cash Applied to Operating Activities:		
Net operating loss	\$ (44,807,580)	\$ (42,033,363)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	4,357,026	3,741,292
Bad debts	144,104	(20,370)
Net pension activity	594,157	1,106,508
Net OPEB activity	1,768,162	3,380,670
Fringe benefits paid by state	10,915,429	10,202,666
Changes in assets and liabilities:		
Accounts receivable	(2,311,088)	884,246
Other current assets	111,229	(44,621)
Accounts payable and accrued expenses	1,313,383	(443,666)
Accrued salaries and wages	983	(155,818)
Accrued compensated absences and workers' compensation	106,244	102,517
Student deposits	(303,240)	(517,947)
Unearned revenues	<u>(124,187)</u>	<u>(41,116)</u>
Net Cash Applied to Operating Activities	<u>\$ (28,235,378)</u>	<u>\$ (23,839,002)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	\$ 1,354,819	\$ 2,673,339
Deposits held by State Treasurer	2,972,880	419,711
Cash held by State Treasurer	1,099,743	999,659
Deposits with bond trustee - restricted	<u>55,602</u>	<u>58,202</u>
Cash and Equivalents, End of Year	<u>\$ 5,483,044</u>	<u>\$ 4,150,911</u>
Non-Cash Transactions:		
Fringe benefits provided by the state	<u>\$ 10,915,429</u>	<u>\$ 10,202,666</u>
Capital assets acquired through state appropriation	<u>\$ 1,781,891</u>	<u>\$ 622,745</u>

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

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Fiduciary Net Position

Fiduciary Funds

June 30,

Assets

	2020	2019
	<u>Custodial Funds</u>	<u>Custodial Funds</u>
Assets:		
Cash and equivalents	\$ 507,710	\$ 1,056,441
Accounts receivable	<u>457,544</u>	<u>75,612</u>
Total Assets	<u>\$ 965,254</u>	<u>\$ 1,132,053</u>

Liabilities and Fiduciary Net Position

Liabilities:		
Accounts payable and accrued liabilities	\$ 209,562	\$ 199,677
Compensated absences and workers' compensation	<u>267,296</u>	<u>132,023</u>
Total Liabilities	<u>476,858</u>	<u>331,700</u>
Fiduciary Net Position:		
Restricted for other governmental agencies	<u>488,396</u>	<u>800,353</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 965,254</u>	<u>\$ 1,132,053</u>

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

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

Statements of Changes in Fiduciary Net Position
Fiduciary Funds
For the Years Ended June 30,

	2020	2019
	<u>Custodial Funds</u>	<u>Custodial Funds</u>
Additions		
Professional Services	\$ 2,434,362	\$ 2,074,100
Federal, state, local and private grants and contracts	928,639	931,436
Other sources	<u>69,351</u>	<u>30,349</u>
Total Additions	<u>3,432,352</u>	<u>3,035,885</u>
Deductions		
Compensation & Benefits	2,197,927	1,756,182
Administration, Supplies & Services	<u>1,546,382</u>	<u>1,177,324</u>
Total Deductions	<u>3,744,309</u>	<u>2,933,506</u>
Net increase (decrease) in fiduciary net position	<u>(311,957)</u>	<u>102,379</u>
Fiduciary Net Position, Beginning of Year	<u>800,353</u>	<u>697,974</u>
Fiduciary Net Position, End of Year	<u>\$ 488,396</u>	<u>\$ 800,353</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, 2020 and 2019

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.

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 statements of revenues and 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 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, 2020 and 2019 and is therefore discretely presented in the College’s financial statements.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Basis of Presentation - continued

During the years ended June 30, 2020 and 2019, the Foundation distributed \$1,407,941 and \$754,258, respectively, 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, repair, or improvement of those assets.

Restricted – Nonexpendable: Net position subject to externally imposed conditions that the College must maintain in perpetuity.

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

Unrestricted: All other amounts of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees (the "Board of Trustees").

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.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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 statements of revenues and expenses. 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, 2020 and 2019.

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2020 and 2019. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Pensions

For purposes of measuring the net pension liability, deferred 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.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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 Statements of Net Position.

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.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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 statements of net position and revenues and expenses because the resources of these activities are not available to support the College's programs. Fiduciary activities are reported using accrual accounting.

Adoption of New Accounting Pronouncements

The College adopted GASB Statement 84 – *Fiduciary Activities*. The objective of this statement is to establish criteria for identifying and reporting of fiduciary activities. The College adopted GASB 84 on a retroactive basis as of July 1, 2018. See note 2 for additional information.

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this statement will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this statement. Management is in the process of evaluating this statement and

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

New Governmental Accounting Pronouncements - continued
has not yet determined its impact on the financial statements.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this statement and its applicability.

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

New Governmental Accounting Pronouncements - continued

GASB Statement 93 – *Replacement of Interbank Offered Rates* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide government entities relief with replacing or amending financial instruments for the purpose of replacing LIBOR, which is expected to cease to exist in December 2021. Before the implementation of this Standard, hedge accounting terminates if material terms are amended. Management has not completed its review of the requirements of this statement and its applicability.

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

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

GASB Statement 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated as the same as the primary government appointing a majority of the potential component unit's governing board. Management has not completed its review of the requirements of this statement and its applicability.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Operations

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded \$8,310,307 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College has expended \$3,189,839 for emergency grants to students and \$-0- for institutional costs from the HEERF funds. There is also a smaller portion of funds granted by the CARES Act, which the College received, called CARES S.I.P., which totals \$552,531.

Reclassification

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

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 2 - **Prior Period Adjustment - Correction of an Error**

Management of the College was notified of an error in the calculation of OPEB for the year ended June 30, 2019. The error did not have an effect on the calculation of OPEB as of June 30, 2018.

As discussed in note 1, the College implemented GASB Statement 84 ("GASB 84"), Fiduciary Activities. There adoption of GASB 84 did not have an effect on net position as of June 30, 2018.

The table below presents the effects of the correction and implementing GASB 84 to the previously issued financial statements:

	As Previously Reported at June 30, 2019	Correction of an Error	Implementation of GASB 84	As restated at June 30, 2019
Statements of Net Position				
Accounts payable and accrued liabilities	\$ 5,337,520	-	(199,677)	\$ 5,137,843
Accounts receivable, net	3,413,324	-	(75,612)	3,337,712
Compensated absences and workers' compensation	5,367,178	-	(132,023)	5,235,155
Deferred outflows of resources related to OPEB	11,445,475	29,859	-	11,475,334
Deferred inflows of resources related to OPEB	7,804,180	(5,058,431)	-	2,745,749
Fund held for others	800,353	-	(800,353)	-
Net OPEB liability	25,023,473	6,150,563	-	31,174,036
Restricted cash	1,056,441	-	(1,056,441)	-
Unrestricted net position	(13,650,640)	(1,062,273)	-	(14,712,913)
Statements of Revenues and Expenses				
Operating Expenses	\$ 107,396,299	1,062,273	-	\$ 108,458,572