

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

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

**JUNE 30, 2021**

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

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

**June 30, 2021**

**C O N T E N T S**

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## 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, 2021 and 2020, 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**

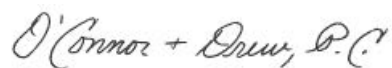
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position and fiduciary net position of Bunker Hill Community College and its discretely presented component unit as of June 30, 2021 and 2020, and the respective changes in net position 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.

## **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 18, 2021, 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.



**Certified Public Accountants  
Braintree, Massachusetts**

October 18, 2021

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis

June 30, 2021 and 2020

(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, 2021 and 2020, 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 10,000 students in fall 2020 semester, with 142 full time faculty, 457 adjunct faculty, and 345 staff members at the year ended June 30, 2021. 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 67 programs leading to associate degrees including two concentrations that prepare students to enter technical programs and 45 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, 2021, the College's assets and deferred outflows were \$132,991,094 and its liabilities and deferred inflows were \$83,218,689 resulting in net position of \$49,772,405. This represents an increase in net position of \$26,301,597 for the fiscal year (FY) 2021. By contrast, 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.

	June 30		
	2021	2020	2019
Invested in capital assets, net of related liabilities	\$ 38,751,676	\$ 36,490,852	35,403,540
Unrestricted	11,020,729	(13,020,044)	(14,712,913)
Total net position	\$ 49,772,405	\$ 23,470,808	20,690,627

### 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 - Continued

June 30, 2021 and 2020

(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 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* 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 resources of these funds are not available

# **BUNKER HILL COMMUNITY COLLEGE**

## **Management Discussion and Analysis - Continued**

**June 30, 2021 and 2020**

**(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 29-34 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 35-81 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 FY2021, assets exceeded liabilities by \$49,772,405 compared to \$23,470,808 in FY2020.

The College's FY2021 net position of \$49,772,405 includes investment in capital assets of \$38,751,676 (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 - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

	Summary of the College's Net Position			
	June 30		Between 2021 and 2020	
	2021	2020	Dollar change	Change percentage
Current assets	\$ 50,292,911	\$ 29,403,242	\$ 20,889,669	71%
Noncurrent assets	64,861,352	52,803,188	12,058,164	23%
Deferred outflows	17,836,831	15,891,252	1,945,579	12%
Total assets and deferred outflows	132,991,094	98,097,682	34,893,412	36%
Current liabilities	15,854,242	13,785,349	2,068,893	15%
Noncurrent liabilities	56,031,347	48,884,711	7,146,636	15%
Deferred inflows	11,333,100	11,956,814	(623,714)	-5%
Total liabilities and deferred inflows	83,218,689	74,626,874	8,591,815	12%
Net position:				
Invested in capital assets, net of related debt	38,751,676	36,490,852	2,260,824	6%
Unrestricted	11,020,729	(13,020,044)	24,040,773	-185%
Total net position	\$ 49,772,405	\$ 23,470,808	\$ 26,301,597	112%

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

	Summary of the College's Net Position			
	June 30		Between 2020 and 2019	
	2020	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	98,097,682	95,081,117	3,016,565	3%
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 and deferred inflows	74,626,874	74,390,490	236,384	0%
Net position:				
Invested in capital assets, net of related debt	36,490,852	35,403,540	1,087,312	3%
Unrestricted	(13,020,044)	(14,712,913)	1,692,869	-12%
Total net position	\$ 23,470,808	\$ 20,690,627	\$ 2,780,181	13%

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

**June 30, 2021 and 2020**

**(Unaudited)**

### Financial Analysis - Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2021 and 2020	
	2021	2020	Change	Change percentage
Operating:				
Tuition and fees, net of scholarship allowances	\$ 24,136,684	\$ 31,443,594	\$ (7,306,910)	(23)%
Grants and contracts	27,177,238	31,011,859	(3,834,621)	(12)%
Other operating revenues	2,013,644	2,008,504	5,140	—%
Total operating revenues	53,327,566	64,463,957	(11,136,391)	(17)%
Total operating expenses	106,942,635	109,271,537	(2,328,902)	(2)%
Operating loss	(53,615,069)	(44,807,580)	(8,807,489)	20%
Nonoperating:				
Total state support	46,297,959	42,373,190	3,924,769	9%
Federal Grants	26,620,772	3,189,839	23,430,933	735%
Net other nonoperating	6,997,935	2,024,732	4,973,203	246%
Total change in net position	26,301,597	2,780,181	23,521,416	846%
Net position, beginning of year	23,470,808	20,690,627	2,780,181	13%
Net position, end of year	\$ 49,772,405	\$ 23,470,808	\$ 26,301,597	112%

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2020 and 2019	
	2020	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

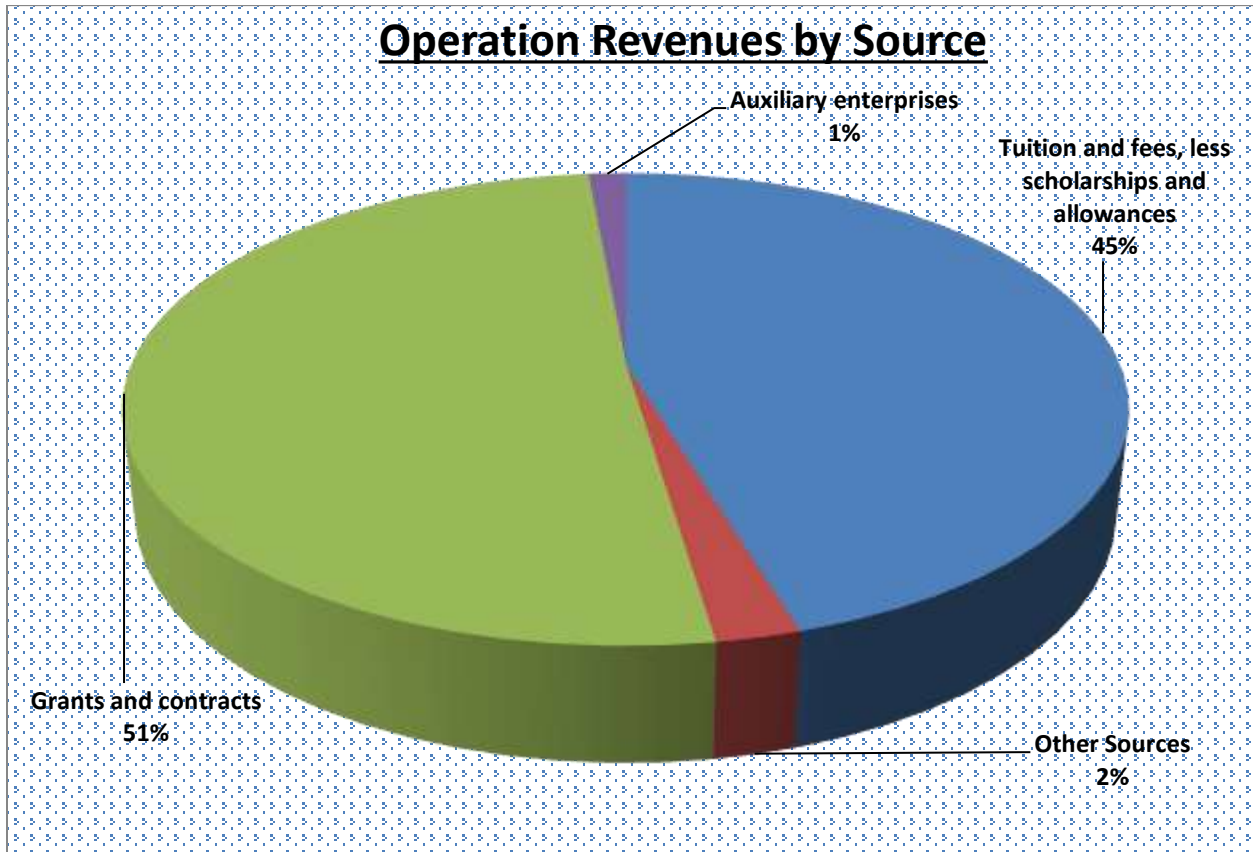
## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

Tuition and fees, less scholarships and allowances decreased by 23% in FY2021 compared to an increase of 3% in FY2020. Tuition and fees, less scholarship allowances were 45% of total operating revenues in FY2021 and 46% in FY2020. Federal, State, Local and Private Grants and contracts under operating revenue decreased by 12% compared to FY2020 and was 51% of total operating revenue in FY2021. Federal, State, Local and Private Grants and contracts under non-operating revenue increased by 735% compared to FY2020. This is due to receipt of COVID-19 grants from the Federal government.



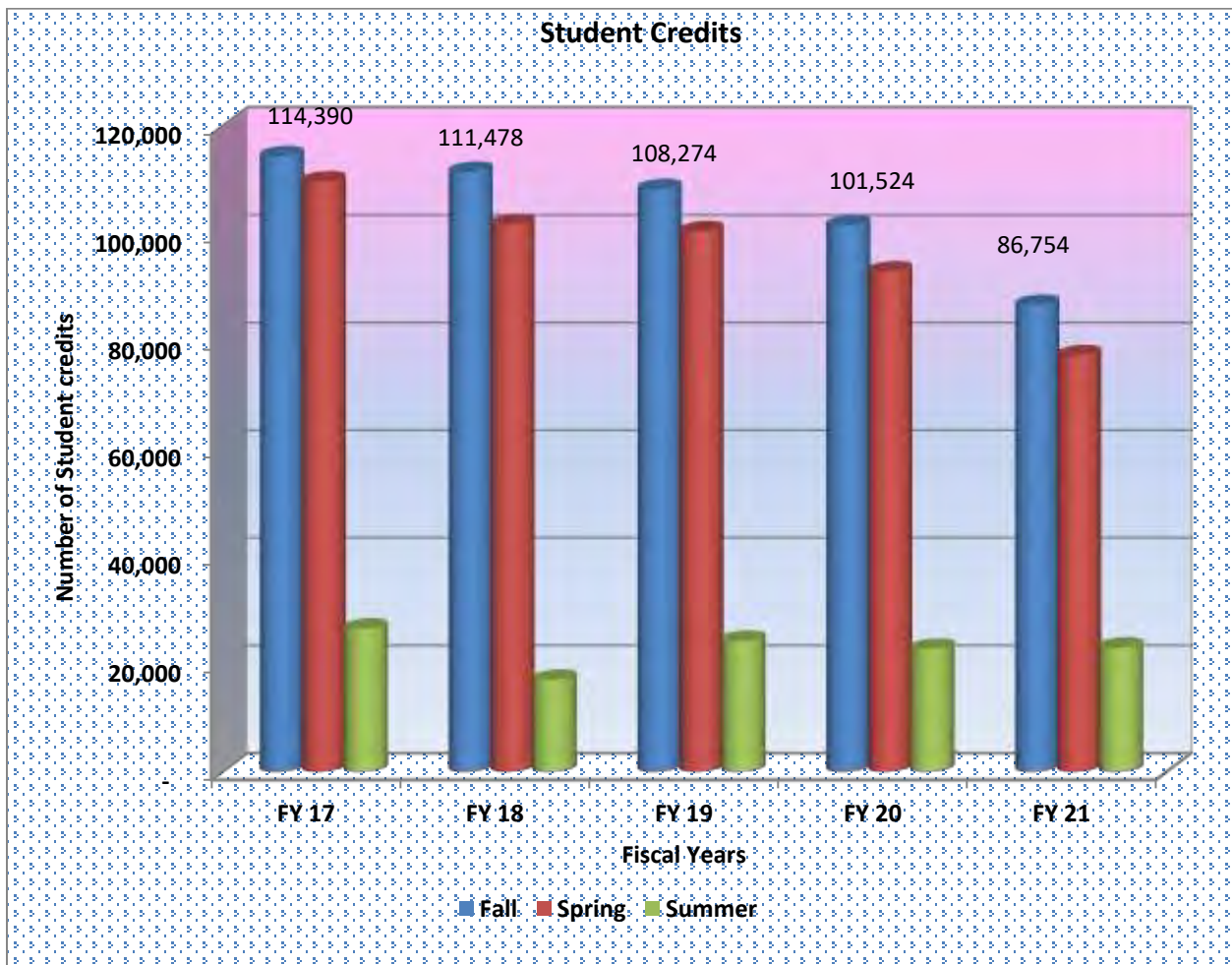
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



Although the student enrollment has declined in FY2021 and 2020, the College maintains its position as the largest of the fifteen Community Colleges in the Commonwealth of Massachusetts.

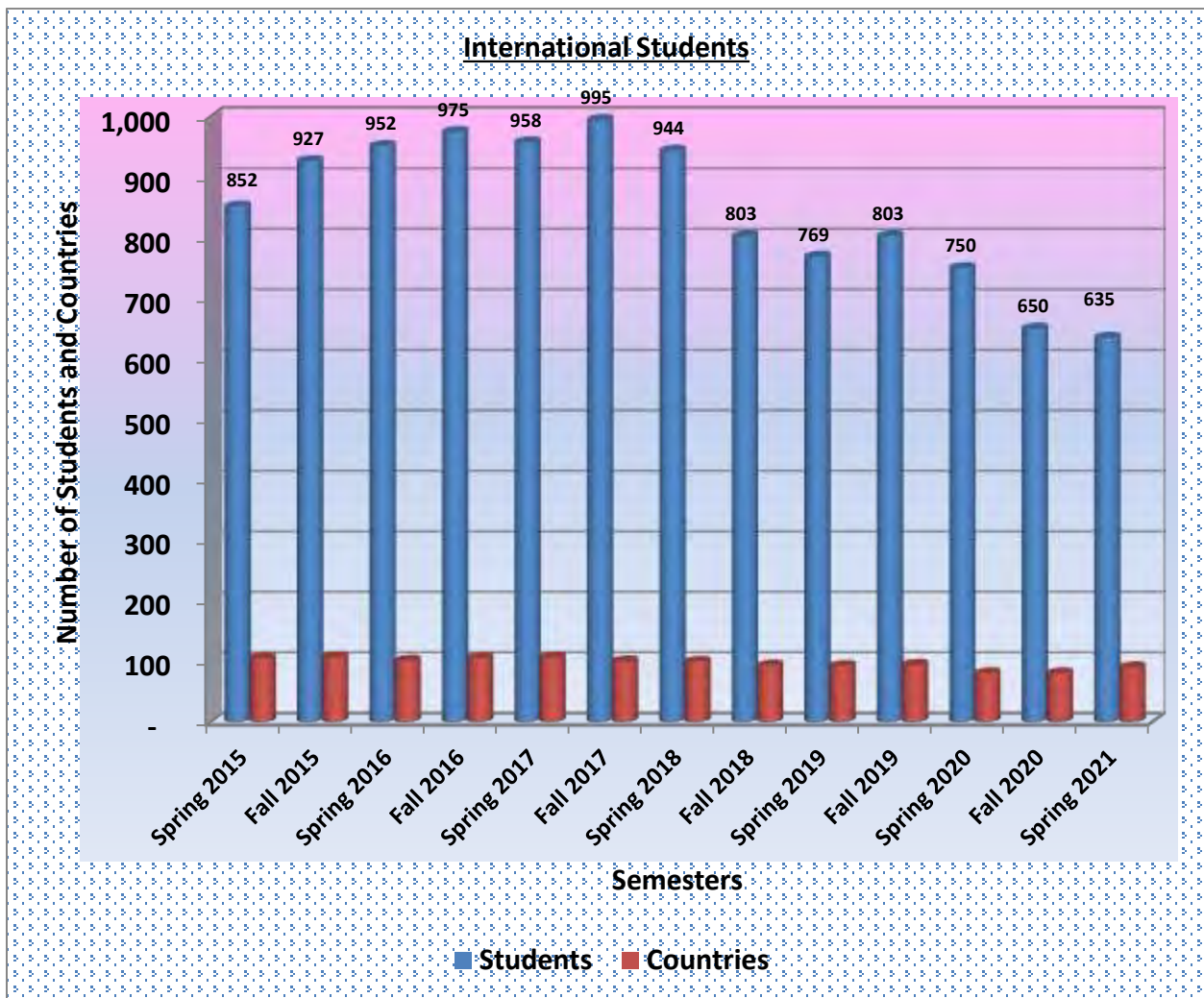
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



There was a 15% decline in the international student enrollments between Spring 2020 and Spring 2021 and 17% decline between Spring 2019 and Spring 2021.

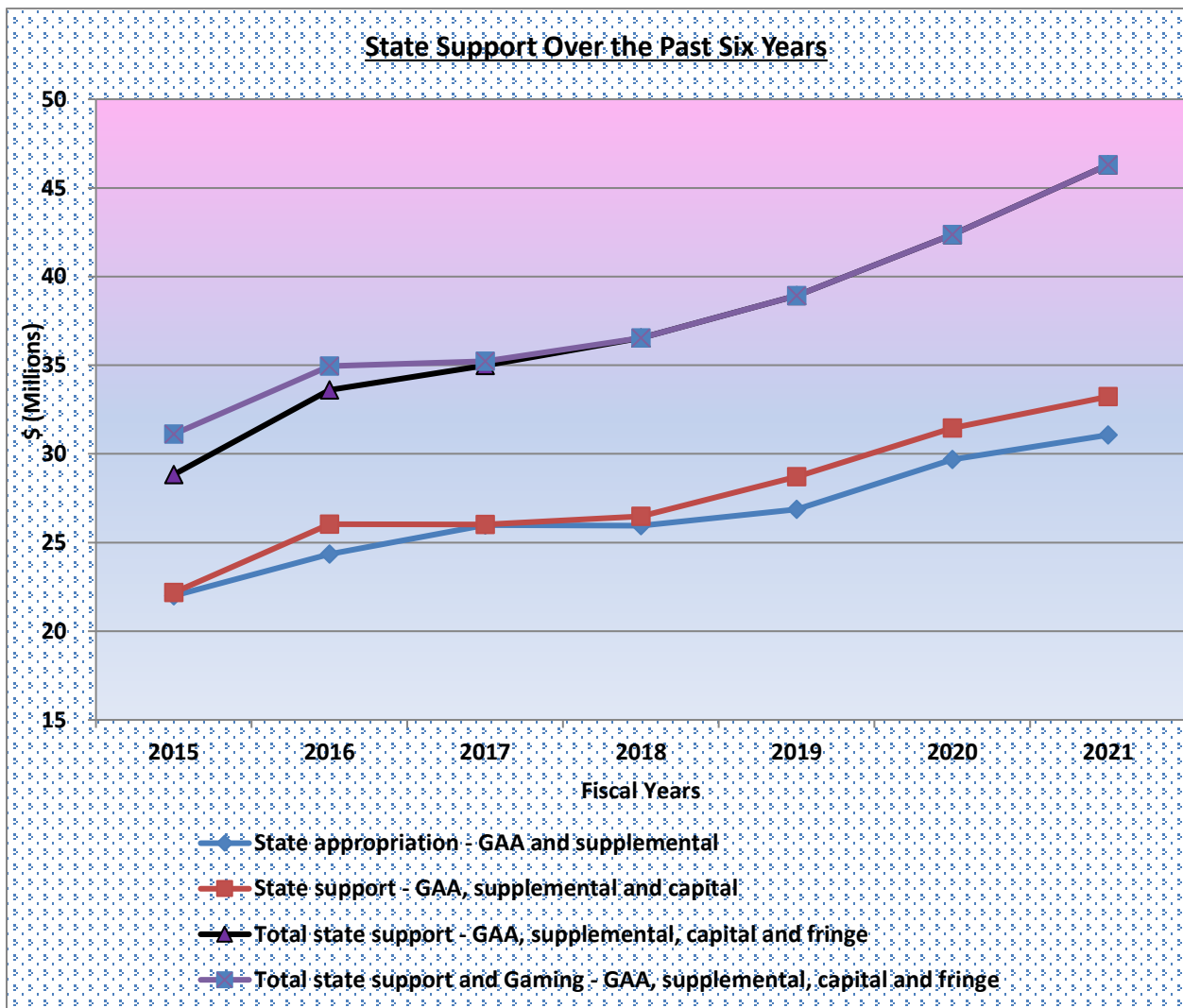
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



The seven-year trend analysis shows that for the year ended June 30, 2021, there has been an increase in general and supplemental state appropriation. The analysis also shows that there has been an increase in capital appropriation.



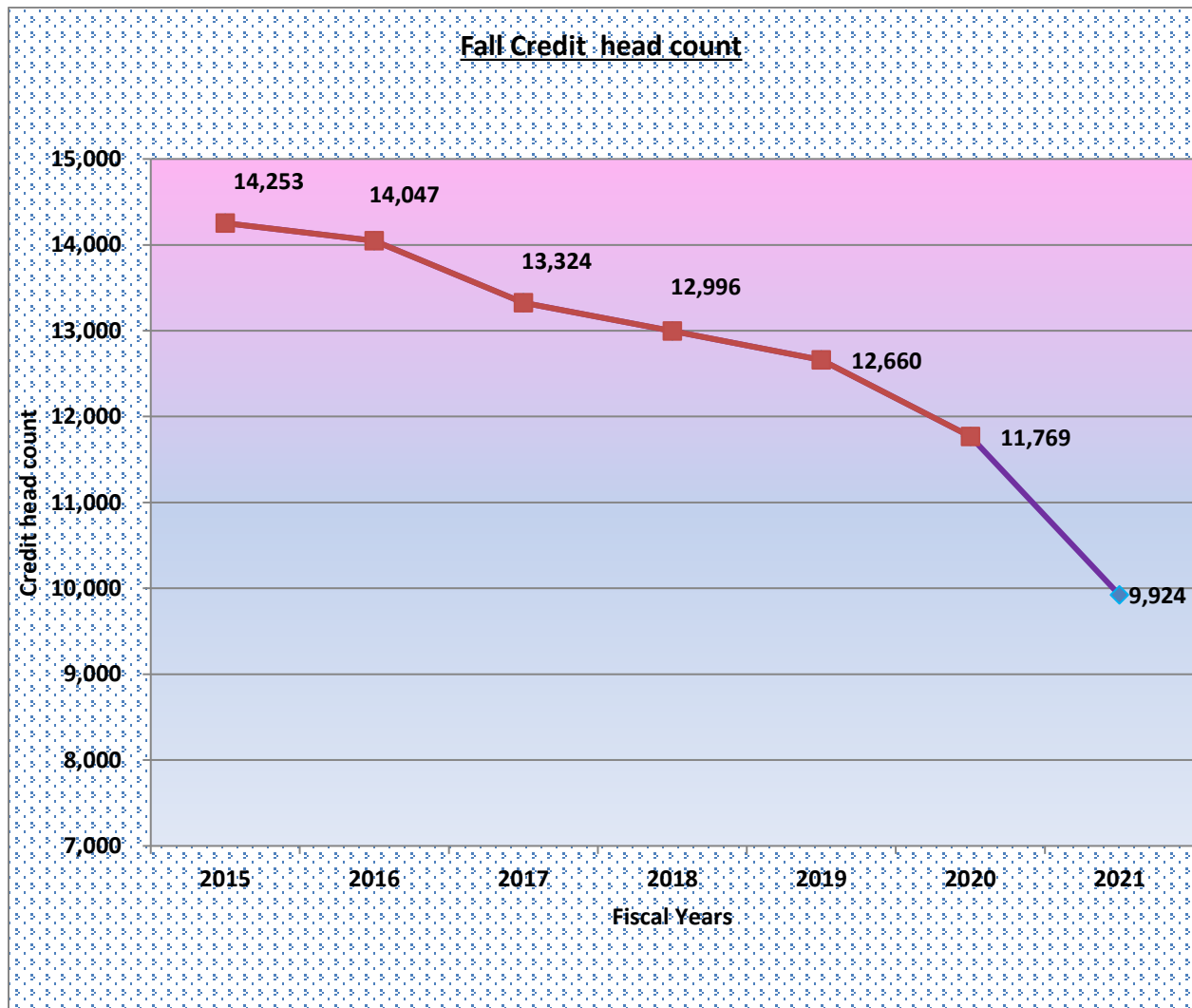
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



The College's head count has increased consistently over the years to over 14,000 students in Fall 2015 and 2016 semesters and declined gradually to slightly below 12,000 students by Fall 2019 and 2020. The head count fell further by 15.7% to nearly 10,000 in Fall 2021 as in person teaching at the College was minimum a result of COVID-19 pandemic.

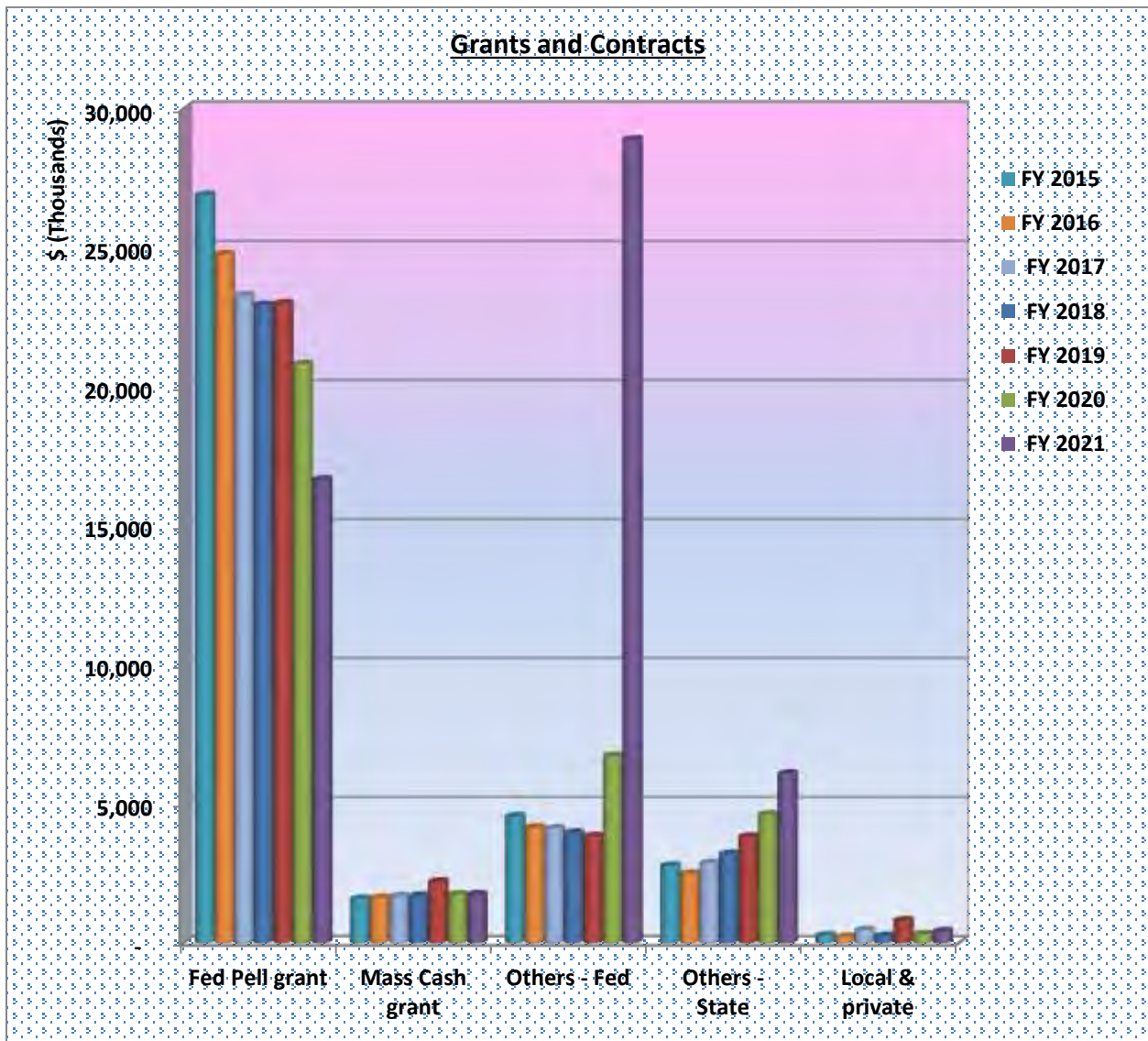
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



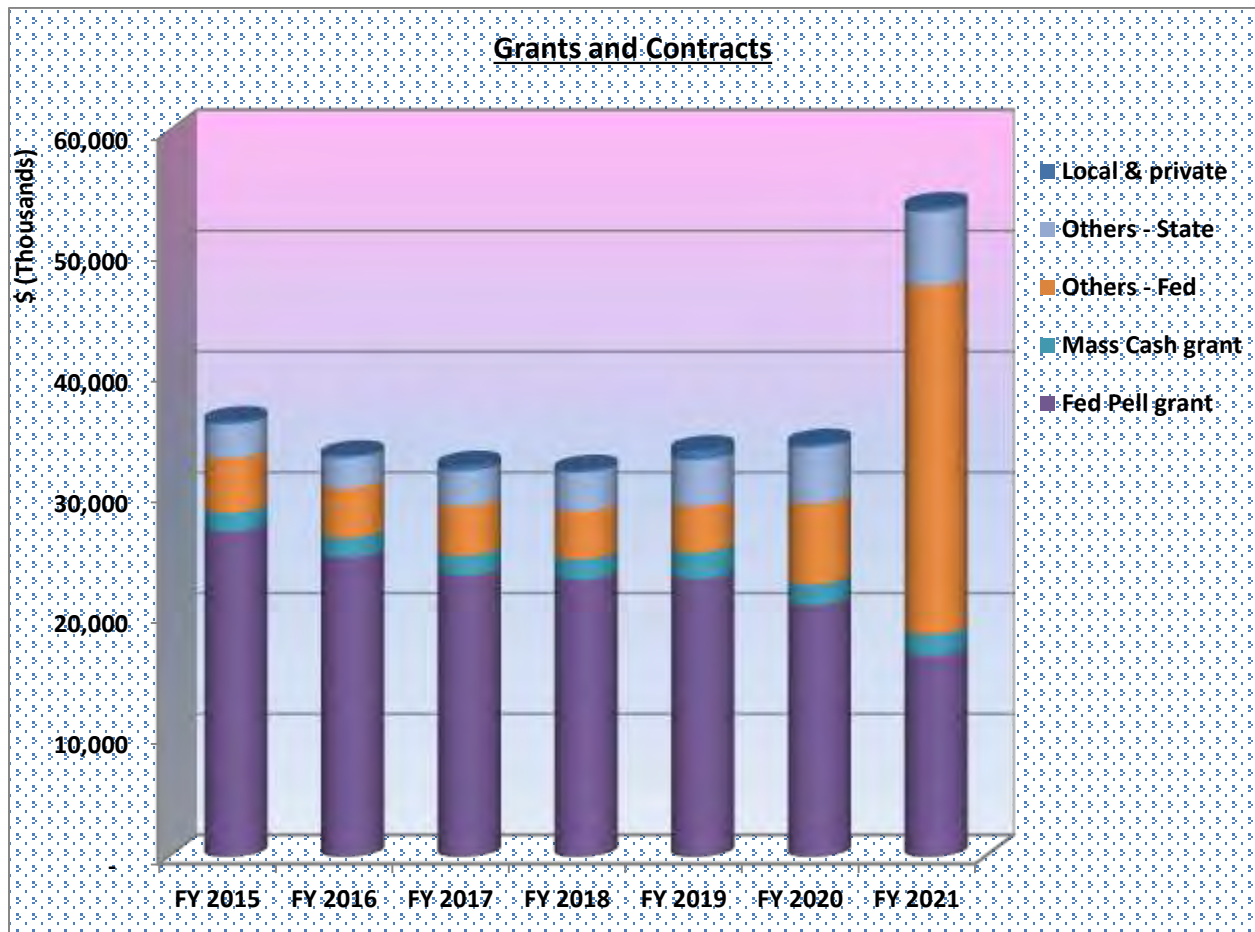
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



# **BUNKER HILL COMMUNITY COLLEGE**

## **Management Discussion and Analysis - Continued**

**June 30, 2021 and 2020**

**(Unaudited)**

### **Financial Analysis - Continued**

Major grants and contracts received by the College for 2021 included the following:

- Federal Grants in the amount of \$25,544,522 received from CARE’s Act funding for student financial aid and other institutional expenses and \$1,076,250 received from Governor’s Emergency Education Relief Fund. This is an increase of \$23,430,933 from 2020.
- PELL grant from US Department of Education in the amount of \$16,660,235 for student financial aid. This is a decrease of \$4,163,960 (20%) from 2020 and a decrease of \$6,340,480 (27.5%) from 2019.
- SEOG grant from US Department of Education in the amount of \$881,300 for student financial aid. This is an increase of \$278,065 from 2020 and an increase of \$227,781 from 2019.
- The College did not receive any Nursing grant from US Department of Health and Human Services in the year 2021. An amount of \$300,000 was received in the year 2020 and 2019.
- MASS CASH grant from Massachusetts Board of Higher Education in the amount of \$1,746,704 for student financial aid. This is an increase of \$10,429 from 2020 and a decrease of \$452,359 from 2019.
- MASS grant from Massachusetts Board of Higher Education in the amount of \$956,000 for student financial aid. This is an increase of \$29,938 from 2020 and a decrease of \$300,961 from 2019.
- TRIO grant from U.S. Department of Education of \$568,952. This is an increase of \$19,028 from 2020 and a decrease of \$24,760 from 2019.
- Grants and contracts from other sources in the amount of \$2,672,785 for specific purposes. This is a decrease of \$858,379 from 2020 and a decrease of \$542,368 from 2019. Grants were received for following specific purposes:
  - Department of Higher Education grants received for Adult Basic Education of \$853,935, Perkins Vocational grant of \$579,701, Dual Enrollment grant of \$25,000, STEM Starter Academy \$281,540, NOVA Initiative Program – 35 for \$567 and Local AH grant \$394,501 .
  - Private grant of \$537,542 received from Smith Family Foundation

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

- Auxiliary enterprises (Workforce development contracts) revenue increased by 76% or \$334,000 in FY2021. This is mainly due to signing of a new contract with City of Somerville for \$250,000

Tuition and fees received by the College included the following:

	Year Ended June 30		Between 2021 and 2020	
	2021	2020	Change	Change percentage
Tuition	\$ 8,288,556	\$ 10,488,787	\$ (2,200,231)	(21)%
Student fees	35,913,534	40,401,465	(4,487,931)	(11)%
Waivers	(1,071,509)	(1,353,977)	282,468	(21)%
Tuition and fees, net	\$ 43,130,581	\$ 49,536,275	\$ (6,405,694)	(13)%

	Year Ended June 30		Between 2020 and 2019	
	2020	2019	Change	Change percentage
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	\$ 49,536,275	\$ 49,460,413	\$ 75,862	—%

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

#### Comparison of Expenses by Function

	Year Ended June 30		Between 2021 and 2020	
	2021	2020	Change	Change percentage
Instruction	\$ 37,212,511	\$ 39,431,530	\$ (2,219,019)	(6)%
Academic support	13,039,922	13,641,798	(601,876)	(4)%
Student services	16,403,623	16,691,186	(287,563)	(2)%
Scholarships and fellowships	12,197,183	12,132,385	64,798	1%
Operation and maintenance of plant	7,470,428	8,514,868	(1,044,440)	(12)%
Institutional support and other	16,390,310	14,502,744	1,887,566	13%
Depreciation and amortization	4,228,658	4,357,026	(128,368)	(3)%
	<u>\$ 106,942,635</u>	<u>\$ 109,271,537</u>	<u>\$ (2,328,902)</u>	<u>(2)%</u>

	Year Ended June 30		Between 2020 and 2019	
	2020	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>

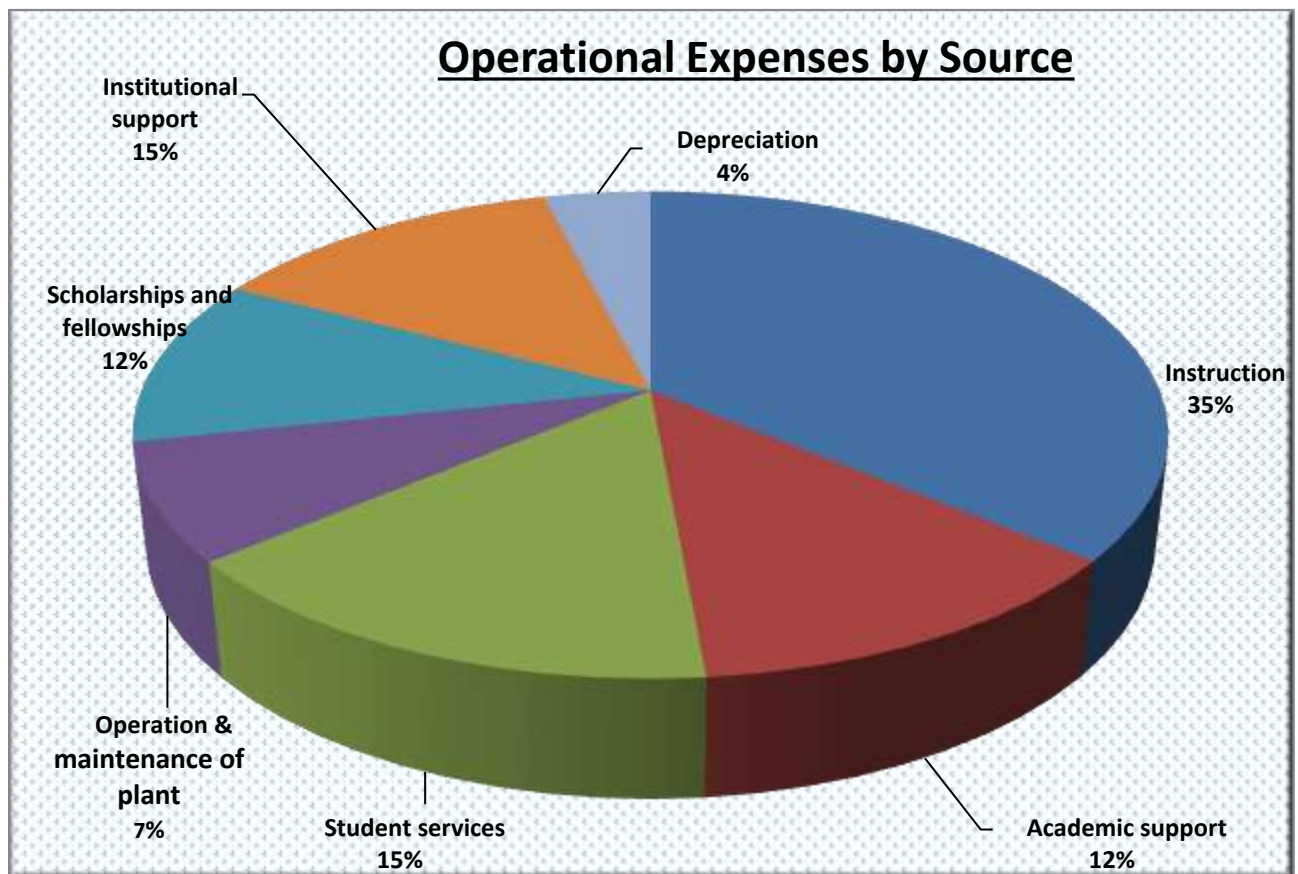
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



Highlights of operating expense activity:

- Of the total operating expenses in FY2021 of \$106,942,635, 74% relates to instruction, academic support, student services, and scholarship and fellowships. Of the total operating expenses in FY2020 of \$109,271,537, 75% relates to instruction, academic support, student services, and scholarship and fellowships.

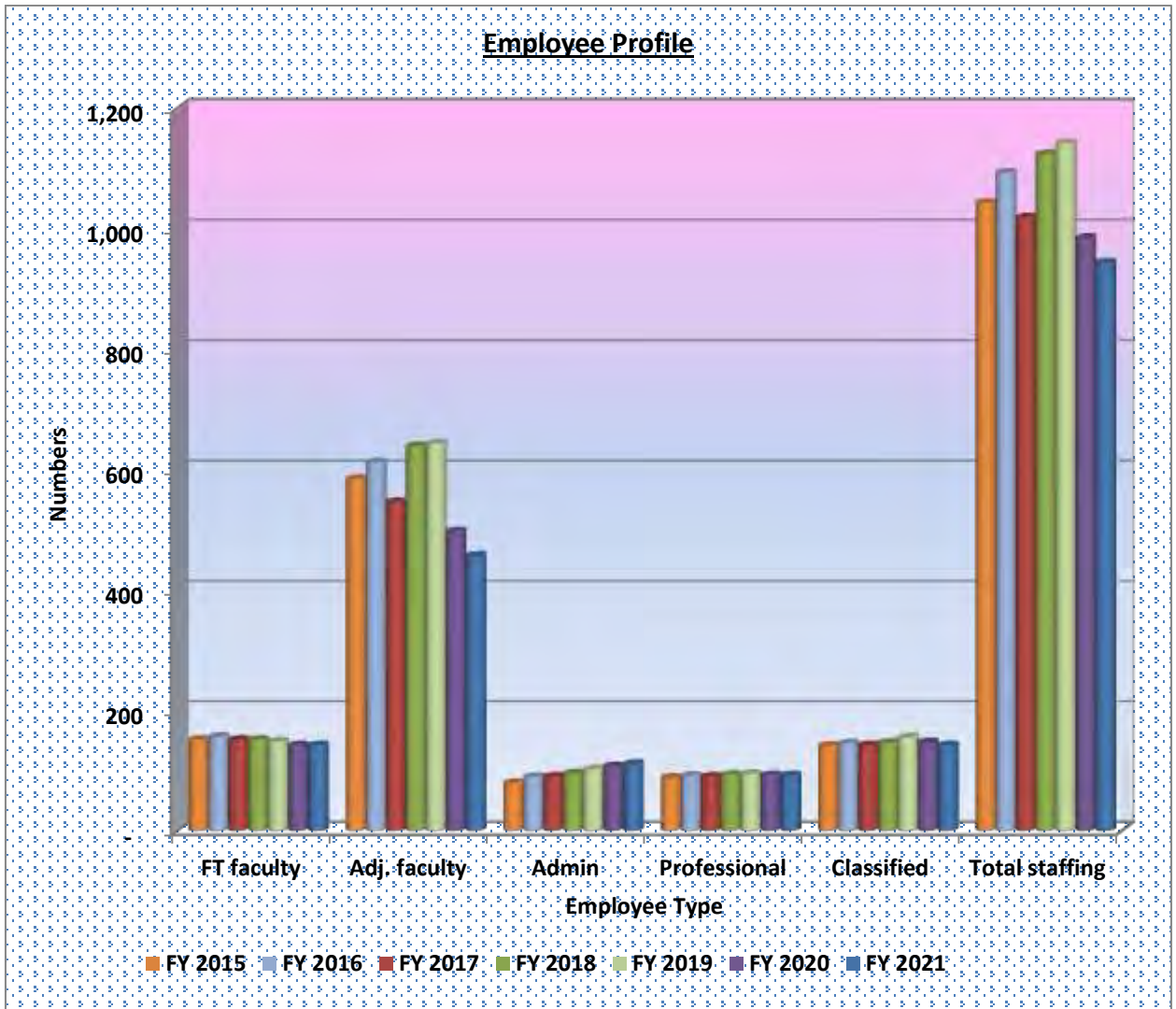
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued





# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(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 2021 and 2020	
	2021	2020	Change	Change percentage
Tuition and fees	\$ 43,130,581	\$ 49,536,275	\$ (6,405,694)	(13)%
Less scholarship allowances	(18,993,897)	(18,092,681)	(901,216)	5%
Net tuition and fees	24,136,684	31,443,594	(7,306,910)	-23%
Grants and contracts	27,177,238	31,011,859	(3,834,621)	(12)%
Other revenue	2,013,644	2,008,504	5,140	—%
Operating expenses	(106,942,635)	(109,271,537)	2,328,902	(5)%
Operating loss	\$ (53,615,069)	\$ (44,807,580)	\$ (1,500,579)	3%

	Year Ended June 30		Between 2020 and 2019	
	2020	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)	(31)%
Operating expenses	(109,271,537)	(108,458,572)	(812,965)	1%
Operating loss	\$ (44,807,580)	\$ (42,033,363)	\$ (2,774,217)	7%

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(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 2021 and 2020	
	2021	2020	Change	Change percentage
Operating loss	\$ (53,615,069)	\$ (44,807,580)	\$ (8,807,489)	20%
Nonoperating:				
Total state support	46,297,959	42,373,190	3,924,769	9%
Federal Grants	26,620,772	3,189,839	23,430,933	735%
Net other nonoperating	6,997,935	2,024,732	4,973,203	246%
Increase (decrease) in net position	\$ 26,301,597	\$ 2,780,181	\$ 23,521,416	846%

	Year Ended June 30		Between 2020 and 2019	
	2020	2019	Change	Change percentage
Operating loss	\$ (44,807,580)	\$ (42,033,363)	\$ (2,774,217)	7%
Nonoperating:				
Total state support	42,373,190	38,295,359	4,077,831	11%
Federal Grants	3,189,839	-	3,189,839	100%
Net other nonoperating	2,024,732	2,427,779	(403,047)	(17)%
Increase (decrease) in net position	\$ 2,780,181	\$ (1,310,225)	\$ 4,090,406	(312)%

# BUNKER HILL COMMUNITY COLLEGE

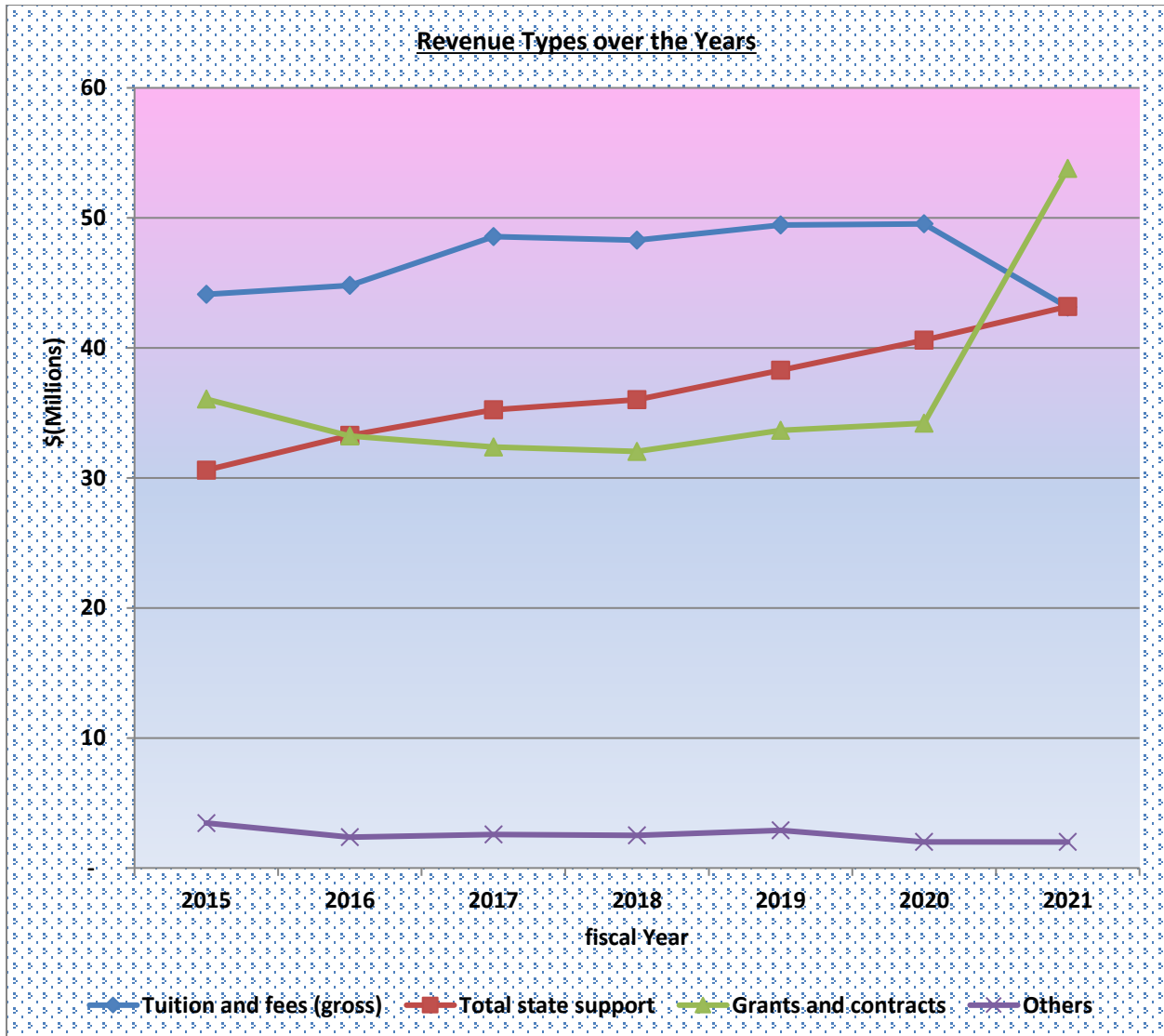
## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued

Grants and contracts for FY2021 was the largest single source of revenue at \$53,798,010 or 38% of the total revenue. This is due to receipt of CARES act funds. State appropriation amounted to \$43,183,791 or 30% and gross tuition and fees amounted to \$43,130,581 or 30%.



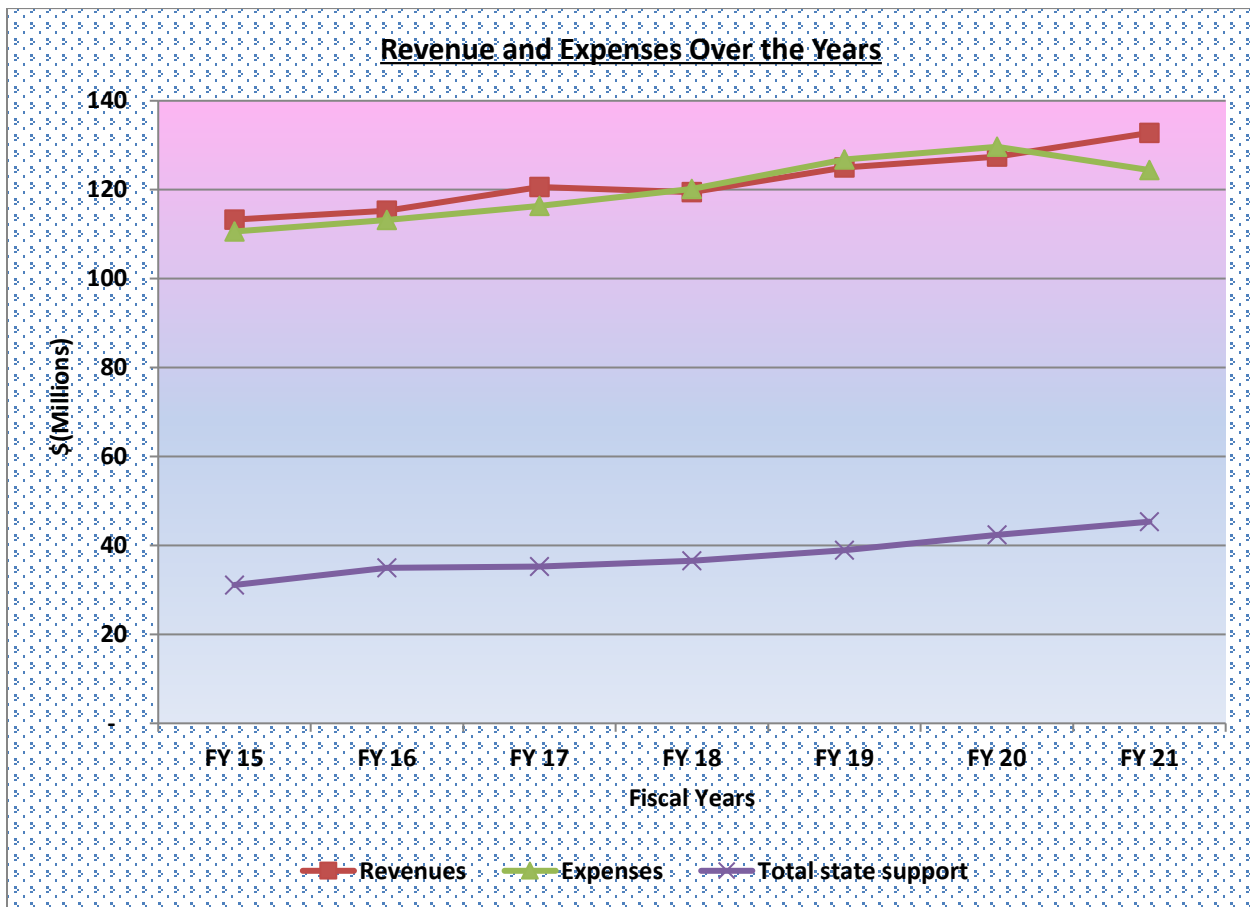
# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Financial Analysis - Continued



The seven-year trend analysis shows that from FY2015 to FY2017 revenue (excluding scholarship allowances) has gradually exceeded and it broke even in FY2018. 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. Therefore the increase in revenue shown in the graph is only a short term increase.

# BUNKER HILL COMMUNITY COLLEGE

## Management Discussion and Analysis - Continued

June 30, 2021 and 2020

(Unaudited)

### Capital Assets of the College

The College's capital assets as of June 30, 2021 amounted to \$47.3 million, net of accumulated depreciation. The capital assets include land, buildings and improvements, furnishings, and equipment. Capital assets net of depreciation increased marginally from \$44.5 million in FY2020 to \$47.3 million in FY2021. The Board of Trustees approves capital asset purchases. Additional information about the College's capital assets can be found in note 5.

### 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 \$52,902 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, 2021	\$ 1,203,670

# **BUNKER HILL COMMUNITY COLLEGE**

## **Management Discussion and Analysis - Continued**

**June 30, 2021 and 2020**

**(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, 2021 is as follows:

Date of note	November 29, 2011
Original amount of note	\$3,330,488
Unpaid principal balance	\$2,146,870
Maturity date	January 01, 2032
Interest rate	4.00%
Date to which interest has been paid	January 01, 2021

During FY2018, the College leased data storage equipment which was funded by De Lage Landen Public Finance LLC under a five-year agreement. During FY2021, the College leased equipment which was funded by Key Government Finance to upgrade the College's computer network infrastructure under a five-year agreement. The capital lease obligations under these agreements as of June 30, 2021 are \$1,070,732.

### **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 17.7% in June 2020 to 4.9% in June 2021, according to the United States Department of Labor, Bureau of Labor Statistics. The seasonally adjusted unemployment rate on a national level decreased from 11.1% in June 2020 to 5.9% in June 2021. 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, particularly because of the existence of the unprecedented COVID-19 pandemic.

# **BUNKER HILL COMMUNITY COLLEGE**

## **Management Discussion and Analysis - Continued**

**June 30, 2021 and 2020**

**(Unaudited)**

### **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**

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2021 College</u>	<u>2020 College</u>	<u>2021 Foundation</u>	<u>2020 Foundation</u>
<b>Current Assets:</b>				
Cash and equivalents	\$ 6,391,100	\$ 1,354,819	\$ 893,245	\$ 573,016
Deposits held by State Treasurer	3,603,682	2,972,880	-	-
Cash held by State Treasurer	269,651	1,099,743	-	-
Restricted cash	-	-	359,227	1,483,607
Short-term investments	22,510,778	18,062,062	-	-
Deposits with bond trustee - restricted	52,902	55,602	-	-
Accounts receivable, net	17,033,334	5,504,696	259,810	28,742
Other assets	<u>431,464</u>	<u>353,440</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>50,292,911</u>	<u>29,403,242</u>	<u>1,512,282</u>	<u>2,085,365</u>
<b>Non-Current Assets:</b>				
Long-term investments	17,602,074	8,347,041	8,714,667	6,545,463
Capital assets, net of accumulated depreciation	<u>47,259,278</u>	<u>44,456,147</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Assets</b>	<u>64,861,352</u>	<u>52,803,188</u>	<u>8,714,667</u>	<u>6,545,463</u>
<b>Total Assets</b>	<u>115,154,263</u>	<u>82,206,430</u>	<u>10,226,949</u>	<u>8,630,828</u>
<b>Deferred Outflows of Resources</b>				
Interest rate swap	1,203,670	1,593,006	-	-
Deferred outflows related to pension	7,743,761	4,642,882	-	-
Deferred outflows related to OPEB	<u>8,889,400</u>	<u>9,655,364</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>17,836,831</u>	<u>15,891,252</u>	<u>-</u>	<u>-</u>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <u>\$ 132,991,094</u>	 <u>\$ 98,097,682</u>	 <u>\$ 10,226,949</u>	 <u>\$ 8,630,828</u>

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



**Liabilities, Deferred Inflows of Resources and Net Position**

	<b>Primary Government</b>		<b>Component Unit</b>	
	<b>2021 College</b>	<b>2020 College</b>	<b>2021 Foundation</b>	<b>2020 Foundation</b>
<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 5,605,413	\$ 6,451,226	\$ 2,740	\$ 334,601
Accrued payroll	2,093,814	1,690,098	-	-
Compensated absences and workers' compensation	3,871,643	3,345,273	-	-
Unearned revenues	1,651,945	85,157	-	-
Students' deposits	1,885,055	1,738,910	-	-
Current portion of capital lease obligations	297,184	51,619	-	-
Current portion of bonds payable	290,000	270,000	-	-
Current portion of liability for energy project	<u>159,188</u>	<u>153,066</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>15,854,242</u>	<u>13,785,349</u>	<u>2,740</u>	<u>334,601</u>
<b>Non-Current Liabilities:</b>				
Compensated absences and workers compensation, net of current portion	2,510,229	1,996,126	-	-
Capital lease obligations, net of current portion	773,548	53,741	-	-
Bonds payable, net of current portion	5,052,902	5,345,602	-	-
Liability for energy project, net of current portion	1,987,682	2,146,869	-	-
Liability for derivative instrument, net of current portion	1,203,670	1,593,006	-	-
Pension liability, net	19,461,249	13,083,931	-	-
OPEB liability, net	25,042,067	24,665,436	-	-
<b>Total Non-Current Liabilities</b>	<u>56,031,347</u>	<u>48,884,711</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>71,885,589</u>	<u>62,670,060</u>	<u>2,740</u>	<u>334,601</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension	1,683,358	2,754,273		
Deferred inflows related to OPEB	<u>9,649,742</u>	<u>9,202,541</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>11,333,100</u>	<u>11,956,814</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	38,751,676	36,490,852	-	-
Restricted:				
Expendable	-	-	6,310,978	5,074,907
Non-expendable	-	-	2,341,717	2,146,010
Unrestricted	<u>11,020,729</u>	<u>(13,020,044)</u>	<u>1,571,514</u>	<u>1,075,310</u>
<b>Total Net Position</b>	<u>49,772,405</u>	<u>23,470,808</u>	<u>10,224,209</u>	<u>8,296,227</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 132,991,094</u>	<u>\$ 98,097,682</u>	<u>\$ 10,226,949</u>	<u>\$ 8,630,828</u>

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

**Statements of Revenues and Expenses**

**For the Years Ended June 30,**

	<u>Primary</u> <u>Government</u>		<u>Component</u> <u>Unit</u>	
	<u>2021</u> <u>College</u>	<u>2020</u> <u>College</u>	<u>2021</u> <u>Foundation</u>	<u>2020</u> <u>Foundation</u>
<b>Operating Revenues:</b>				
Tuition and fees	\$ 43,130,581	\$ 49,536,275	\$ -	\$ -
Less: scholarship allowance	<u>(18,993,897)</u>	<u>(18,092,681)</u>	-	-
Net tuition and fees	24,136,684	31,443,594	-	-
Federal, state, local and private grants and contracts	27,177,238	31,011,859	1,870,545	2,000,679
Other auxiliary enterprises	771,386	437,131	-	-
Other sources	<u>1,242,258</u>	<u>1,571,373</u>	<u>288,443</u>	<u>256,560</u>
<b>Total Operating Revenues</b>	<u>53,327,566</u>	<u>64,463,957</u>	<u>2,158,988</u>	<u>2,257,239</u>
<b>Operating Expenses:</b>				
Instruction	37,212,511	39,431,530	-	-
Academic support	13,039,922	13,641,798	-	-
Student services	16,403,623	16,691,186	-	-
Scholarships	12,197,183	12,132,385	523,054	339,106
Operation and maintenance of plant	7,470,428	8,514,868	-	-
Institutional support	16,390,310	14,502,744	-	-
Depreciation and amortization	4,228,658	4,357,026	-	-
Other operating expenses	-	-	<u>494,882</u>	<u>462,328</u>
<b>Total Operating Expenses</b>	<u>106,942,635</u>	<u>109,271,537</u>	<u>1,017,936</u>	<u>801,434</u>
<b>Operating Income (Loss)</b>	<u>(53,615,069)</u>	<u>(44,807,580)</u>	<u>1,141,052</u>	<u>1,455,805</u>
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations	43,183,791	40,591,299	-	-
Federal grants	26,620,772	3,189,839	-	-
Payments between Foundation and College	1,081,614	1,407,941	(1,081,614)	(1,407,941)
Net investment income	6,366,897	1,082,004	1,868,544	166,369
Interest expense	<u>(450,576)</u>	<u>(465,213)</u>	-	-
<b>Net Non-Operating Revenues (Expenses)</b>	<u>76,802,498</u>	<u>45,805,870</u>	<u>786,930</u>	<u>(1,241,572)</u>
<b>Changes in Net Position Before Capital Appropriations</b>	<u>23,187,429</u>	<u>998,290</u>	<u>1,927,982</u>	<u>214,233</u>
Capital appropriations	<u>3,114,168</u>	<u>1,781,891</u>	-	-
<b>Changes in Net Position</b>	<u>26,301,597</u>	<u>2,780,181</u>	<u>1,927,982</u>	<u>214,233</u>
Net Position, Beginning of Year	<u>23,470,808</u>	<u>20,690,627</u>	<u>8,296,227</u>	<u>8,081,994</u>
<b>Net Position, End of Year</b>	<u>\$ 49,772,405</u>	<u>\$ 23,470,808</u>	<u>\$ 10,224,209</u>	<u>\$ 8,296,227</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 Cash Flows**

**For the Years Ended June 30,**

	<u>2021</u> <u>College</u>	2020 <u>College</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 23,897,663	\$ 30,651,648
Grants and contracts	30,321,732	29,758,643
Payments to suppliers	(9,374,439)	(10,159,741)
Payments to students	(12,197,183)	(12,132,385)
Payments to employees	(64,695,762)	(67,812,798)
Other operating revenues	<u>2,744,746</u>	<u>1,459,255</u>
Net Cash Applied to Operating Activities	<u>(29,303,243)</u>	<u>(28,235,378)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	31,065,026	29,675,870
Federal grants	13,156,336	3,189,839
Contributions from Foundation	<u>1,081,614</u>	<u>1,407,941</u>
Net Cash Provided by Non-Capital Financing Activities	<u>45,302,976</u>	<u>34,273,650</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Purchases of capital assets	(2,633,881)	(2,966,147)
Principal payments on capital debt	(744,133)	(698,900)
Interest paid on capital debt	<u>(450,576)</u>	<u>(465,213)</u>
Net Cash Applied to Capital Financing Activities	<u>(3,828,590)</u>	<u>(4,130,260)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of investments	11,421,009	10,138,169
Interest and dividends on investments, net	987	21,754
Purchases of investments	<u>(18,758,848)</u>	<u>(10,735,802)</u>
Net Cash (Applied to) by Investing Activities	<u>(7,336,852)</u>	<u>(575,879)</u>
<b>Net Increase in Cash and Equivalents</b>	<b>4,834,291</b>	<b>1,332,133</b>
Cash and Equivalents, Beginning of Year	<u>5,483,044</u>	<u>4,150,911</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ <u>10,317,335</u></b>	<b>\$ <u>5,483,044</u></b>

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

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<b>2021</b>	<b>2020</b>
	<b><u>College</u></b>	<b><u>College</u></b>
<b>Reconciliation of Net Operating Loss to</b>		
<b>Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (53,615,069)	\$ (44,807,580)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	4,228,658	4,357,026
Bad debts	91,578	144,104
Fringe benefits paid by state	12,118,765	10,915,429
Changes in assets and liabilities:		
Accounts receivable	1,844,220	(2,311,088)
Other current assets	(78,024)	111,229
Accounts payable and accrued expenses	(845,813)	1,313,383
Accrued salaries and wages	403,716	983
Accrued compensated absences and workers' compensation	1,040,473	106,244
Unearned revenues	1,566,788	(124,187)
Students' deposits	146,145	(303,240)
Net pension activity	2,205,524	594,157
Net OPEB activity	<u>1,589,796</u>	<u>1,768,162</u>
<b>Net Cash Applied to Operating Activities</b>	<b><u>\$ (29,303,243)</u></b>	<b><u>\$ (30,597,697)</u></b>
<b>Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:</b>		
Cash and equivalents	\$ 6,391,100	\$ 1,354,819
Deposits held by State Treasurer	3,603,682	2,972,880
Cash held by State Treasurer	269,651	1,099,743
Deposits with bond trustee - restricted	<u>52,902</u>	<u>55,602</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 10,317,335</u></b>	<b><u>\$ 5,483,044</u></b>
<b>Non-Cash Transactions:</b>		
Fringe benefits provided by the state	<u>\$ 12,118,765</u>	<u>\$ 10,915,429</u>
Capital assets acquired through state appropriation	<u>\$ 3,114,168</u>	<u>\$ 1,781,891</u>
Capital assets acquired through capital leases	<u>\$ 1,283,740</u>	<u>\$ -</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

	<b>2021</b>	2020
	<b><u>Custodial Funds</u></b>	<u>Custodial Funds</u>
<b>Assets:</b>		
Cash and equivalents	\$ 1,618,233	\$ 507,710
Accounts receivable	<u>436,258</u>	<u>457,544</u>
<b>Total Assets</b>	<b><u>\$ 2,054,491</u></b>	<b><u>\$ 965,254</u></b>

#### Liabilities and Fiduciary Net Position

<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 663,615	\$ 209,562
Compensated absences and workers' compensation	<u>241,723</u>	<u>267,296</u>
<b>Total Liabilities</b>	<b><u>905,338</u></b>	<b><u>476,858</u></b>
<b>Fiduciary Net Position:</b>		
Restricted for other governmental agencies	<u>1,149,153</u>	<u>488,396</u>
<b>Total Liabilities and Fiduciary Net Position</b>	<b><u>\$ 2,054,491</u></b>	<b><u>\$ 965,254</u></b>

*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,**

	<b>2021</b>	<b>2020</b>
	<b><u>Custodial Funds</u></b>	<b><u>Custodial Funds</u></b>
<b>Additions:</b>		
Professional services	\$ 2,409,378	\$ 2,434,362
Federal, state, local and private grants and contracts	1,243,302	928,639
Other sources	<u>35,737</u>	<u>69,351</u>
<b>Total Additions</b>	<b><u>3,688,417</u></b>	<b><u>3,432,352</u></b>
<b>Deductions:</b>		
Compensation and benefits	1,769,755	2,197,927
Administration, supplies and services	<u>1,257,905</u>	<u>1,546,382</u>
<b>Total Deductions</b>	<b><u>3,027,660</u></b>	<b><u>3,744,309</u></b>
<b>Net increase (decrease) in fiduciary net position</b>	<b><u>660,757</u></b>	<b><u>(311,957)</u></b>
Fiduciary Net Position, Beginning of Year	<u>488,396</u>	<u>800,353</u>
<b>Fiduciary Net Position, End of Year</b>	<b><u>\$ 1,149,153</u></b>	<b><u>\$ 488,396</u></b>

*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, 2021 and 2020**

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*

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College’s operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College 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. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 12, 2022, while the SIP funding must be spent by August 2, 2022.

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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*COVID-19 - continued*

The College has been awarded the following HEERF and SIP funds as of June 30, 2021:

	Student Aid Award	Institutional Award	Strengthening Institution Program	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
<b>Total</b>	<b>\$ 24,233,965</b>	<b>\$ 33,528,441</b>	<b>\$ 3,332,715</b>	<b>\$ 61,095,121</b>

The College has recognized the following as non-operating Federal grants for the years ended June 30, 2021 and 2020:

**For the Year Ended June 30, 2021**

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
<b>CARES</b>	<b>\$ 965,315</b>	<b>\$ 4,155,153</b>	<b>\$ 557,328</b>	<b>\$ 5,677,796</b>
<b>CRRSAA</b>	<b>4,155,154</b>	<b>12,421,793</b>	<b>1,026,244</b>	<b>17,603,191</b>
<b>ARPA</b>	<b>2,263,535</b>	<b>-</b>	<b>-</b>	<b>2,263,535</b>
<b>Total</b>	<b>\$ 7,384,004</b>	<b>\$ 16,576,946</b>	<b>\$ 1,583,572</b>	<b>\$ 25,544,522</b>

**For the Year Ended June 30, 2020**

	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	\$ 3,189,839	\$ -	\$ -	\$ 3,189,839
CRRSAA	-	-	-	-
ARPA	-	-	-	-
<b>Total</b>	<b>\$ 3,189,839</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,189,839</b>



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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*COVID-19 - continued*

As of June 30, 2021 and 2020 the College received \$1,076,250 and \$0 as a non-operating Federal grant of Governor's Emergency Education Relief Fund ("GEERF") as a pass through from the State of Massachusetts.

*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. 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, 2021 and 2020 and is therefore discretely presented in the College's financial statements.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*Basis of Presentation - continued*

During the years ended June 30, 2021 and 2020, the Foundation distributed \$1,081,614 and \$1,407,941, 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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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, 2021 and 2020.

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, 2021 and 2020**

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, 2021 and 2020. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2021 and 2020. 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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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 the accrual basis of accounting.

*New Governmental Accounting Pronouncements*

GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. 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 has not yet determined its impact on the financial statements.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*New Governmental Accounting Pronouncements - continued*

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.

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.

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.

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.

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.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*New Governmental Accounting Pronouncements - continued*

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 these statements and its applicability.



**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investments**

*Overall Deposits and Investments Descriptions*

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

<u>Investment type</u>	<u>2021</u>	<u>2020</u>
Cash in bank	\$ 6,391,100	\$ 1,354,819
Proprietary money market funds - restricted	<u>52,902</u>	<u>55,602</u>
Total Deposits - College	<u>6,444,002</u>	<u>1,410,421</u>
Cash in bank - fiduciary funds	<u>1,618,233</u>	<u>507,710</u>
Total Deposits - Fiduciary	<u>1,618,233</u>	<u>507,710</u>
Money market funds	370,650	553,080
Corporate bonds	11,520,921	6,723,327
Mutual Funds	4,687,811	30,000
Federal agencies	2,836,452	2,233,894
Equity securities	<u>20,697,018</u>	<u>16,868,802</u>
Total Investments	<u>40,112,852</u>	<u>26,409,103</u>
Total Deposits and Investments	<u>\$ 48,175,087</u>	<u>\$ 28,327,234</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.

*Restricted Cash - Foundation*

During the year ended June 30, 2018, the Foundation received a three-year \$2.4 million grant from the Richard and Susan Smith Family Foundation on behalf of the College to be used to fund the College's Early College Program. The Foundation is the fiscal agent of the grant funds and as the College incurs costs related to this program, funds will be released by the Foundation. At June 30, 2021 and 2020, the Foundation had \$359,227 and \$1,483,607, respectively, in restricted cash related to this grant.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investments - Continued**

*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, 2021 and 2020, were \$8,200,745 and \$2,691,569, respectively. Of these balances, \$7,246,505 and \$2,017,595 were exposed to custodial credit risk as uninsured and uncollateralized as of June 30, 2021 and 2020, respectively.

*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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **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.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investments - Continued**

*Fair Value Hierarchy - continued*

The following tables set forth, by level, the College's investments:

	June 30, 2021				
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Federal agencies	\$ -	\$ 2,836,452	\$ -	\$ -	\$ 2,836,452
Corporate bonds	-	-	11,520,921	-	11,520,921
Money market funds	370,650	-	-	-	370,650
Mutual funds	-	4,687,811	-	-	4,687,811
Equity securities	-	20,697,018	-	-	20,697,018
<b>Total marketable securities at fair value</b>	<b>\$ 370,650</b>	<b>\$28,221,281</b>	<b>\$ 11,520,921</b>	<b>\$ -</b>	<b>\$40,112,852</b>
	June 30, 2020				
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Federal agencies	\$ -	\$ 2,233,894	\$ -	\$ -	\$ 2,233,894
Corporate bonds	-	-	6,723,327	-	6,723,327
Money market funds	553,080	-	-	-	553,080
Mutual funds	-	30,000	-	-	30,000
Equity securities	-	16,868,802	-	-	16,868,802
<b>Total marketable securities at fair value</b>	<b>\$ 553,080</b>	<b>\$19,132,696</b>	<b>\$ 6,723,327</b>	<b>\$ -</b>	<b>\$26,409,103</b>

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investment - Continued**

*Interest Rate Risk*

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

Investment type	Fair value	2021 Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
<b>Debt securities:</b>					
Federal agencies	\$ 2,836,452	\$ 718,029	\$2,118,423	\$ -	\$ -
Corporate bonds	11,520,921	-	4,094,053	6,240,265	1,186,603
	14,357,373	\$ 718,029	\$6,212,476	\$6,240,265	\$ 1,186,603
Cash in bank	6,391,100				
Cash in bank - fiduciary funds	1,618,233				
Money market funds	370,650				
Proprietary money market funds	52,902				
Mutual funds	4,687,811				
Equity securities	20,697,018				
	<u>\$ 48,175,087</u>				
		2020 Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
<b>Debt securities:</b>					
Federal agencies	\$ 2,233,894	\$ 303,867	\$1,911,118	\$ 18,909	\$ -
Corporate bonds	6,723,327	306,313	3,104,625	3,312,389	-
	8,957,221	\$ 610,180	\$5,015,743	\$3,331,298	\$ -
Cash in bank	1,354,819				
Cash in bank - fiduciary funds	507,710				
Money market funds	553,080				
Proprietary money market funds	55,602				
Mutual funds	30,000				
Equity securities	16,868,802				
	<u>\$ 28,327,234</u>				

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investment - Continued**

*Disclosure of Credit Risk of Debt Securities*

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

<u>Rated debt investments</u>	<u>Fair value</u>	2021 Quality ratings			
		<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>
Federal agencies	\$ 2,836,452	\$ 2,836,452	\$ -	\$ -	\$ -
Corporate bonds	<u>11,520,921</u>	<u>-</u>	<u>1,327,603</u>	<u>3,285,032</u>	<u>2,686,172</u>
Total	<u>\$ 14,357,373</u>	<u>\$ 2,836,452</u>	<u>\$ 1,327,603</u>	<u>\$ 3,285,032</u>	<u>\$ 2,686,172</u>

<u>Rated debt investments</u>	Quality ratings			
	<u>Aa1</u>	<u>Aa2</u>	<u>Aa3</u>	<u>Baa1,2,3</u>
Federal agencies	\$ -	\$ -	\$ -	\$ -
Corporate bonds	<u>269,959</u>	<u>578,376</u>	<u>528,946</u>	<u>2,844,833</u>
Total	<u>\$ 269,959</u>	<u>\$ 578,376</u>	<u>\$ 528,946</u>	<u>\$ 2,844,833</u>

<u>Rated debt investments</u>	<u>Fair value</u>	2020 Quality ratings				
		<u>Aaa</u>	<u>A</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>
Federal agencies	\$ 2,233,894	\$ 2,233,894	\$ -	\$ -	\$ -	
Corporate bonds	<u>6,723,327</u>	<u>-</u>	<u>2,753,024</u>	<u>1,248,331</u>	<u>337,742</u>	<u>772,071</u>
Total	<u>\$ 8,957,221</u>	<u>\$ 2,233,894</u>	<u>\$ 2,753,024</u>	<u>\$ 1,248,331</u>	<u>\$ 337,742</u>	<u>\$ 772,071</u>

<u>Rated debt investments</u>	Quality ratings			
	<u>Aa</u>	<u>Aa1</u>	<u>Aa3</u>	<u>Baa1,2,3</u>
Federal agencies	\$ -	\$ -	\$ -	\$ -
Corporate bonds	<u>789,651</u>	<u>47,787</u>	<u>-</u>	<u>774,721</u>
Total	<u>\$ 789,651</u>	<u>\$ 47,787</u>	<u>\$ -</u>	<u>\$ 774,721</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 2 - **Cash and Investment – Continued**

*Investments of the Foundation*

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

	2021	2020
Corporate equities	\$ 4,603,461	\$ 3,372,244
Mutual funds	1,514,845	989,536
Corporate and other bonds	2,596,361	2,183,683
	\$ 8,714,667	\$ 6,545,463

Note 3 - **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, 2021 and 2020 through Massachusetts Management Accounting Reporting System (“MMARS”) were recorded in the sum of \$3,603,682 and \$2,972,880, respectively.

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$269,651 and \$1,099,743 at June 30, 2021 and 2020, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 1,555,867	\$ 1,155,034
Grants receivable	14,056,982	2,066,513
Financial aid receivable	961,275	1,732,730
Other receivables	<u>790,397</u>	<u>790,028</u>
	17,364,521	5,744,305
Less: allowance for doubtful accounts	<u>(331,187)</u>	<u>(239,609)</u>
	<u>\$ 17,033,334</u>	<u>\$ 5,504,696</u>



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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 5 - **Capital Assets**

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

		<u>2021</u>				
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
<b>Capital assets not depreciated:</b>						
Land		\$ 208,827	\$ -	\$ -	\$ -	\$ 208,827
Capital work in progress		<u>3,819,065</u>	<u>3,542,387</u>	-	<u>(3,341,947)</u>	<u>4,019,505</u>
Total not depreciated		<u>4,027,892</u>	<u>3,542,387</u>	-	<u>(3,341,947)</u>	<u>4,228,332</u>
<b>Capital assets depreciated:</b>						
Building, including improvements	20-40	68,161,667	452,329	-	3,341,947	71,955,943
Furnishings and equipment	3-10	10,536,573	3,037,073	-	-	13,573,646
Software	5	5,581,783	-	-	-	5,581,783
Motor vehicles	3-10	172,176	-	-	-	172,176
Books	5	<u>614,858</u>	-	-	-	<u>614,858</u>
Total depreciated		<u>85,067,057</u>	<u>3,489,402</u>	-	<u>3,341,947</u>	<u>91,898,406</u>
<b>Less accumulated depreciation:</b>						
Building, including improvements		(31,926,349)	(2,196,443)	-	-	(34,122,792)
Furnishings and equipment		(8,521,239)	(1,089,145)	-	-	(9,610,384)
Software		(3,411,977)	(935,276)	-	-	(4,347,253)
Motor vehicles		(164,379)	(7,794)	-	-	(172,173)
Books		<u>(614,858)</u>	-	-	-	<u>(614,858)</u>
Total accumulated depreciation		<u>(44,638,802)</u>	<u>(4,228,658)</u>	-	-	<u>(48,867,460)</u>
Capital assets, net		<u>\$ 44,456,147</u>	<u>\$ 2,803,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,259,278</u>

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 5 - **Capital Assets – Continued**

		<u>2020</u>				
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Land		\$ 208,827	\$ -	\$ -	\$ -	\$ 208,827
Capital work in progress		791,193	3,092,129	-	(64,257)	\$ 3,819,065
Total not depreciated		<u>1,000,020</u>	<u>3,092,129</u>	<u>-</u>	<u>(64,257)</u>	<u>4,027,892</u>
Capital assets depreciated:						
Building, including improvements	20-40	67,316,757	780,653	-	64,257	68,161,667
Furnishings and equipment	3-10	9,661,317	875,256	-	-	10,536,573
Software	5	5,581,783	-	-	-	5,581,783
Motor vehicles	3-10	172,176	-	-	-	172,176
Books	5	614,858	-	-	-	614,858
Total depreciated		<u>83,346,891</u>	<u>1,655,909</u>	<u>-</u>	<u>64,257</u>	<u>85,067,057</u>
Less accumulated depreciation:						
Building, including improvements		(29,707,089)	(2,219,260)	-	-	(31,926,349)
Furnishings and equipment		(7,515,418)	(1,005,821)	-	-	(8,521,239)
Software		(2,295,621)	(1,116,356)	-	-	(3,411,977)
Motor vehicles		(148,790)	(15,589)	-	-	(164,379)
Books		(614,858)	-	-	-	(614,858)
Total accumulated depreciation		<u>(40,281,776)</u>	<u>(4,357,026)</u>	<u>-</u>	<u>-</u>	<u>(44,638,802)</u>
Capital assets, net		<u>\$ 44,065,135</u>	<u>\$ 391,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,456,147</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 6 - **Long-Term Liabilities**

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

	2021				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
<b>Other long-term liabilities:</b>					
Compensated absences	\$ 4,934,439	\$ 942,908	\$ -	\$ 5,877,347	\$ 3,810,214
Workers' compensation	406,960	97,565	-	504,525	61,429
Net OPEB liability	24,665,436	376,631	-	25,042,067	-
Net pension liability	13,083,931	6,377,318	-	19,461,249	-
Capital lease obligations	105,360	1,283,740	(318,368)	1,070,732	297,184
Bonds payable	5,615,602	-	(272,700)	5,342,902	290,000
Energy project liability	2,299,935	-	(153,065)	2,146,870	159,188
Derivative instrument	<u>1,593,006</u>	<u>-</u>	<u>(389,336)</u>	<u>1,203,670</u>	<u>-</u>
<b>Total long-term liabilities</b>	<b><u>\$ 52,704,669</u></b>	<b><u>\$ 9,078,162</u></b>	<b><u>\$ (1,133,469)</u></b>	<b><u>\$ 60,649,362</u></b>	<b><u>\$ 4,618,015</u></b>
2020					
	Beginning balance	Additions	Reductions	Ending balance	Current portion
<b>Other long-term liabilities:</b>					
Compensated absences	\$ 4,794,353	\$ 140,086	\$ -	\$ 4,934,439	\$ 3,165,195
Workers' compensation	440,802	-	(33,842)	406,960	180,078
Net OPEB liability	31,174,036	-	(6,508,600)	24,665,436	-
Net pension liability	14,246,192	-	(1,162,261)	13,083,931	-
Capital lease obligations	394,481	-	(289,121)	105,360	51,619
Bonds payable	5,878,202	-	(262,600)	5,615,602	270,000
Energy project liability	2,447,114	-	(147,179)	2,299,935	153,066
Derivative instrument	<u>1,262,354</u>	<u>330,652</u>	<u>-</u>	<u>1,593,006</u>	<u>-</u>
<b>Total long-term liabilities</b>	<b><u>\$ 60,637,534</u></b>	<b><u>\$ 470,738</u></b>	<b><u>\$ (8,403,603)</u></b>	<b><u>\$ 52,704,669</u></b>	<b><u>\$ 3,819,958</u></b>

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 6 - **Long-Term Liabilities - Continued**

*Capital Leases*

The College leased Cisco network server equipment from Presidio Network Solutions at a cost of \$1,160,596 during the fiscal year 2016. The five-year lease was financed by Key Government Finance, Inc. The College has since entered into a new five-year deal with the same entity to lease upgraded Cisco network server equipment at a cost of \$1,283,740 during the fiscal year 2021.

The College leased data storage equipment from EchoStar Technologies at a cost of \$258,092 during the fiscal year 2018. The five-year lease was financed by De Lage Landen Public Finance LLC.

The following reports the cost and accumulated depreciation for equipment under lease agreements at June 30,:

	<u>2021</u>	<u>2020</u>
Cost	\$ 2,702,428	\$ 1,418,688
Less: Accumulated depreciation	<u>1,585,103</u>	<u>1,160,678</u>
	<u>\$ 1,117,325</u>	<u>\$ 258,010</u>

The following schedule summarizes future annual minimum payments due under non-cancelable capital leases as of June 30, 2021:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 297,184	\$ 31,640	\$ 328,824
2023	250,508	22,452	272,960
2024	257,779	15,181	272,960
2025	<u>265,261</u>	<u>7,699</u>	<u>272,960</u>
	<u>\$ 1,070,732</u>	<u>\$ 76,972</u>	<u>\$ 1,147,704</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 6 - **Long-Term Liabilities - Continued**

*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, 2021:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Interest rate swap, net*</u>	<u>Total</u>
2022	\$ 290,000	\$ 49,565	\$ 210,777	\$ 550,342
2023	300,000	46,888	198,139	545,027
2024	310,000	44,119	185,080	539,199
2025	320,000	41,258	171,599	532,857
2026	340,000	38,305	157,276	535,581
2027 – 2031	<u>3,782,902</u>	<u>142,327</u>	<u>472,987</u>	<u>4,398,216</u>
	<u>\$ 5,342,902</u>	<u>\$ 362,462</u>	<u>\$ 1,395,858</u>	<u>\$ 7,101,222</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% (see note 7). 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, 2021 during the remaining life of the swap. The variable rate on the bonds as of June 30, 2021 and 2020 was 0.92% and 1.21%, respectively.

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

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 6 - **Long-Term Liabilities - Continued**

*Bonds Payable - continued*

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 2021, the short-term rating of the bank remained at A-2 status.

*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
2022	\$ 159,188	\$ 85,875	\$ 245,063
2023	165,556	79,507	245,063
2024	172,178	72,885	245,063
2025	179,065	65,998	245,063
2026	186,228	58,835	245,063
2027 – 2031	1,049,016	176,299	1,225,315
2032	235,639	9,425	245,064
	\$ 2,146,870	\$ 548,824	\$ 2,695,694

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 7 - **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, 2021 and 2020 was \$5,290,000 and \$5,560,000, respectively. 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 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, 2021 was a liability of \$1,203,670 compared to \$1,593,006 at June 30, 2020, which is recorded in the College's statements of net position. The change in the fair value of the interest rate swap was \$(389,336) and \$(330,652) for the years ended June 30, 2021 and 2020, respectively. The College has determined its interest rate swap to be an effective hedge and has recorded a corresponding deferred outflow in the statements 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, 2021 or 2020 because the interest rate swap had a negative value.

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 7 - **Interest Rate Swap - Continued**

*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.

Note 8 - **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*

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



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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

*Benefit Provisions - continued*

service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the “Legislature”).

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

*Contributions*

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

<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 except for State Police which is 12% of regular compensation
1979 – present	An additional 2% of regular compensation in excess of \$30,000

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$4,883,482, \$4,331,712 and \$3,526,631 for the years ended June 30, 2021, 2020 and 2019, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.66%, 14.08% and 12.06% of annual covered payroll for the years ended June 30, 2021, 2020 and 2019, respectively. The College contributed \$1,015,804, \$1,225,736 and \$890,327 for

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

*Contributions - continued*

the years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2021 and 2020, the College reported a liability of \$19,461,249 and \$13,083,931, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The 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 years 2021 and 2020, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2021 and 2020, the College's proportion was 0.113% and 0.089%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized pension expense of \$3,221,329 and \$1,819,803, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

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

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions made subsequent to the measurement date	\$ 1,015,804	\$ 1,225,736
Differences between expected and actual experience	619,228	434,520
Differences between projected and actual investment earnings on plan investments	1,069,793	-
Changes in proportion from Commonwealth	14,697	23,100
Changes in plan actuarial assumptions	1,103,424	969,838
Changes in proportions due to internal allocations	<u>3,920,815</u>	<u>1,989,688</u>
Total	<u>\$ 7,743,761</u>	<u>\$ 4,642,882</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 125,929	\$ 170,163
Changes in proportion from Commonwealth	47,434	665
Changes in proportions due to internal allocations	1,509,995	2,388,280
Differences between projected and actual investment earnings on plan investments	<u>-</u>	<u>195,165</u>
Total	<u>\$ 1,683,358</u>	<u>\$ 2,754,273</u>

The College's contributions of \$1,015,804 and \$1,225,736 made during the fiscal years ending June 30, 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

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

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

Years Ending <u>June 30,</u>	
2022	\$ 1,079,051
2023	1,324,960
2024	1,357,876
2025	1,082,855
2026	<u>199,857</u>
	<u>\$ 5,044,599</u>

*Actuarial Assumptions*

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

	<u>2021</u>	<u>2020</u>
Measurement date	<b>June 30, 2020</b>	June 30, 2019
Inflation	<b>3.00%</b>	3.00%
Salary increases	<b>4.00% to 9.00%</b>	4.00% to 9.00%
Investment rate of return	<b>7.15%</b>	7.25%
Interest rate credited to annuity savings fund	<b>3.50%</b>	3.50%

For measurement dates June 30, 2020 and 2019, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

*Actuarial Assumptions - continued*

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

The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2020. The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 2019 and rolled forward to June 30, 2019.

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table:

<u>Asset Class</u>	<u>2021</u>		<u>2020</u>	
	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	39.0%	4.8%	39.0%	4.9%
Portfolio Completion Strategies	11.0%	3.2%	11.0%	3.9%
Core Fixed Income	15.0%	0.7%	15.0%	1.3%
Private Equity	13.0%	8.2%	13.0%	8.2%
Value Added Fixed Income	8.0%	4.2%	8.0%	4.7%
Real Estate	10.0%	3.5%	10.0%	3.6%
Timber/Natural Resources	4.0%	4.1%	4.0%	4.1%
	<u>100%</u>		<u>100%</u>	

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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 8 - **Pensions - Continued**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15% and 7.25% at June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

<b>June 30, 2021</b>		
Current		
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(6.15%)</b>	<b>(7.15%)</b>	<b>(8.15%)</b>
<b>\$ 25,641,399</b>	<b>\$19,461,249</b>	<b>\$ 14,381,648</b>
June 30, 2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 17,415,136	\$13,083,931	\$ 9,383,124

Note 9 - **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'

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Plan Description - continued*

Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

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

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

The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

*Benefits Provided*

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the years ended June 30, 2021 and 2020, respectively. The College contributed \$533,411 and \$634,962 for the years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for each year.

At June 30, 2021 and 2020, the College reported a liability of \$25,042,067 and \$24,665,436, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.121% and 0.141%, respectively.



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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Contributions - continued*

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of \$2,152,452 and \$2,563,310, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2021:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 533,411	\$ 634,962
Net differences between projected and actual earnings on OPEB plan investments	72,406	-
Changes in OPEB plan actuarial assumptions	2,062,256	18,979
Difference between expected and actual experience	691,113	989,199
Changes in proportion from Commonwealth	37,952	60,142
Changes in proportion due to internal allocation	<u>5,492,262</u>	<u>7,952,082</u>
Total deferred outflows related to OPEB	<u>\$ 8,889,400</u>	<u>9,655,364</u>

	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Net differences between projected and actual earnings on OPEB plan investments	\$ -	\$ 11,344
Differences between expected and actual experience	618,123	31,586
Changes in OPEB plan actuarial assumptions	2,420,229	3,709,048
Changes in proportion from Commonwealth	85,047	-
Changes in proportion due to internal allocation	<u>6,526,343</u>	<u>5,450,563</u>
Total deferred inflows related to OPEB	<u>\$ 9,649,742</u>	<u>\$ 9,202,541</u>

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Contributions - continued*

The College's contributions of \$533,411 and \$634,962 made during the fiscal years ending June 2021 and 2020, respectively, 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>	
2022	\$ (654,004)
2023	(537,113)
2024	(140,348)
2025	(115,770)
2026	153,482
	<u><u>\$(1,293,753)</u></u>

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **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, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5%, decreasing by 0.5% each year to 5.5% in 2023, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP until 2025 and then 4.5% in 2026;  4.5% for administrative costs

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year for both measurement dates June 30, 2020 and 2019.

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Actuarial Assumptions - continued*

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later, for measurement date June 30, 2019.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age		Retirement Age	
	2021		2020	
	Under 65	Age 65+	Under 65	Age 65+
<b>Indemnity</b>	<b>28.0%</b>	<b>96.0%</b>	25.0%	85.0%
<b>POS/PPO</b>	<b>60.0%</b>	<b>0.0%</b>	60.0%	0.0%
<b>HMO</b>	<b>12.0%</b>	<b>4.0%</b>	15.0%	15.0%

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

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2019 and 2018 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Actuarial Assumptions - continued*

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, 2021 and 2020, are the same as discussed in the pension footnote (Footnote 8).

*Discount Rate*

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) 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 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.15% and 7.25%, respectively, per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

*Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - continued*

June 30, 2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 30,093,568	\$ 25,042,067	\$ 21,050,767

June 30, 2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 29,442,559	\$ 24,665,436	\$ 20,888,398

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 9 - **OPEB - Continued**

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

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

<b>June 30, 2021</b>		
<b>1.00% Decrease (B)</b>	<b>Cost Trend Rate (A)</b>	<b>1.00% Increase (C)</b>
<b>\$ 20,339,957</b>	<b>\$ 25,042,067</b>	<b>\$ 31,289,232</b>

<b>June 30, 2020</b>		
<b>1.00% Decrease (B)</b>	<b>Cost Trend Rate (A)</b>	<b>1.00% Increase (C)</b>
<b>\$ 20,327,435</b>	<b>\$ 24,665,436</b>	<b>\$ 30,388,964</b>

(A) - Current healthcare cost trend rate, as disclosed on page 71

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 71

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 71

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 10 - **Contingencies**

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

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

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

The College 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.



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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 11 - **Operating Expenses**

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

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 78,258,297	\$ 78,200,585
Supplies and services	12,258,497	14,581,541
Depreciation and amortization	4,228,658	4,357,026
Scholarships	12,197,183	12,132,385
	<u>\$ 106,942,635</u>	<u>\$ 109,271,537</u>

Note 12 - **Lease Commitments**

The College has multiple leases for building space to be used for classrooms, workforce training, meeting space, and educational administration under agreements expiring through January 2028. Each of these leases have varying payment terms, including graduated payments over the term of the lease. In addition, the College leases computer equipment, software, and copiers for various departments. Rent expense under these operating leases was \$2,963,521 and \$2,913,390 for the years ended June 30, 2021 and 2020, respectively.

Future minimum annual rental payments due under operating leases as of June 30, 2021 are as follows:

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 12 - **Lease Commitments - Continued**

Years Ending June 30,	
2022	\$ 2,992,526
2023	2,766,793
2024	2,783,374
2025	2,109,042
2026	1,183,291
2027	<u>598,133</u>
	<u><u>\$ 12,433,159</u></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 years ended June 30,:

	<u>2021</u>	<u>2020</u>
Direct unrestricted appropriations	\$ 31,065,026	\$ 29,675,870
Add fringe benefits for benefited employees on the state payroll	<u>12,118,765</u>	<u>10,915,429</u>
Total unrestricted state support	<b>43,183,791</b>	40,591,299
Capital appropriation	<u>3,114,168</u>	<u>1,781,891</u>
Total state support	<u><b>\$ 46,297,959</b></u>	<u><b>\$ 42,373,190</b></u>

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 13 - **Management Accounting and Reporting System - Continued**

For the years ended June 30, 2021 and 2020, a timing difference occurred where the College had additional revenue in the amount of \$63,372 and \$3,937, respectively, that will be reported to MMARS after August 31, 2021 and 2020, respectively, reconciled as follows (unaudited):

	<u>2021</u>	<u>2020</u>
Revenue per MMARS	\$ 81,907,560	\$ 69,157,800
Revenue per College	<u>81,970,932</u>	<u>69,161,737</u>
 Difference	 <u>\$ 63,372</u>	 <u>\$ 3,937</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.

*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

**BUNKER HILL COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

*Group Insurance Commission - continued*

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 years ended June 30, 2021 and 2020, 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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Note 15 - **Pass-Through Loans**

The College distributed \$3,861,703 and \$3,805,753 for student loans through the U.S. Department of Education Federal Direct Lending Program for the years ended June 30, 2021 and 2020, respectively. 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BUNKER HILL COMMUNITY COLLEGE**  
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**Schedule of Proportionate Share of Net Pension Liability (Unaudited)**

**Massachusetts State Employees' Retirement System**

Year ended	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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.113%	0.089%	0.108%	0.095%	0.072%	0.091%	0.104%
Proportionate share of the collective net pension liability	\$ 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	\$ 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	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	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**  
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**Schedule of Contributions - Pension (Unaudited)**

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 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>(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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 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	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**  
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**Notes to the Required Supplementary Information - Pension (Unaudited) -  
Continued**

**For the Year Ended June 30, 2021**

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

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

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

**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, 2021**

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

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

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

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

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

The mortality rates were changed as follows:

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

**BUNKER HILL COMMUNITY COLLEGE**  
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**Schedule of Proportionate Share of Net OPEB Liability (Unaudited)**

**Massachusetts State Retirees' Benefit Trust**

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.121%	0.141%	0.088%	0.135%
Proportionate share of the collective net OPEB liability	\$ 25,042,067	\$ 24,665,436	\$ 31,174,036	\$ 23,648,250
College's covered payroll	\$ 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	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	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>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 533,411	\$ 634,962	\$ 649,222	\$ 745,553
Contributions in relation to the statutorily required contribution	<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>
College's covered payroll	\$ 6,929,086	\$ 8,705,511	\$ 7,382,479	\$ 8,359,278
Contribution as a percentage of covered payroll	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) -  
Continued**

**For the Year Ended June 30, 2021**

Note 1 - **Change in Plan Assumptions**

**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)**

**For the Year Ended June 30, 2021**

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 impact the high cost excise tax.

*Change in Discount Rate*

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

**Fiscal year June 30, 2019**

Assumptions:

*Change in Trend on Future Costs*

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

*Change in Mortality Rates*

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

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

**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, 2021**

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

**Fiscal year June 30, 2019 - continued**

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





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

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

We have audited, in accordance with the 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 Bunker Hill Community College (the "College"), which comprise the statements of net position and fiduciary net position as of June 30, 2021 and 2020, the related statements of revenues and expenses and changes in net position and fiduciary net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated October 18, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**Certified Public Accountants  
Braintree, Massachusetts**

October 18, 2021