

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of
Massachusetts)

FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

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

June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Bristol Community College
Fall River, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of Bristol Community College (an Agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We did not audit the financial statements of Bristol Community College Foundation, Inc. (the "Foundation") as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bristol Community College as of June 30, 2017 and 2016, and the respective changes in net position and cash flows thereof 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 on pages 3-12, the schedules of the proportionate share of the net pension liability on page 54, the schedules of contributions on page 55 and the notes to the required supplementary information on page 56 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 2, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 2, 2017

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Introduction

Bristol Community College (the "College") is a two-year public comprehensive community college offering career and transfer programs of study that lead to associate degrees or certificates. Bristol Community College is accredited by the New England Association of Schools and Colleges. This accreditation indicates that the institution has been carefully evaluated and been found to meet standards agreed upon by qualified educators.

As management of Bristol Community College, we offer readers of our financial statements, this narrative overview, and analysis of the financial activities of Bristol Community College for the fiscal year ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the College's basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the College.

Bristol Community College Foundation (the "Foundation") is a legally separate tax-exempt component unit of Bristol 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 primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

The Financial Statements

The College's financial report includes three financial statements: the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB).

These financial statements focus on the financial condition, the results of operations, and the cash flows of the College as a whole.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

The Financial Statements - Continued

The *Statement of Net Position* presents information on all of Bristol Community College's assets and liabilities with the difference of the two reported as *Net Position*. Changes in the College's net position are one indicator of the College's financial health.

Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. The *Statement of Net Position* include all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences). Activities are reported as either operating or nonoperating. A Public College's dependency on state aid will result in operating deficits because the financial reporting model classifies state appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

The financial statements can be found on pages 13-16 of this report.

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

The Financial Statements - Continued

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 17-52 of this report.

Financial Analysis

Bristol Community College adheres to a prudent utilization of the College's financial resources including careful cost controls, conservative utilization of debt and adherence to a sound approach to maintenance of physical plant. At June 30, 2017, the assets of Bristol Community College exceeded liabilities by \$62,218,198 a \$4,016,327 or 6.90% increase from the excess of \$58,201,871 at the close of 2016. The primary reason for this large increase is due to the additional construction in progress of \$4,109,297 recorded for the new John Sbrega building, which was completed and opened in July 2016. Based on the Department of Higher Education (DHE) funding formula, the College also received a \$206,356 increase in state support. This formula was based on the College enrollment and performance. At June 30, 2016, the assets of Bristol Community College exceeded liabilities by \$58,201,871, a \$21,255,322 or 57.53% increase from the excess of \$36,946,949 at the close of 2015 (adjusted per GASB 68).

The largest portion of Bristol Community College's net position (81%) reflects its investment in capital assets (e.g., land, buildings and equipment). Bristol Community College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis - Continued

Condensed Schedule of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 30,922,146	\$ 31,625,044	\$ 29,392,412
Capital assets, net	50,552,402	46,582,067	26,724,806
Deferred outflows of resources	<u>3,907,587</u>	<u>4,019,743</u>	<u>722,357</u>
Total assets and deferred outflows of resources	<u>85,382,135</u>	<u>82,226,854</u>	<u>56,839,575</u>
Long-term liabilities outstanding	11,631,491	12,810,727	7,655,058
Other liabilities	8,659,332	9,826,596	9,564,211
Deferred inflows of resources	<u>2,873,114</u>	<u>1,387,660</u>	<u>2,673,757</u>
Total liabilities and deferred inflows of resources	<u>23,163,937</u>	<u>24,024,983</u>	<u>19,893,026</u>
Net Position:			
Investment in capital assets, net	50,552,402	46,582,067	26,724,806
Restricted	139,465	117,349	151,157
Unrestricted	<u>11,526,331</u>	<u>11,502,455</u>	<u>10,070,586</u>
Total net position	<u>\$ 62,218,198</u>	<u>\$ 58,201,871</u>	<u>\$ 36,946,549</u>

Restricted net position is subject to external restrictions on how they must be used. Bristol Community College's restricted net position is for scholarships, student loans, and federal and state grants. The remaining unrestricted net position may be used to meet the College's obligations.

BRISTOL COMMUNITY COLLEGE
 (an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis - Continued

**Condensed Schedule of Revenues, Expenses
and Changes in Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Student tuition and fees	\$ 30,843,219	\$ 31,194,237	\$ 30,522,968
Less scholarship discounts and allowances	<u>(18,688,102)</u>	<u>(19,159,223)</u>	<u>(18,635,981)</u>
Student tuition and fees, net	12,155,117	12,035,014	11,886,987
Operating grants and contracts	29,531,093	30,796,347	31,634,565
Other sources	<u>850,227</u>	<u>879,513</u>	<u>931,803</u>
Total operating revenues	42,536,437	43,710,874	44,453,355
Operating expenses	<u>74,235,449</u>	<u>72,000,696</u>	<u>69,279,565</u>
Net operating loss	<u>(31,699,012)</u>	<u>(28,289,822)</u>	<u>(24,826,210)</u>
Non-operating revenues:			
State appropriations	27,928,331	26,459,679	24,817,879
Investment income and unrealized gains and los	1,948,030	154,750	236,575
Gifts and contributions	<u>963,123</u>	<u>1,602,491</u>	<u>953,972</u>
Total non-operating revenues	<u>30,839,484</u>	<u>28,216,920</u>	<u>26,008,426</u>
Gain (loss) before other revenues, expenses, gains, or losses	(859,528)	(72,902)	1,182,216
Capital appropriations	<u>4,875,855</u>	<u>21,328,224</u>	<u>11,720,889</u>
Increase (decrease) in net position	4,016,327	21,255,322	12,903,105
Net position, beginning of the year	<u>58,201,871</u>	<u>36,946,549</u>	<u>24,043,444</u>
Net position, end of the year	<u>\$ 62,218,198</u>	<u>\$ 58,201,871</u>	<u>\$ 36,946,549</u>

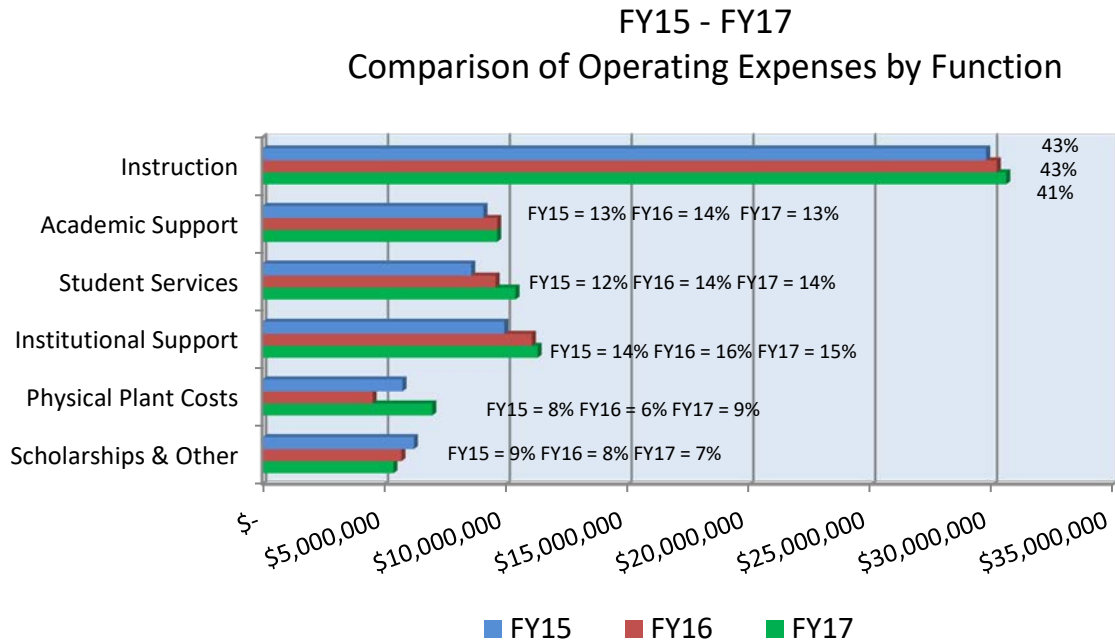
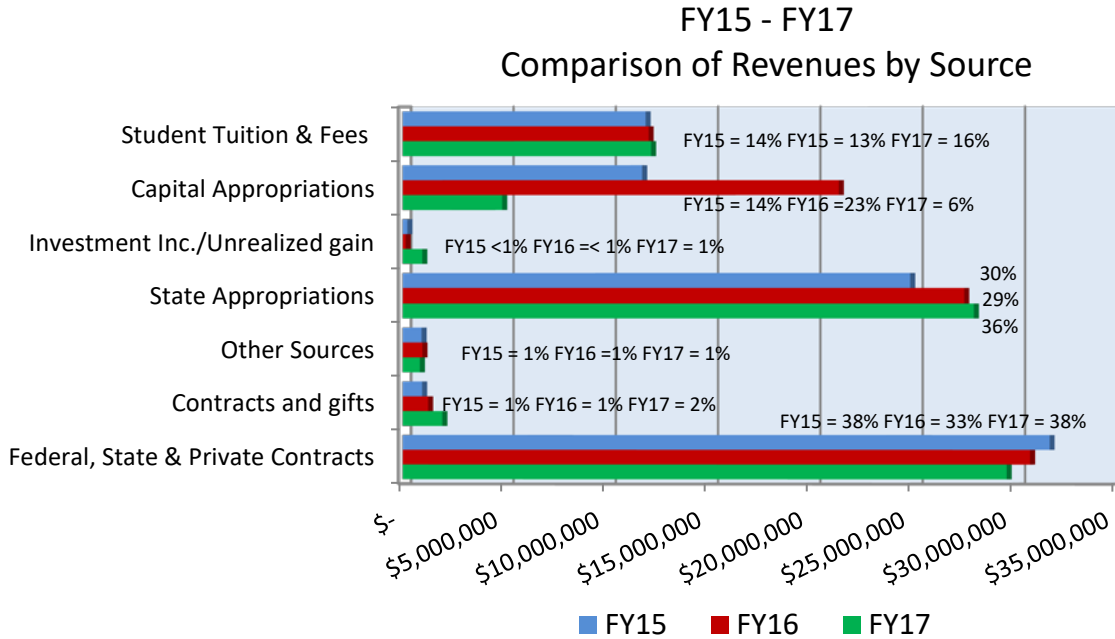
BRISTOL COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis – Continued



BRISTOL COMMUNITY COLLEGE
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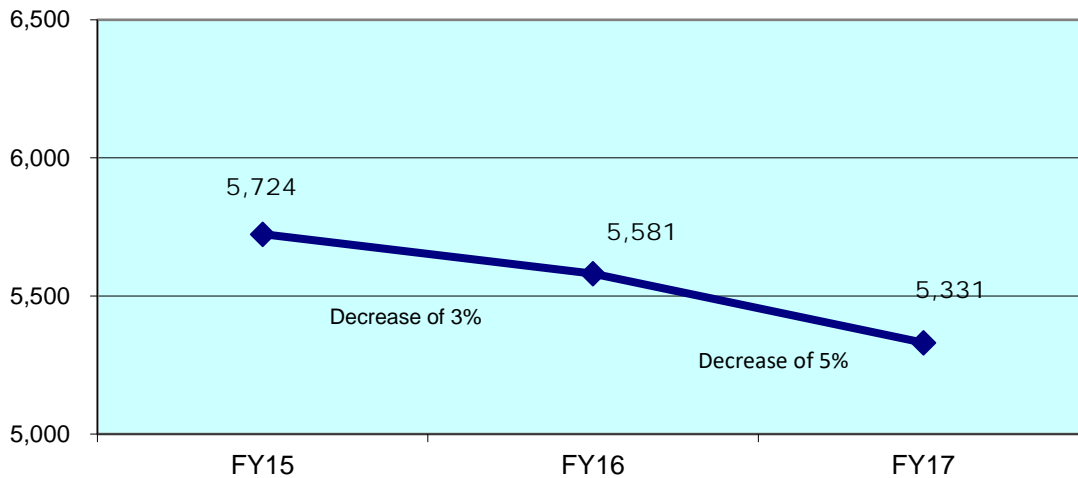
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis - Continued

The College continues to examine revenue diversification and cost containment due to financial pressure from increased cost of compensation and benefits, and the need to continue investing in technology to support teaching and learning. Student tuition and fees, state appropriations, and federal financial aid remain the primary sources of funding for the College. Gross student tuition and fees in Fiscal Year 2017 decreased by approximately 1% from Fiscal Year 2016 tuition and fees due an approximate 5% decrease in enrollment credits and a slight fee increase of \$8.00 per credit. The enrollment decrease was a trend shared by most Massachusetts Community Colleges. State appropriations increased 5.5% from Fiscal Year 2017 to 2016, this increase is due to a funding formula state appropriation that was allocated to the College. The careful use of revenues generated by tuition and fees, and state appropriations, ensures that the mission statement of the College was followed and that students would continue to receive a high quality of education and services.

Student FTE



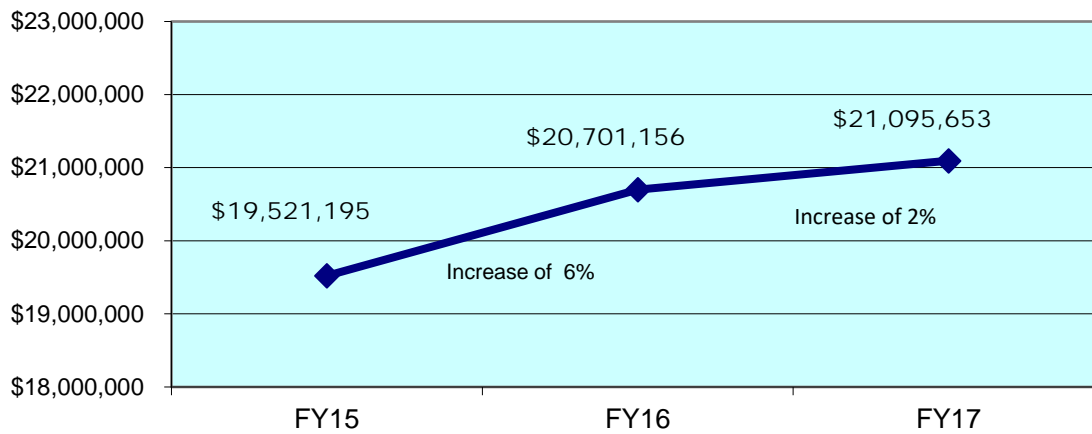
BRISTOL COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

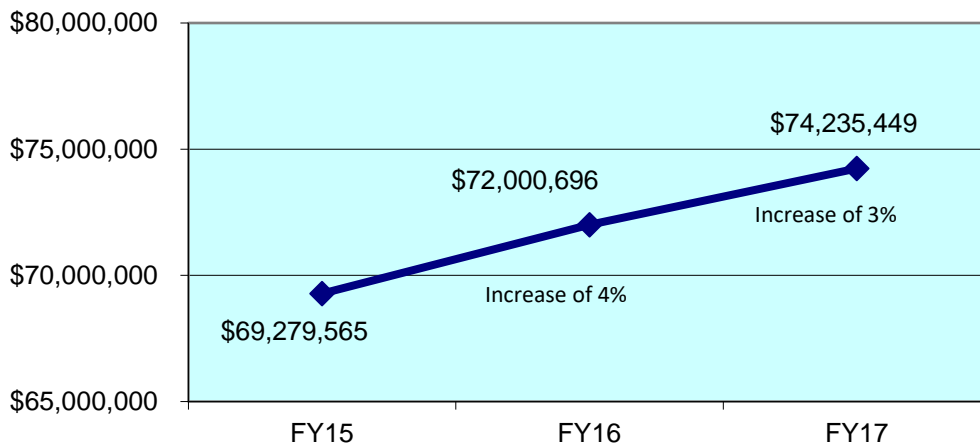
Financial Analysis - Continued

Unrestricted State Appropriation



Operating expenses increased slightly during the same time frame. This is primarily due contractual obligations and expansion into a new facility at the Taunton Campus. In Fiscal Year 2017, operating expenses increased 3.3 % from 2016.

Operating Expenses



BRISTOL COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Loss from Operations

It is the nature of public higher education institutions to incur a loss from operations because the state appropriation is presented as non operating income. The Commonwealth's Board of Higher Education establishes tuition charges. The College sets fees and other charges. The College, with the purpose of balancing educational and operating needs with tuition and fee revenue, approves the budgets to mitigate losses after appropriations.

State Appropriations

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following details the Commonwealth's unrestricted appropriations received by the College for the fiscal years ended June 30, 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross Commonwealth unrestricted appropriations:	\$ 21,095,653	\$ 20,701,156	\$ 19,796,604
Plus fringe benefits	6,989,529	5,977,907	5,358,592
Less tuition remitted	(441,711)	(391,649)	(438,835)
Less 9C reduction	-	-	(275,409)
Net Commonwealth support	<u>\$ 27,643,471</u>	<u>\$ 26,287,414</u>	<u>\$ 24,440,952</u>

*The Commonwealth pays the fringe benefit cost for College employees paid from Commonwealth appropriations. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the above table. The College pays the Commonwealth for the fringe benefit cost of employees paid from funding sources other than the State's appropriations.

BRISTOL COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Capital Assets and the Debts of the College

Capital Assets: Bristol Community College's investment in capital assets, net of related liabilities, as of June 30, 2017 and 2016, amounts to \$50,552,402 and \$46,582,067 respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and furnishings and equipment. Capital assets increased during the year ended June 30, 2017 by 8.5% or \$3,970,335. This was primarily the result of the increased addition of the new John Sbrega Building. Capital assets increases for year ended June 30, 2016 by 74% or \$19,857,261. This was primarily the result of the continued work in progress recorded for the John Sbrega Building. Capital assets decreased during the year ended June 30, 2015 by 73% or \$11,318,053. This was primarily the result of the initial work in progress recorded for the John J. Sbrega Health and Science Building. All capital asset purchases are pre-approved by the Board of Trustees and are included in the College's Operating Budget submitted to the Board of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Bristol Community College's capital assets can be found in note 5 on pages 34-35 of this report.

In fiscal year 2017, the college opened a 50,000 square foot Health and Science Building. This building is a multiple award winning zero net energy building. It is certified as LEAD Platinum. This building contains new facilities for allied health programs including nursing and dental hygiene. It also included six new science labs. Fiscal year 2017 marked the first full year of the new Center in Taunton MA. This 26,000 square foot facility has experienced immediate enrollment growth.

Economic Factors and Next Year's Tuition and Student Fee Rates

In Fiscal Year 2017, the Commonwealth continued to experience a level economic growth. The College's Unrestricted State Appropriation increased \$1,356,057 from Fiscal Year 2017 to FY2016 due primarily to approximately \$200,000 additional Funding Formula State Appropriation and an increase in the fringe rate. Initial projections for Fiscal Year 2018 are flat revenue projections for the Commonwealth. Also, due to a decline in average high school class sizes, the enrollment for both Bristol Community College as well as other Massachusetts public colleges continued to experience a decline.

Request for Information

This financial report is designed to provide a general overview of Bristol Community College's finances 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 Comptroller, Bristol Community College, 777 Elsbree Street, Fall River, Massachusetts 02720.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2017 and 2016

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2017 College	2016 College	2017 Foundation	2016 Foundation
Current Assets:				
Cash and equivalents (Note 2)	\$ 11,559,996	\$ 11,487,077	\$ 3,357,763	\$ 3,566,901
Cash held by State Treasurer (Note 3)	445,759	1,092,128	-	-
Investments (Note 2)	15,321,611	14,362,034	3,070,019	2,005,852
Accounts receivable, net (Note 4)	3,516,727	4,617,153	13,966	13,823
Contributions receivable, current portion (Note 5)	-	-	466,000	965,769
Other current assets	<u>78,053</u>	<u>66,652</u>	<u>23,037</u>	<u>47,493</u>
Total Current Assets	<u>30,922,146</u>	<u>31,625,044</u>	<u>6,930,785</u>	<u>6,599,838</u>
Non-Current Assets:				
Investments (Note 2)	-	-	9,394,435	7,733,728
Contributions receivable, net of current portion (Note 5)	-	-	365,240	867,022
Notes receivable (Note 6)	-	-	-	46,596
Capital assets, net of accumulated depreciation (Note 7)	<u>50,552,402</u>	<u>46,582,067</u>	<u>3,871,439</u>	<u>3,946,711</u>
Total Non-Current Assets	<u>50,552,402</u>	<u>46,582,067</u>	<u>13,631,114</u>	<u>12,594,057</u>
Total Assets	<u>81,474,548</u>	<u>78,207,111</u>	<u>20,561,899</u>	<u>19,193,895</u>
Deferred Outflows of Resources:				
Pension related, net (Note 9)	<u>3,907,587</u>	<u>4,019,743</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 85,382,135</u>	<u>\$ 82,226,854</u>	<u>\$ 20,561,899</u>	<u>\$ 19,193,895</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2017 College</u>	<u>2016 College</u>	<u>2017 Foundation</u>	<u>2016 Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities (Note 3)	\$ 1,126,630	\$ 2,158,936	\$ 350,177	\$ 898,034
Accrued payroll (Note 3)	2,217,698	2,247,474	-	-
Compensated absences (Note 8)	2,856,052	2,995,227	-	-
Workers' compensation (Note 8)	32,105	45,423	-	-
Students' deposits and unearned revenues	2,303,669	2,282,633	-	-
Funds held for others	123,178	96,903	-	-
Unearned rental income	-	-	94,406	91,654
Current portion of mortgage payable (Note 13)	-	-	121,479	114,905
Total Current Liabilities	<u>8,659,332</u>	<u>9,826,596</u>	<u>566,062</u>	<u>1,104,593</u>
Non-Current Liabilities:				
Compensated absences (Note 8)	875,616	827,531	-	-
Workers' compensation (Note 8)	193,987	176,155	-	-
Mortgage payable (Note 13)	-	-	2,844,123	2,965,588
Net pension liability (Note 9)	10,561,888	11,807,041	-	-
Total Non-Current Liabilities	<u>11,631,491</u>	<u>12,810,727</u>	<u>2,844,123</u>	<u>2,965,588</u>
Total Liabilities	<u>20,290,823</u>	<u>22,637,323</u>	<u>3,410,185</u>	<u>4,070,181</u>
Deferred Inflows of Resources:				
Pension related, net (Note 9)	2,833,114	1,327,660	-	-
Service concession revenue applicable to future years (Note 10)	40,000	60,000	-	-
Total Deferred Inflows of Resources	<u>2,873,114</u>	<u>1,387,660</u>	<u>-</u>	<u>-</u>
Net Position:				
Investment in capital assets, net	50,552,402	46,582,067	905,837	866,218
Restricted (Note 11):				
Nonexpendable	-	-	6,374,148	5,183,255
Expendable	139,465	117,349	7,670,689	7,422,745
Unrestricted (Note 12)	11,526,331	11,502,455	2,201,040	1,651,496
Total Net Position	<u>62,218,198</u>	<u>58,201,871</u>	<u>17,151,714</u>	<u>15,123,714</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 85,382,135</u>	<u>\$ 82,226,854</u>	<u>\$ 20,561,899</u>	<u>\$ 19,193,895</u>

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2017 College	2016 College	2017 Foundation	2016 Foundation
Operating Revenues:				
Tuition and fees	\$ 30,843,219	\$ 31,194,237	\$ -	\$ -
Less: scholarship allowances	<u>(18,688,102)</u>	<u>(19,159,223)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	12,155,117	12,035,014	-	-
Federal grants and contracts	25,467,135	26,069,803	-	-
State grants and contracts	3,377,783	3,747,245	-	-
Private grants and contracts	686,175	979,299	-	-
Other sources	<u>850,227</u>	<u>879,513</u>	<u>3,647,717</u>	<u>1,828,152</u>
Total Operating Revenues	<u>42,536,437</u>	<u>43,710,874</u>	<u>3,647,717</u>	<u>1,828,152</u>
Operating Expenses (Note 15):				
Instruction	30,537,581	30,150,402	-	-
Academic support	9,640,444	9,640,274	-	-
Student services	10,393,295	9,574,754	-	-
Scholarships and fellowships	5,384,271	5,713,069	185,758	244,283
Operation and maintenance of plant	5,189,676	4,529,768	-	-
Institutional support	11,303,912	11,065,013	-	-
Fundraising	-	-	94,060	237,933
Depreciation	1,786,270	1,327,416	173,717	173,717
Other operating expenses	<u>-</u>	<u>-</u>	<u>116,306</u>	<u>101,601</u>
Total Operating Expenses	<u>74,235,449</u>	<u>72,000,696</u>	<u>569,841</u>	<u>757,534</u>
Net Operating Loss	<u>(31,699,012)</u>	<u>(28,289,822)</u>	<u>3,077,876</u>	<u>1,070,618</u>
Non-Operating Revenues (Expenses):				
State appropriations, net (Note 17)	27,928,331	26,459,679	-	-
Contributions to College	1,948,030	1,602,491	(1,948,030)	(1,602,491)
Gifts and contributions	-	-	-	-
Net investment income	<u>963,123</u>	<u>154,750</u>	<u>898,154</u>	<u>147,236</u>
Total Net Non-Operating Revenues (Expenses)	<u>30,839,484</u>	<u>28,216,920</u>	<u>(1,049,876)</u>	<u>(1,455,255)</u>
Net Income (Loss) Before Other Revenues (Expenses)	(859,528)	(72,902)	2,028,000	(384,637)
Other Revenues:				
Capital appropriations (Note 7)	<u>4,875,855</u>	<u>21,328,224</u>	<u>-</u>	<u>-</u>
Total Increase (Decrease) in Net Position	4,016,327	21,255,322	2,028,000	(384,637)
Net Position, Beginning of Year	<u>58,201,871</u>	<u>36,946,549</u>	<u>15,123,714</u>	<u>15,508,351</u>
Net Position, End of Year	<u>\$ 62,218,198</u>	<u>\$ 58,201,871</u>	<u>\$ 17,151,714</u>	<u>\$ 15,123,714</u>

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	College	
	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Tuition and student fees	\$ 11,802,038	\$ 11,964,012
Grants and contracts	30,554,299	30,687,598
Payments to suppliers	(14,011,569)	(11,138,560)
Payments to employees	(46,786,736)	(46,938,493)
Payments to students	(5,384,271)	(5,713,069)
Income from other sources	<u>1,222,684</u>	<u>879,513</u>
Net Cash Applied to Operating Activities	<u>(22,603,555)</u>	<u>(20,258,999)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	21,380,513	20,873,421
Tuition remitted to state	(441,711)	(391,649)
Gifts and grants received for other than capital purposes	1,948,030	1,602,491
Funds held for others	<u>20,477</u>	<u>13,431</u>
Net Cash Provided by Non-Capital Financing Activities	<u>22,907,309</u>	<u>22,097,694</u>
Cash Flows from Capital and Related Financing Activity:		
Capital appropriations	766,558	1,139,647
Purchases of capital assets	<u>(1,647,308)</u>	<u>(996,101)</u>
Net Cash Provided by (Applied to) Capital and Related Financing Activities	<u>(880,750)</u>	<u>143,546</u>
Cash Flows from Investing Activities:		
Purchase of investments	(959,577)	(168,764)
Gain on investments	<u>963,123</u>	<u>154,750</u>
Net Cash Provided by (Applied to) Investing Activities	<u>3,546</u>	<u>(14,014)</u>
Net Increase (Decrease) in Cash and Equivalents	(573,450)	1,968,227
Cash and Equivalents, Beginning of Year	<u>12,579,205</u>	<u>10,610,978</u>
Cash and Equivalents, End of Year	<u>\$ 12,005,755</u>	<u>\$ 12,579,205</u>

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	College	
	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Loss to Net Cash		
Applied to Operating Activities:		
Net operating loss	\$ (31,699,012)	\$ (28,289,822)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Depreciation	1,786,270	1,327,416
Fringe benefits provided by the State	6,989,529	5,977,907
Bad debts	437,133	291,130
Deferred inflows of resources - service concession revenue	(20,000)	(20,000)
Changes in assets and liabilities:		
Accounts receivable	663,293	(361,890)
Other current assets	(11,401)	(24,881)
Accounts payable, accrued liabilities and accrued payroll	(1,062,082)	44,639
Accrued compensated absences and workers' compensation	(86,576)	(157,584)
Students' deposits and unearned revenues	26,834	202,139
Net pension activity	<u>372,457</u>	<u>751,947</u>
Net Cash Applied to Operating Activities	<u>\$ (22,603,555)</u>	<u>\$ (20,258,999)</u>
Summary of Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 11,559,996	\$ 11,487,077
Cash held by State Treasurer	<u>445,759</u>	<u>1,092,128</u>
Total	<u>\$ 12,005,755</u>	<u>\$ 12,579,205</u>
Non-Cash Transactions:		
Fringe benefits provided by the State	<u>\$ 6,989,529</u>	<u>\$ 5,977,907</u>
Capital improvements provided by capital appropriations	<u>\$ 4,109,297</u>	<u>\$ 20,188,577</u>

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2017 and 2016

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

Organization

Bristol Community College (the “College”) is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With campuses located in Fall River, Massachusetts and New Bedford, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College’s mission is to provide educational, occupational, and cultural opportunities for an academically, economically and culturally diverse population. The College also offers, through the Center for Business and Industry, noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

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 is to define operating activities in the statements of revenues, expenses and changes in net position as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. 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 (the “Commonwealth”), net investment income, gifts, and interest expense.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Basis of Presentation - Continued

Bristol Community College Foundation (the “Foundation”) is a legally separate tax-exempt component unit of Bristol 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 primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

The Foundation is a not-for-profit corporation established in August 1980. The Foundation was established to promote and support the furtherance of the educational and cultural mission of Bristol Community College. The Foundation is located at the College’s Fall River campus.

During the years ended June 30, 2017 and 2016, the Foundation distributed \$1,948,030 and \$1,602,491, respectively, to the College for both restricted and unrestricted purposes.

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

The complete financial statements for the Foundation can be obtained from Bristol Community College Foundation, 777 Elsbree Street, Fall River, MA 02720.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Net Position

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

Investment in capital assets, net: 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 categories of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees.

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

Trust Funds

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

Cash and Equivalents

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

The Foundation considers all highly liquid investments with a maturity date of three months or less when purchased to be cash and equivalents. Money market accounts held with investment portfolios are cash equivalents. Cash and cash equivalents are reported as current or non-current assets depending on the current restrictions and designations of funds.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Investments

Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and art 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, art sculpture 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.

Pensions

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

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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

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, 2017 and 2016. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2017 and 2016. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on loans receivable of the College are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions. Based on a periodic review of its receivables, the Foundation has determined that all receivables are materially collectible and that therefore an allowance for uncollectible amounts at June 30, 2017 and 2016 is unnecessary.

Workers' Compensation

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

Students' Deposits and Unearned Revenue

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 recorded as revenues when earned.

Student Tuition and 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.

Tax Status

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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 revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivable and net pension liability, and estimating depreciation, amortization and the recoverability of long-lived assets.

New Governmental Accounting Pronouncements

GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. As discussed in Note 16, management anticipates that implementation of this standard will require the restatement of balances as of July 1, 2017.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

New Governmental Accounting Pronouncements – Continued

GASB Statement 85 - Omnibus 2017 is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Note 2 - **Cash and Investments**

Overall Deposits and Investments Descriptions

Deposits and investments consist of the following at June 30:

	2017	2016
Cash in banks	\$ 11,559,996	\$ 11,487,077
Investments:		
Certificates of deposit	3,256,998	4,237,723
Bond mutual funds	5,733,809	5,220,707
Stock mutual funds	6,214,535	4,767,765
Money market funds	116,269	135,839
Total investments	15,321,611	14,362,034
Total cash in banks and investments	\$ 26,881,607	\$ 25,849,111

Custodial Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits. The College's bank balances, which excludes the College's sweep account, at June 30, 2017 and 2016 were approximately \$3,570,000 and \$2,970,000, respectively, and were not exposed to custodial credit risk as uninsured and uncollateralized.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Custodial Risk – Continued

Total cash deposited with one financial institution, including sweep and checking accounts, aggregates approximately \$9,745,000 and \$9,867,000 or 76% and 78% at June 30, 2017 and 2016, respectively, of total cash and equivalents. These deposits are secured by an irrevocable stand-by letter of credit issued by the Federal Home Loan Bank of Pittsburgh up to an aggregate amount of \$15,000,000 providing a scope of coverage substantially the same as that provided by federal deposit insurance and thus not exposed to custodial credit risk.

Concentration of Credit Risk

There was no concentration of credit risk at June 30, 2017. Certificates of deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits.

Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principle 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. Permissible deposits and investments are as follows:

Cash: Domestic banks, federal savings and loan institutions, and credit unions that are federally insured and Massachusetts banks with supplemental insurance for those accounts exceeding the federally insured limits to a maximum of \$1,000,000. Accounts are allowed to go slightly above insured rates for accrued interest.

Investments: Obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, corporate obligations that are rated A or better by Standard and Poor's Corporation, or A or better by Moody's Investors Services; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, or guaranteed through a letter of credit arrangement with a major financial institution, repurchase agreements, mutual funds and equity securities.

BRISTOL COMMUNITY COLLEGE
 (an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Deposits, Investments and Maturities

The College's investments and maturities inferring risk at June 30, consist of:

		2017 Investments			
<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Debt securities:					
Certificates of deposit	\$ 3,256,998	\$ 3,256,998	\$ -	\$ -	\$ -
Bond mutual funds	5,733,809	45,906	1,472,392	4,195,857	19,654
	<u>8,990,807</u>	<u>\$ 3,302,904</u>	<u>\$ 1,472,392</u>	<u>\$ 4,195,857</u>	<u>\$ 19,654</u>
Other investments:					
Cash in bank	11,559,996				
Stock mutual funds	6,214,535				
Money market funds	116,269				
Total	<u>\$ 26,881,607</u>				

		2016 Investments			
<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Debt securities:					
Certificates of deposit	\$ 4,237,723	\$ 4,237,723	\$ -	\$ -	\$ -
Bond mutual funds	5,220,707	103,201	1,692,097	3,212,798	212,611
	9,458,430	<u>\$ 4,340,924</u>	<u>\$ 1,692,097</u>	<u>\$ 3,212,798</u>	<u>\$ 212,611</u>
Other investments:					
Cash in bank	11,487,077				
Stock mutual funds	4,767,765				
Money market funds	135,839				
Total	<u>\$ 25,849,111</u>				

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Deposits, Investments and Maturities - Continued

The credit quality ratings of the College's debt investments are unrated for the years ended June 30, 2017 and 2016. The bond mutual funds are unrated as they represent funds placed with a private investment company.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. With the adoption of GASB Statement 72, there have been no changes in the methodologies used to measure fair value.

Registered investment companies: Valued at the daily closing price as reported by the fund. Mutual funds held by the Board of Trustees are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price.

Certificates of Deposit: Valued at amortized cost.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Fair Value Hierarchy - Continued

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 if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth the fair value of the College's investments measured on a recurring basis:

	June 30, 2017				
	NAV per share	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ -	\$ 12,064,613	\$ -	\$ -	\$ 12,064,613
Certificates of deposit	-	3,256,998	-	-	3,256,998
Total marketable securities at fair value	<u>\$ -</u>	<u>\$ 15,321,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,321,611</u>
	June 30, 2016				
	NAV per share	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ -	\$ 10,124,311	\$ -	\$ -	\$ 10,124,311
Certificates of deposit	-	4,237,723	-	-	4,237,723
Total marketable securities at fair value	<u>\$ -</u>	<u>\$ 14,362,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,362,034</u>

Other Matters

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Foundation Investment Policy

The investment objectives for the Foundation's endowment and quasi-endowment assets are to provide income to support current operations and to achieve growth of principal and income over time to preserve or increase purchasing power. Based upon historical evidence, equity investments have produced substantially greater returns net of inflation. As a long-term guideline, equity investments will constitute approximately 65% of endowment assets, up to 25% of which may be invested in international stocks. Fixed-income investments may include short-term money market securities, which have historically produced the lowest return net of inflation. Such investments, however, shall be kept at the minimum levels that the Finance Committee considers necessary to meet foreseeable short-term liquidity requirements.

The largest percentage of fixed-income investments shall be invested in portfolios of high-quality corporate bonds and U.S. Treasury securities. These investments may be made through a number of separately managed portfolios offered by professional managers.

The Foundation is the recipient of a 20-year endowment challenge federal grant. The grantor required the Foundation to maintain separate investment accounts for all undistributed funds attributable to this grant for that 20-year period. In addition, the Board of Directors has chosen to establish segregated accounts for three of its largest endowed funds. These accounts are managed and maintained separately and do not participate in the earnings allocation of the Foundation's master investment accounts.

All other funds are invested together in the Foundation's master investment accounts. Total investment return for the year is allocated annually to each fund based upon its weighted average value as a percentage of total fund balance.

The Commonwealth of Massachusetts has enacted the Uniform Prudent Management of Institutional Funds Act. The Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Foundation Investment Policy - Continued

remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

The Foundation has a policy of appropriating for distribution to meet current financial needs without expending more than 5% of the 3-year average market value of all endowments. Certain other endowed funds may be subject to other restrictions including those directed by the donor. When economic downturns result in temporarily restricted portions of endowment funds to fall below zero, then the only expenditure allowed by policy is net interest and dividends earned for the prior year.

The Foundation's endowment net assets are those funds that either by donor restriction or Board designation are intended to be invested long-term in order to earn income and to fund programs and awards over a long period or in perpetuity.

Foundation Custodial Risk

Money market accounts held with investment portfolios and reported as cash and equivalents are not protected by the Federal Deposit Insurance Corporation.

Investments of the Foundation

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

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Beneficial interest in trusts	\$ 642,902	\$ 776,631	\$ 642,902	\$ 778,076
Equity securities and funds	5,981,294	7,151,823	4,913,836	5,922,934
Corporate bonds	2,818,205	2,805,662	1,882,290	1,879,011
Foreign equities	714,496	815,105	286,103	302,540
Federal obligations	915,641	915,233	848,872	857,019
Total investments	<u>\$11,072,538</u>	<u>\$12,464,454</u>	<u>\$ 8,574,003</u>	<u>\$ 9,739,580</u>

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Investments of the Foundation – Continued

The following schedules summarize the investment return and its classification in the statement of activities for the years ended June 30:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 54,061	\$ 194,301	\$ 7,118	\$ 255,480
Perpetual trust distributions	31,239	-	-	31,239
Investment fees	(13,086)	(51,310)	(1,896)	(66,292)
Net losses on perpetual trusts	-	-	(1,445)	(1,445)
Realized and unrealized losses	137,060	542,112	-	679,172
Total investment return	\$ 209,274	\$ 685,103	\$ 3,777	\$ 898,154
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 44,883	\$ 195,496	\$ 5,666	\$ 246,045
Perpetual trust distributions	40,671	-	-	40,671
Investment fees	(10,189)	(49,164)	(1,353)	(60,706)
Net losses on perpetual trusts	-	-	(17,286)	(17,286)
Realized and unrealized gains	(17,498)	(43,990)	-	(61,488)
Total investment return	\$ 57,867	\$ 102,342	\$ (12,973)	\$ 147,236

Total investments reported are comprised of the following at June 30:

	2017	2016
Investments, current	\$ 3,070,019	\$ 2,005,852
Investments designated long-term	330,354	307,656
Investments restricted for long-term purposes	9,064,081	7,426,072
Total investments	\$ 12,464,454	\$ 9,739,580

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 3 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$445,759 and \$1,092,128 at June 30, 2017 and 2016, 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 used to pay for such liabilities.

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30:

	2017	2016
Student accounts receivable	\$ 2,521,548	\$ 2,556,999
Grants receivable	837,546	650,615
Other receivables	777,056	1,987,193
	4,136,150	5,194,807
Less: allowance for doubtful accounts	(619,423)	(577,654)
	\$ 3,516,727	\$ 4,617,153

Note 5 - **Contributions Receivable**

Contributions receivable of the Foundation are all considered collectable and are as follows at June 30:

	2017	2016
Amounts due in:		
Less than one year	\$ 466,000	\$ 969,338
One to five years	380,198	891,190
	846,198	1,860,528
Less: discounts to net present value	14,958	27,737
	\$ 831,240	\$ 1,832,791

Pledges receivable with due dates extending beyond one year are discounted using United States Treasury bill rates for similar term investments at the date each pledge is received. The applicable rates at June 30, 2017 and 2016 range from 1.56% to 0.65%.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - **Note Receivable**

The Foundation held one note receivable, dated June 1, 2011, secured by real estate with compound interest of 6%. During the year ended June 30, 2017, the property was sold and the note was fully paid to the Foundation.

Note 7 - **Capital Assets**

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

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:						
Land		\$ 35,825	\$ -	\$ -	\$ -	\$ 35,825
Art sculpture		98,200	-	-	-	98,200
Construction in progress		31,875,866	887,253	-	(31,875,866)	887,253
Total non-depreciable		32,009,891	887,253	-	(31,875,866)	1,021,278
Depreciable:						
Land improvements	20	2,605,885	478,584	-	-	3,084,469
Building, including improvements	20-40	47,290,181	4,109,297	-	31,875,866	83,275,344
Furnishings and equipment	3-10	2,412,708	281,471	-	-	2,694,179
Leasehold improvements	5	471,658	-	-	-	471,658
Total depreciable		52,780,432	4,869,352	-	31,875,866	89,525,650
Less: accumulated depreciation:						
Land improvements		(1,251,357)	(142,259)	-	-	(1,393,616)
Building, including improvements		(34,696,539)	(1,392,111)	-	-	(36,088,650)
Furnishings and equipment		(1,835,866)	(204,736)	-	-	(2,040,602)
Leasehold improvements		(424,494)	(47,164)	-	-	(471,658)
Total accumulated depreciation		(38,208,256)	(1,786,270)	-	-	(39,994,526)
Capital assets, net		\$ 46,582,067	\$ 3,970,335	\$ -	\$ -	\$ 50,552,402

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Capital Assets - Continued**

		2016					
		Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:							
	Land		\$ 35,825	\$ -	\$ -	\$ -	\$ 35,825
	Art sculpture		98,200	-	-	-	98,200
	Construction in progress		11,722,909	20,188,577	(8,020)	(27,600)	31,875,866
	Total non-depreciable		11,856,934	20,188,577	(8,020)	(27,600)	32,009,891
Depreciable:							
	Land improvements	20	2,605,885	-	-	-	2,605,885
	Building, including improvements	20-40	46,511,692	750,889	-	27,600	47,290,181
	Furnishings and equipment	3-10	2,159,477	253,231	-	-	2,412,708
	Leasehold improvements	5	471,658	-	-	-	471,658
	Total depreciable		51,748,712	1,004,120	-	27,600	52,780,432
Less: accumulated depreciation:							
	Land improvements		(1,121,063)	(130,294)	-	-	(1,251,357)
	Building, including improvements		(33,769,622)	(926,917)	-	-	(34,696,539)
	Furnishings and equipment		(1,659,993)	(175,873)	-	-	(1,835,866)
	Leasehold improvements		(330,162)	(94,332)	-	-	(424,494)
	Total accumulated depreciation		(36,880,840)	(1,327,416)	-	-	(38,208,256)
	Capital assets, net		\$ 26,724,806	\$19,865,281	\$ (8,020)	\$ -	\$ 46,582,067

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Capital Assets - Continued**

Capital assets of the Foundation consist of the following at June 30:

		2017					
		Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:							
	Land		\$ 940,700	\$ -	\$ -	\$ -	\$ 940,700
	Construction in progress		-	98,445	-	-	98,445
	Art sculpture		18,000	-	-	-	18,000
	Total non-depreciable		958,700	98,445	-	-	1,057,145
Depreciable:							
	Land improvements	20	14,813	-	-	-	14,813
	Building, including improvements	20-40	4,305,032	-	-	-	4,305,032
	Loan costs	25	19,383	-	-	-	19,383
	Total depreciable		4,339,228	-	-	-	4,339,228
Less: accumulated depreciation:							
	Land improvements		(5,186)	(740)	-	-	(5,926)
	Building, including improvements		(1,338,149)	(172,202)	-	-	(1,510,351)
	Loan costs		(7,882)	(775)	-	-	(8,657)
	Total accumulated depreciation		(1,351,217)	(173,717)	-	-	(1,524,934)
	Capital assets, net		\$ 3,946,711	\$ (75,272)	\$ -	\$ -	\$ 3,871,439

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Capital Assets - Continued**

		2016					
		Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:							
	Land		\$ 940,700	\$ -	\$ -	\$ -	\$ 940,700
	Art sculpture		18,000	-	-	-	18,000
	Total non-depreciable		958,700	-	-	-	958,700
Depreciable:							
	Land improvements	20	14,813	-	-	-	14,813
	Building, including improvements	20-40	4,305,032	-	-	-	4,305,032
	Loan costs	25	19,383	-	-	-	19,383
	Total depreciable		4,339,228	-	-	-	4,339,228
Less: accumulated depreciation:							
	Land improvements		(4,446)	(740)	-	-	(5,186)
	Building, including improvements		(1,165,947)	(172,202)	-	-	(1,338,149)
	Loan costs		(7,107)	(775)	-	-	(7,882)
	Total accumulated depreciation		(1,177,500)	(173,717)	-	-	(1,351,217)
	Capital assets, net		\$ 4,120,428	\$ (173,717)	\$ -	\$ -	\$ 3,946,711

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - **Long-Term Liabilities**

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

	2017				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences	\$ 3,822,758	\$ -	\$ (91,090)	\$ 3,731,668	\$2,856,052
Workers' compensation	221,578	4,514	-	226,092	32,105
Net pension liability	11,807,041	-	(1,245,153)	10,561,888	-
Total long-term liabilities	<u>\$15,851,377</u>	<u>\$ 4,514</u>	<u>\$ (1,336,243)</u>	<u>\$14,519,648</u>	<u>\$2,888,157</u>
	2016				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences	\$ 3,959,847	\$ -	\$ (137,089)	\$ 3,822,758	\$2,995,227
Workers' compensation	242,073	-	(20,495)	221,578	45,423
Net pension liability	6,491,611	5,315,430	-	11,807,041	-
Total long-term liabilities	<u>\$10,693,531</u>	<u>\$5,315,430</u>	<u>\$ (157,584)</u>	<u>\$15,851,377</u>	<u>\$3,040,650</u>

Note 9 - **Pensions**

Defined Benefit Plan Description

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately \$2,652,000 and \$2,470,000 for the years ended June 30, 2017 and 2016, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the retirement System. Annual covered payroll was approximately 62% of total related payroll for years ended 2017 and 2016.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

Defined Benefit Plan Description - Continued

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 a stand-alone financial statement.

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (“MGL”) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated based on the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the 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 to retire prior to age 60.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

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 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The College is required to contribute at an actuarially determined rate; the rate was 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. The College contributed \$575,354 and \$550,021 for the fiscal years ended June 30, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

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

At June 30, 2017 and 2016, the College reported a liability of \$10,561,888 and \$11,807,041, respectively for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2017 was measured as of June 30, 2016, 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, 2016 rolled forward to June 30, 2016 for reporting at June 30, 2017, the reporting date. 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 the College for the fiscal years 2016 and 2015. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2016 and 2015 relative to total contributions of all participating employers for the fiscal years. At June 30, 2016 and 2015, the College's proportion was 0.077% and 0.104%, respectively.

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$955,714 and \$1,315,824, respectively.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

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

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

	<u>2017</u>	<u>2016</u>
<u>Deferred Outflows of Resources</u>		
Difference between expected and actual experience	\$ 501,661	\$ 233,385
Net differences between projected and actual earnings on pension plan investments	709,000	-
Change of assumptions	1,171,243	2,044,738
Changes in proportion from Commonwealth	23,530	1,191,599
Changes in proportion due to internal allocation	926,799	-
Contributions subsequent to the measurement date	<u>575,354</u>	<u>550,021</u>
Total	<u>\$ 3,907,587</u>	<u>\$ 4,019,743</u>
<u>Deferred Inflows of Resources</u>		
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 339,285
Changes in proportion from Commonwealth	5,089	9,064
Changes in proportion due to internal allocation	<u>2,828,025</u>	<u>979,311</u>
Total	<u>\$ 2,833,114</u>	<u>\$ 1,327,660</u>

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

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

The College's contributions of \$575,354 and \$550,021 made during the fiscal years ending 2017 and 2016, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases in pension expense as follows:

Years Ending <u>June 30,</u>	
2018	\$ 55,646
2019	55,646
2020	340,338
2021	(4,371)
2022	<u>51,860</u>
	 <u>\$ 499,119</u>

Actuarial Assumptions

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

Measurement date	June 30, 2016	June 30, 2015
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	3.50% to 9.00%
Investment rate of return	7.50%	7.50%

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

Actuarial Assumptions - Continued

For measurement dates June 30, 2016 and 2015, mortality rates were based on:

- Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)

The actuarial assumptions used in the January 1, 2016 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of January 1, 2016.

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.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

Actuarial Assumptions - Continued

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

Asset Class	2016		2015	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40.00%	6.90%	40.00%	6.90%
Core Fixed Income	13.00%	1.60%	13.00%	2.40%
Hedge Funds	10.00%	8.70%	9.00%	5.80%
Private Equity	10.00%	4.60%	10.00%	8.50%
Real Estate	10.00%	4.80%	10.00%	6.50%
Portfolio Completion Strategies	9.00%	4.00%	4.00%	5.50%
Value Added Fixed Income	4.00%	3.60%	10.00%	5.80%
Timber/Natural Resources	4.00%	5.40%	4.00%	6.60%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% at June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **Pensions - Continued**

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.

<u>June 30, 2017</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 13,763,776	\$ 10,561,888	\$ 7,848,164
<u>June 30, 2016</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 16,049,634	\$ 11,807,041	\$ 8,147,733

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 10 - **Deferred Inflows of Resources**

The College has entered into service concession arrangements for dining and bookstore operations with Unidine Food Management, Inc. (“Unidine”) and Follett Higher Education Group, Inc. (“Follett”), respectively. In exchange for these agreements Unidine and Follett have provided the College with funds to augment the cost of improvements to the College’s dining and bookstore facilities. These monies are amortized into revenue ratably over the life of the agreements through June 2017 and June 2021. In the event of termination, as provided for by either party in the agreements, repayment of the unamortized portion would be required. The agreements also require additional payments from Unidine and Follett to defray costs incurred by the College, as well as revenue sharing, which amounted to approximately \$415,000 and \$474,000 during the years ended June 30, 2017 and 2016, respectively. Recognition of these deferred inflows in annual revenue is as follows:

Years Ending <u>June 30,</u>	
2018	\$ 10,000
2019	10,000
2020	10,000
2021	<u>10,000</u>
	<u>\$ 40,000</u>

Note 11 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. All restricted-expendable funds are to be used for academic programs.

The Foundation’s restricted - nonexpendable and expendable net assets consist of investments to be utilized for various scholarships and program support.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Unrestricted Net Position**

The College's unrestricted net position is composed of the following at June 30:

	2017	2016
Unrestricted net position designated by the College's Board of Trustees for the following purposes:		
Capital projects	\$ 4,093,151	\$ 4,082,935
Academic and other programs	2,871,702	2,869,426
New Bedford lease	3,007,506	3,000,000
Technology improvements	<u>1,553,972</u>	<u>1,550,094</u>
Total unrestricted net position	<u>\$ 11,526,331</u>	<u>\$ 11,502,455</u>

The Foundation's unrestricted net assets are composed of the following at June 30:

	2017	2016
Unrestricted net assets designated by the Foundation's Board of Directors for the following purposes:		
Margaret Jackson Fund - designated for use of the art center and visual arts department	\$ 330,354	\$ 307,656
Undesignated	<u>1,870,686</u>	<u>1,343,840</u>
Total unrestricted net assets	<u>\$ 2,201,040</u>	<u>\$ 1,651,496</u>

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Commitments and Contingencies**

Related Party Transactions

On March 30, 2007, the College entered into a revocable license agreement with the Foundation for use of a building and related premises located in Attleboro, Massachusetts to be used for additional classroom and instructional space and such other related purpose consistent with that of a community college. The license, which expired on March 30, 2016, is automatically renewed for one year unless written notice is given by either party not less than thirty days prior to the then scheduled expiration date. Total costs under this license agreement was approximately \$289,000 and \$290,000 for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2018, the College is committed to payments totaling approximately \$213,000 related to this license agreement. The Foundation has a mortgage payable on this property of \$2,965,602 as of June 30, 2017.

The College currently occupies its New Bedford campus under a tenant-at-will agreement with the Foundation that requires monthly payments of \$47,500. Negotiations for a ten-year lease with the Foundation are currently on-going under the auspices of the Department of Capital Asset Management and Maintenance (“DCAMM”). Total rent expense for this lease agreement was approximately \$539,000 and \$477,000 for the years ended June 30, 2017 and 2016, respectively.

Litigation

In May 2017, the College filed an appeal of a jury trial verdict which, in October 2016, awarded the plaintiff, of a discrimination suit, \$2.5 million. The appeal is currently pending. In the event that the College verdict is upheld or another judgement or settlement is reached, the College intends to submit the full amount of any judgement or settlement to the Commonwealth Office of the Comptroller for payment pursuant to 815 CMR 5.00.

There are various lawsuits pending or threatened against the College that arose from the ordinary course of operations, other than the one previously described. In the opinion of management, no litigation is now pending or threatened, which would materially affect the College’s financial position.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Commitments and Contingencies - Continued**

Federal, State, and Private Grants and Contracts

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.

Collaboration Agreement

The College entered into a Collaboration Agreement (the "Agreement") with Higher Education Partners, LLC (the "Company") in fiscal year 2011. The Company facilitated the expansion of the College's academic and degree program offerings through the provision of turn-key facilities, currently directed towards healthcare professionals. The Company assisted the College with the implementation of the programs and the development of technology enabling the programs to be offered through a combination of on-site and on-line learning.

In October 2016, the College and the Company mutually agreed to terminate the Agreement. As part of the termination, the College is now responsible to provide for the academic facilities, which the College leases from the Foundation, as described in above, and the College purchased all of the equipment from the Company that was used in the program facilities at a cost of approximately \$450,000 based on net book value.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 14 - **Lease Commitments**

The College has leases agreements for additional academic space in Taunton and Fall River, expiring through June 2026. Total occupancy costs under these lease agreements was approximately \$939,000 and \$262,000 for the years ended June 30, 2017 and 2016, respectively.

Future annual lease payments subsequent to June 30, 2017 are as follows:

Years Ending <u>June 30,</u>	
2018	\$ 1,040,916
2019	1,061,558
2020	1,082,818
2021	1,104,716
2022	1,117,654
Thereafter	<u>3,301,616</u>
	<u>\$ 8,709,278</u>

Note 15 - **Operating Expenses**

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

	2017	2016
Compensation and benefits	\$ 53,659,913	\$ 52,259,126
Supplies and services	13,404,995	12,701,085
Depreciation	1,786,270	1,327,416
Scholarships and fellowships	5,384,271	5,713,069
	<u>\$ 74,235,449</u>	<u>\$ 72,000,696</u>

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 16 - **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 costs for active employees and retirees are paid through a fringe benefit rate charged to the College by the Commonwealth and currently the liability is borne by the Commonwealth, as are any effects on net position and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

In addition to providing pension benefits, 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 the 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 (GIC)

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount 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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 16 - **Fringe Benefits - Continued**

Group Insurance Commission (GIC) - Continued

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 it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2017 and 2016, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain 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 pre-tax health care spending account and dependent care assistance program (for active employees only).

New Accounting Guidelines Effective for Fiscal 2018

As discussed in Note 1, GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for fiscal 2018 and is applicable for employees participating in a cost-sharing multiple employer plan such as the State Retirement Benefits Trust Fund. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net other postemployment benefit ("OPEB") obligation. OPEB expense reported in the College's financial statements will reflect the change in the net OPEB liability for the fiscal year.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 17 - **State Appropriation**

	2017	2016
Direct unrestricted appropriations:	\$ 21,095,653	\$ 20,701,156
Add: fringe benefits for benefited employees on the state payroll	6,989,529	5,977,907
Less: day school tuition remitted to the state and included in tuition and fee revenue	(441,711)	(391,649)
Total unrestricted appropriations	27,643,471	26,287,414
Restricted appropriations	284,860	172,265
Capital appropriations	4,875,855	21,328,224
Total appropriations	\$ 32,804,186	\$ 47,787,903

Note 18 - **Massachusetts Management Accounting and Reporting System**

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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 18 - **Massachusetts Management Accounting and Reporting System - Continued**

A reconciliation between the College and MMARS as of June 30, is as follows (unaudited):

	2017	2016
Revenue per MMARS	\$ 21,791,202	\$ 20,921,465
Revenue per College	22,738,057	22,607,183
Difference	\$ (946,855)	\$ (1,685,718)

The difference for the year ended June 30, 2017 relates to a combination of factors including funding by the state for tuition waivers totaling approximately \$587,000 and funding by the College for payroll, facility improvements and other items of approximately \$360,000.

The difference for the year ended June 30, 2016 relates to a combination of factors including funding by the state for tuition waivers totaling approximately \$590,000 and funding by the College for payroll, facility improvements and other items of approximately \$1,096,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Valuation date	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.077%	0.104%	0.087%
Proportionate share of the collective net pension liability	\$ 10,561,888	\$ 11,807,041	\$ 6,491,611
College's covered-employee payroll	\$ 5,818,335	\$ 6,250,090	\$ 6,846,015
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%

Notes:

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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Contributions (Unaudited)

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 575,354	\$ 550,021	\$ 649,384
Contributions in relation to the contractually required contribution	<u>575,354</u>	<u>550,021</u>	<u>649,384</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,782,452	\$ 5,818,335	\$ 6,250,090
Contribution as a percentage of covered-employee payroll	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.

BRISTOL COMMUNITY COLLEGE
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Notes to the Required Supplementary Information (Unaudited)

June 30, 2017, 2016 and 2015

Note 1 - **Changes in Assumptions**

Changes in assumptions about the discount rate from 8.0% to 7.5%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions for the years ended June 30, 2017, 2016 and 2015 is 0.083%, 0.104% and 0.096%, respectively, as shown on the Schedules of Proportionate Share of Net Pension Liability, and represents the relationship of contributions made by the College to total contributions by all participating State Agencies.

The College's portion of these amounts is as follows at June 30,:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Changes in assumptions	\$ 2,489,807	\$ 2,489,807	\$ 89,189
Recognized in current year pension expense	<u>(1,318,564)</u>	<u>(445,069)</u>	<u>(16,216)</u>
Changes in assumptions, net	<u>\$ 1,171,243</u>	<u>\$ 2,044,738</u>	<u>\$ 72,973</u>

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



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

To the Board of Trustees of
Bristol Community College
Fall River, 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 Bristol Community College (an Agency of the Commonwealth of Massachusetts) (the "College") as of and for the years ended June 30, 2017 and 2016, 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 2, 2017.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 determination of financial statement amounts. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connell and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 2, 2017