MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Financial Statements
and Management's Discussion and Analysis

June 30, 2021 and 2020

CONTENTS

Supplemental Information:

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Massachusetts Maritime Academy
Buzzards Bay, Massachusetts

Report on Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented major component unit of Massachusetts Maritime Academy (the "Academy") (an agency of the Commonwealth of Massachusetts, the "Commonwealth"), as of and for the years ending June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Maritime Academy and its discretely presented component unit as of June 30, 2021 and 2020, 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the Academy's basic financial statements. The supplemental schedules listed in the accompanying table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 19, 2021

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Introduction

As management of the Massachusetts Maritime Academy (the "Academy"), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2021 with selected comparative information for the prior periods. For financial reporting purposes, the Academy's reporting entity consists of the Academy and its discretely presented component unit, the Massachusetts Maritime Academy Foundation, Inc. (the "Foundation"). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Academy maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as set forth by the Governmental Accounting Standards Board ("GASB"), and the National Association of Colleges and University Business Officers ("NACUBO"). The financial records of the Academy are maintained on an accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay. The notes to the financial statements expand and explain the financial statements and the accounting principles applied. The Academy's financial statements have been audited by O'Connor & Drew, P.C., independent auditors.

The Department of Higher Education ("DHE") designated the Academy a Special Mission College in 2005, establishing at that time a partnership that permitted the Academy to determine a set of performance measures by which to gauge its success in meeting the broad objectives of its unique mission. As a special mission college, the Academy is allowed to retain its tuition and fees, has been held to higher standards of accountability, and is required to submit yearly reports to DHE. In 2017 the Academy's Five Year Renewal Plan was approved, limiting tuition & fee increases to 6%. The Special Mission Renewal Plan is the Academy's Five-Year Strategic Plan. As part of the strategic planning cycle, the Academy will also maintain a 24-month action plan, which is referred to as the "Voyage Plan" and will be updated annually.

The Academy hoped that Fiscal Year 2021 would see a return to normal campus life. This unfortunately was not the case. In the Fall of 2020, in an effort to quell the spread of the virus and keep students and faculty safe, the course delivery methods were modified to reduce numbers on campus and in the classrooms. The reduced number of students living on campus and the requirement to continue social distancing brought new challenges to the Academy. The priorities established in March of 2020 with the onset of the Pandemic remained in place:

- To keep cadets, faculty and staff – and by extension, their families – safe
- To keep the Academy from becoming a mass-transmission center
- To find a path to get senior cadets to degree completion in time for Commencement
- To minimize the academic disruption for all cadets.

Introduction – Continued

For colleges across the country, fall 2020 enrollment numbers were not what was expected and MMA was no different. It is expected that in the years following a global pandemic, recruitment and enrollment of the student population will take on a new normal. The Academy maintains its commitment to recruit a diverse student body which reflects the communities served as well as meeting the DHE's equity agenda.

In fiscal year 2021 the trustees authorized the Academy to raise tuition and fees by 3% for the 2021-2022 Academic year.

Fiscal Year 2021 Financial Highlights

In fiscal year 2021 the Academy spent the remaining $371,655 of the Federal Government 2020 CARES Act (Coronavirus Aid, Relief, and Economic Security Act) funds. These funds were distributed equally between Emergency Grants to students and Institutional funding.

On December 27, 2020 the Federal Government established additional Covid Relief funds, the CRRSAA (Coronavirus Response and Relief Supplemental Appropriations Act) 2021. This gave the US Department of Education approximately $22.7 billion to distribute to institutions of higher education in order to prevent, prepare for, and respond to coronavirus. The Academy was awarded $1,739,892 of which $621,345 was distributed as Emergency Grants to Students and $200,001 for COVID-19 related institutional costs, the remaining $918,546 of institutional funds will be drawn down in Fiscal year 2022.

In May of 2021, the US Department of Education continued their commitment to support the nation's students and institutions of higher education with the $39.6 billion provided through the American Rescue Plan (ARP) Act of 2021. These funds support students and institutions towards recovery efforts so that they are able to emerge from this pandemic even stronger. The Academy was awarded 3,195,798, which half is to be used for emergency grants to students and the balance for institutional support. These funds will be drawn down in Fiscal year 2022.

The Academy's fiscal year 2021 state appropriation ("GAA") was funded at $18,974,172 which included earmarked funding for the program development, operation, and maintenance of the Schooner Ernestina-Morrissey. Continued support from DHE provided an additional $381,071 or approximately 2% from the formula funding model, resulting in a final State Appropriation of

Fiscal Year 2021 Financial Highlights - Continued

$19,355,243. In comparison, fiscal years 2020 and 2019 were funded at $18,973,636 and $18,064,285 respectively. The Academy also received $90,000 to help offset Covid-19 expenses.

The Academy collaborates with the other public higher education institutions to leverage negotiations, achieve savings, and support the DHE Vision Project, specifically collaborating on Information Technology and Cybersecurity.

The Office of Intercultural Engagement was created to support the DHE Equity Agenda and strive to achieve inclusive excellence. The Academy appointed a Dean of Enrollment Management, Equity and Inclusion to expand on these efforts.

The Academy received $2,605,563 from the Division of Capital Asset Management and Maintenance (DCAMM) which included $1,200,000 for small repair projects. The funding is being used for the gym roof, envelope and windows; Flanagan Hall AC Upgrade; a smart classroom upgrade; Arc Flash study; and Emergency Transformer replacement. Furthermore DCAMM managed and expensed $2,176,957 towards the MMA –Powerplant electrical infrastructure upgrade.

The Academy funded the purchase and development of the Kendall Rae parking lot which is being managed by the MSCBA (Massachusetts State College Building Authority) and is projected to be completed in 2022.

Approximately $4.75 Million was saved in fiscal year 2021 credited to the refinancing of outstanding bonds by MSCBA, assisting the State Universities with challenges brought on by the coronavirus pandemic.

The Academy spent over $4M in deferred maintenance and capital projects consisting of $1,006,800 in projects managed by the Massachusetts State College Building Authority ("MSCBA"). Additionally, $3,140,123 was funded through state and local resources. The Academy also expensed $372,465 locally on numerous campus beautification, feasibility studies, deferred maintenance and upgrades, making the campus more energy efficient and offering students the best and safest environment.

The Academy showed a gain on investments in 2021 of $9,122,168 or 21%. The combined investment is managed by two financial institutions: Morgan Stanley and Eaton Vance. The rebalancing of the portfolios in fiscal year 2019 made it easier to determine which institution is better managing investments and created competition between the institutions.

Overview of the Financial Statements

The Academy's basic financial statements are designed to emulate corporate presentation models whereby all Academy activities are consolidated into one total. The statements of net position focus on the difference between assets and liabilities, measuring the Academy's financial position. Over time, increases or decreases in the net position are one indicator of whether the Academy's financial health is improving or deteriorating. The statements of revenues and expenses and changes in net position focus on both the gross costs and the net costs of the Academy's activities which are supported mainly by state funding and trust fund revenues. The statements of cash flows provide relevant information about the cash receipts and cash payments of the Academy during the period. This approach is intended to summarize and simplify the user's analysis of costs for various Academy services to students and the public.

The Academy's financial statements can be found on pages 24 through 27 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the Academy's financial statements can be found on pages 28 through 73 of this report. The supplemental information to the financial statements can be found on pages 74-83 of this report.

Statements of Net Position

A condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, is as follows

Statements of Net Position - Continued

	2021	2020	2019
Current and other assets	72,190,583	57,510,653	54,313,376
Capital assets (net of depreciation)	68,018,517	66,389,640	63,387,814
Total assets	140,209,100	123,900,293	117,701,190
Deferred Outflows of Resources			
Pension Related, net	628,533	375,012	473,337
OPEB Related, net	711,173	664,391	728,320
Deferred loss on bonds	228,715	-	-
Total Deferred Outflows of Resources	1,568,421	1,039,403	1,201,657
Total Assets & Deferred Outflows of Resources	141,777,521	124,939,696	118,902,847
Current liabilities	7,493,186	7,681,720	8,421,584
Other liabilities	12,501,086	11,902,919	12,697,112
Net Pension Liability	2,200,902	1,664,505	1,791,453
Net OPEB Liability	2,832,046	3,137,860	3,920,039
Total Liabilities	25,027,220	24,387,004	26,830,188
Deferred Inflows of Resources			
Service Concession revenue applicable to future years	3,261,551	3,533,347	3,812,062
Pension Related, Net	187,278	278,083	209,409
OPEB Related, Net	1,439,086	1,130,062	345,269
Total deferred Inflow of Resources	4,887,915	4,941,492	4,366,740
Net assets			
Invested in capital assets, net of related debt	57,017,517	56,493,948	52,529,397
Restricted	2,222,944	2,213,840	1,316,010
Unrestricted	52,621,925	36,903,412	33,860,512
Total Net Position	$111,862,386	$ 95,611,200	$ 87,705,919

Statements of Net Position - Continued

Current assets consist primarily of cash and investments. Current liabilities consist primarily of accounts payable and accrued payroll and related expenses.

A portion of the Academy's net position, (approximately 1.9% in 2021 2.0% in 2020, and 1.5% in 2019) represent resources that are subject to external restrictions as to their use. A restriction on net position can be imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.

Statements of Revenues and Expenses and Changes in Net Position

The statements of revenues and expenses and changes in net position present the Academy's results of operations. Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the Academy's revenues, including state appropriations, gifts and net investment income, are considered non-operating, as defined by GASB.

The summarized comparison of the Academy's revenues and expenses and changes in net position for the years ended June 30, is as follows:

MASSACHUSETTS MARITIME ACADEMY
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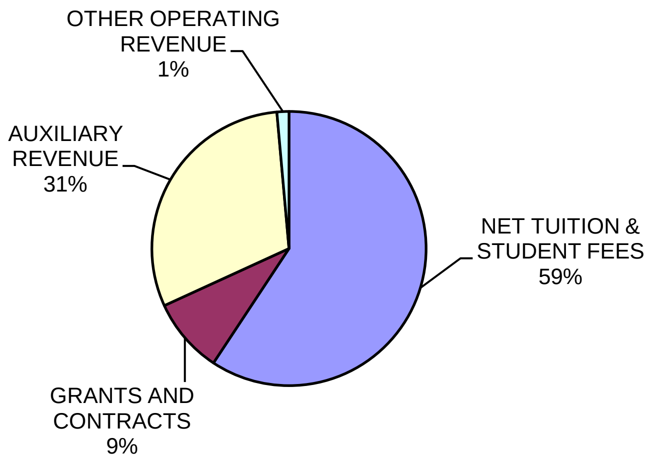
Management's Discussion and Analysis (Unaudited) - Continued

Statements of Revenues and Expenses and Changes in Net Position - Continued

	2021	2020	2019
Operating revenues			
Student tuition and fees	30,629,712	32,780,952	30,198,475
Less: scholarship allowances	(7,344,855)	(6,497,996)	(6,135,868)
Net student tuition and fees	23,284,857	26,282,956	24,062,607
Grants and Contracts	3,488,263	4,379,202	3,722,518
Auxiliary revenue	11,946,140	14,259,733	22,250,945
Other	555,023	871,076	935,074
Total operating revenue	39,274,283	45,792,967	50,971,144
Operating expenses	64,941,973	74,070,237	73,012,631
Operating loss	(25,667,690)	(28,277,270)	(22,041,487)
Nonoperating revenues (expenses)			
State appropriations - operating, net	26,361,024	25,826,590	24,925,617
Federal Grants (CARES)	1,193,001	1,037,700	-
Other Revenue - MSCBA	-	298,889	-
Private gifts	704,103	2,164,053	2,295,017
State appropriations - capital	4,782,520	5,745,808	1,526,848
Investment income/ (loss), net	9,122,168	1,486,278	2,280,823
Interest expense and other, net	(243,940)	(376,767)	(475,876)
Net nonoperating revenues	41,918,876	36,182,551	30,552,429
Increase in net position	16,251,186	7,905,281	8,510,942
Transfer Assets to Foundation			
Net Position, beginning of year	95,611,200	87,705,919	79,194,977
Net Position, end of year	111,862,386	95,611,200	87,705,919

Statements of Revenues and Expenses and Changes in Net Position - Continued

MASSACHUSETTS MARITIME ACADEMY - OPERATING REVENUE



The above chart is an illustration of operating revenues by source for fiscal year 2021.

Highlights of operating revenue activity for fiscal year 2021 are as follows:

The global pandemic played a role in declining student enrollment for institutions of higher education. Social distancing, limited in person activities, coronavirus testing and mask wearing requirements discouraged students from participating in the college experience accompanied by the predicted decline in high school graduates. The enrollment numbers in fall of 2020 reflected this regression with a 9% decrease from fiscal year 2019 enrollment statistics.

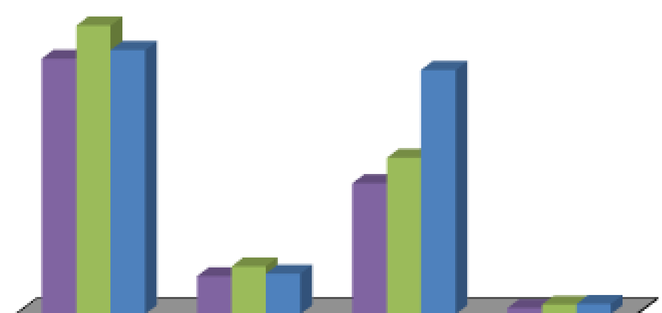
- In fiscal year 2021 net tuition and fees revenue represents 59% of operating revenue. Accounting for lower overall revenue, a 3% rate increase and declining enrollment. In comparison, fiscal year 2020 and 2019 were 57% and 47% respectively. Conversely, net tuition and fee revenue decreased by 11% when compared to fiscal year 2020, resulting from lower enrollment and reduced participation in sea-term, co-ops and commercial shipping. Fiscal year 2020 increased 9% over fiscal year 2019; a result of the 2019 fee restructuring.

Statements of Revenues and Expenses and Changes in Net Position – Continued

- Auxiliary revenues decreased by $2,313,593 or 16% resulting from de-densifying the dormitories, a requirement due to COVID-19 safety measures. The Academy also issued partial refunds as a spike in coronavirus cases caused the closing of the dormitories in late November. The financing of the dorms facility is done through MSCBA, the debt service is covered by the room fee charged to the students. This fiscal year MSCBA allocated an amount of $234,554 for housing grants to resident students needing financial assistance. The room rate is set by MSCBA and was increased by approximately 2.75% to $8,004 for the year. The Board rate was increased by approximately 2% to $5,348 for the year. The majority of auxiliary revenue (95%) was derived from room and board; the remaining 5% relates to various facility rentals and commissions which declined drastically from the impact of the coronavirus pandemic. Commissions were decreased as operations from vendors; Chartwells and Follett, were curtailed, and facility rentals were nearly non-existent.

- Grants and contracts consist of state and federal grants. This revenue decreased to 9% in relation to operating revenue in fiscal year 2021 as compared to 10% in 2020 and 7% in 2019. Fewer grants were awarded or pursued in fiscal year 2021 contributing to the decline.

- Other revenue decreased in fiscal year 2021 to 1% compared to 2% in fiscal years 2020 and 2019. Restricted campus access and social distancing guidelines hindered the student government club activities and fundraising efforts.



	NET TUITION & STUDENT FEES	GRANTS AND CONTRACTS	AUXILIARY REVENUE	OTHER OPERATING REVENUE
2021	23,284,857	3,488,263	11,946,140	555,023
2020	26,282,956	4,379,202	14,259,733	871,076
2019	24,062,607	3,722,518	22,250,945	935,074

Statements of Revenues and Expenses and Changes in Net Position – Continued

Tuition and fees earned by Massachusetts Maritime Academy as of June 30, include the following:

	2021	2020	2019
Tuition and general fees	$20,342,785	$19,674,353	$18,078,124
Sea term, internship, coop	$2,425,385	$4,606,408	$3,740,784
Other fees	$5,316,087	$5,833,491	$5,762,242
Continuing education tuition and fees	$2,545,455	$2,666,700	$2,617,325
Waivers and scholarships	($7,344,855)	($6,497,996)	($6,135,868)
Net student fees and tuition	$ 23,284,857	$ 26,282,956	$ 24,062,607

During fiscal year 2021, tuition and general fees increased 3% over fiscal year 2020, a result of the 3% rate increase and the restructuring of fees in 2019.

Sea-term, commercial shipping, and co-op revenue decreased by 47% in fiscal year 2021. The pandemic limited the cadets' ability to participate in commercial shipping and co-ops contributing to this reduction in revenue. The charges for Sea term were reduced due to the elimination of international ports and a shortened cruise from 6 weeks to 4 weeks, along with fewer students participating. In contrast, 2020 saw a 23% increase over 2019.

Other fees decreased approximately 9% in fiscal year 2021 compared to fiscal year 2020. The program and licensing fees were not included in the rate increase contributing to this decline as well as lower enrollment.

Continuing Education tuition and fees decreased by approximately 4.5% in 2021 as compared to 2020. A direct result of restricted access to the campus and limited courses offered through the Center for Maritime and Professional Training.

Waivers and scholarships grew by approximately 13% in 2021 as the result of the continuing efforts to increase institutional funding. The Academy continues to dedicate additional funds each year to need-based financial aid and bridge the gap between aid awarded and remaining unmet need. In addition, the Academy strives to meet goals to expand its targeted populations and achieve its mission of inclusiveness. In fiscal year 2021 the Academy was able to meet 88% need for targeted populations.

MASSACHUSETTS MARITIME ACADEMY
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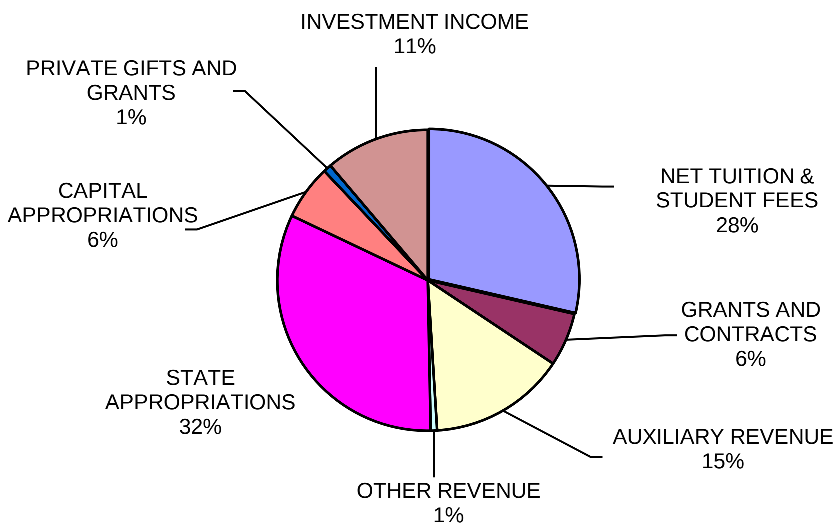
Management's Discussion and Analysis (Unaudited) - Continued

Statements of Revenues and Expenses and Changes in Position - Continued

MASSACHUSETTS MARITIME ACADEMY TOTAL REVENUE



The Academy's statements of revenues and expenses and changes in net position reflects an operating loss. This is a result of the GASB requirement that State appropriations be classified as non-operating revenue, which make up 32% of total revenue in fiscal year 2021, a slight increase from 31% in 2020.

The 2021 fiscal year financial statements include in the state appropriation line, the state maintenance appropriation, as provided by the General Appropriations Act (GAA) of $26,361,024 including the fringe benefits for state employees of $7,005,781. The fringe benefit package is appropriated and administered separately from the GAA. It is calculated annually by the state comptroller as a percent of the Academy's payroll. The fringe rate was 36.38% in 2021, 35.48% and 34.89% in fiscal year 2020 and 2019.

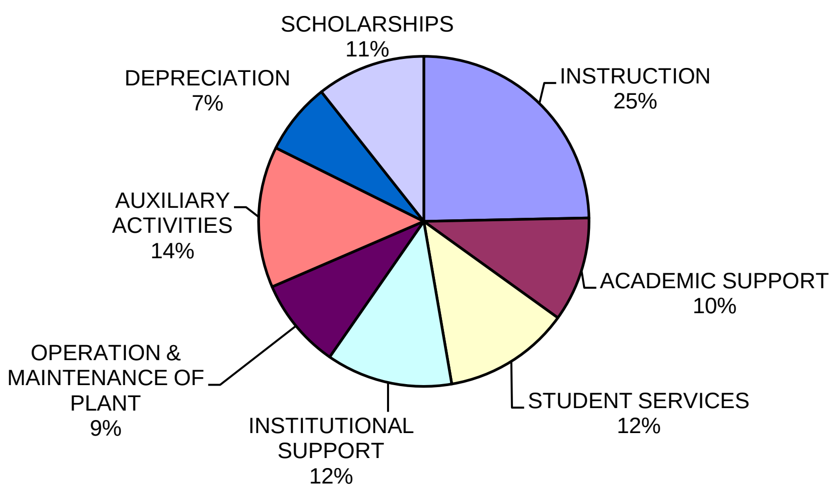
The final fiscal year 2021 annual direct state appropriation was $19,355,243. In comparison fiscal year 2020 state appropriation was funded at $18,973,636 and $18,064,285 in 2019.

Statements of Revenues and Expenses and Changes in Position - Continued

Non-Operating Federal Grants of $1,193,001 was comprised of the CAREs Act funding and CRRSAA funding totaling $807,173, of Emergency Grants to students, and $385,828, received by the institution to offset costs and reimburse lost revenue associated with the coronavirus pandemic.

Capital appropriations were 6% in fiscal year 2021 inclusive of a non-cash transfer of $2,176,957 expensed by DCAMM on the MMA power-plant electrical infrastructure upgrade. The balance of the capital appropriation $2.6 Million was allocated for the repair of the gym roof, envelope and windows; Flanagan Hall HVAC upgrade; Transformer replacement; and several small repair projects.

MASSACHUSETTS MARITIME ACADEMY - OPERATING EXPENSES BY SOURCE



Highlights of fiscal 2021 operating expense activity include:

The Academy remained focused on student safety and success, encouraging covid-19 related spending on additional cleaning supplies, laboratory supplies, testing, contracted employees, and

Statements of Revenues and Expenses and Changes in Position - Continued

increases in spending on utilities to provide air filters in the offices and classrooms. The continued strict spending practices on discretionary expenses helped to offset these costs. During the ongoing pandemic, the Academy monitored hiring allowing only critical positions to be advertised and filled, overtime was carefully supervised for essential personnel, most travel was eliminated, and decreases in administrative spending as most offices were working remotely or in a hybrid capacity with limited presence on campus. These efforts contributed to an overall decrease of 16% in operating expenses. The campus continues to maintain close cost monitoring and total campus efficiency efforts to remain within budget.

- Instruction expenses decreased by 11.05% in fiscal year 2021. This is attributable to the ongoing pandemic which required the Academy to suspend the Experiential learning programs reducing contracted faculty and travel expenses. The freshmen orientation mini cruise was cancelled and the annual seaterm was postponed to the end of the Spring Semester and shortened from 6 weeks to 4 weeks without any port calls contributing to these savings. The decreased number of students on campus and the hybrid learning model led to less spending on equipment, adjunct faculty, and training. The masters programs were 100% remote and contributed to savings in travel. The Center for Maritime Training had to suspend most of their training programs contributing to this decrease. In addition, the implementation of a new payment processing software in the spring of 2020 produced realized savings of over $20,000 in Fiscal year 2021.

- Academic support expenses decreased by 2.53%. Offsetting the decrease was an increase in IT support for students and staff due to the transition to remote work and hybrid learning. As with Instruction, the suspension of Experiential Learning contributed to this decrease by reducing travel and contracted faculty. The shortened seaterm and reduction of port fees were also a factor in the decrease as well as conservative spending.

- Student services expenses were 8.30% lower than fiscal year 2020. Travel for admission staff was suspended, fall 2020 Athletics were cancelled, spending on travel, coaching, referees, and athletic equipment and supplies were curtailed. The student government association could not sponsor off campus events and had to follow social distancing guidelines for any on campus events resulting in decreased spending. The drug testing program was suspended as a direct correlation to the COVID-19 Pandemic and the modified way business was being conducted on campus. Restricting public relations efforts as a way to keep the campus community safe and cancellation of in person events contributed to these savings.

- Institutional support expenses overall were lower by 1.91% as the Academy made conscientious efforts to control spending and reduce on campus activity. As employees

Statements of Revenues and Expenses and Changes in Net Position – Continued

retired, positions were evaluated to determine if duties could be shifted and the need to fill these roles eliminated. Student employment on campus was largely reduced with fewer students living on campus and in person offices following social distancing guidelines. Spending in the boat donation program decreased as a direct result of the pandemic. Offsetting these savings was additional spending for coronavirus safety measures used to control the spread of the virus, such as additional cleaning and supplies; coronavirus testing and testing supplies; personal protective equipment (PPE) for students and staff; and ventilation measures in classrooms and offices. .

- Auxiliary expenses in 2021 continued to be greatly impacted by the coronavirus restrictions. Expenses declined by 40.99%, the majority of this decrease is a result of the refinancing of the MSCBA bonds eliminating the fall assessment payment and greatly reducing the spring assessment payment. The lower number of students living on campus directly impacted the payments to Chartwells, the Academy's food service provider. Nearly all on campus space rentals were suspended for fiscal year 2021 creating savings on contracted labor and utilities.

- Operation and maintenance expenses decreased by 16.71 % in fiscal year 2021. A product of careful spending, decreases in contracted labor and student employment. Due to a conservative approach to fiscal year 2021 spending, the Academy didn't seek one time purchases. In 2020 these expenses included the funding of the Massachusetts Maritime Academy Foundation purchase of the Kendall Rae parking parcel, vehicle purchases for the facilities department, and equipment maintenance and repair expenses. With a shortened seaterm, the Academy purchased less fuel for the ship. Offsetting some of these decreases was the increase in cleaning supplies and electricity costs supporting the operation of air filters in offices and classrooms meeting Covid-19 protocols.

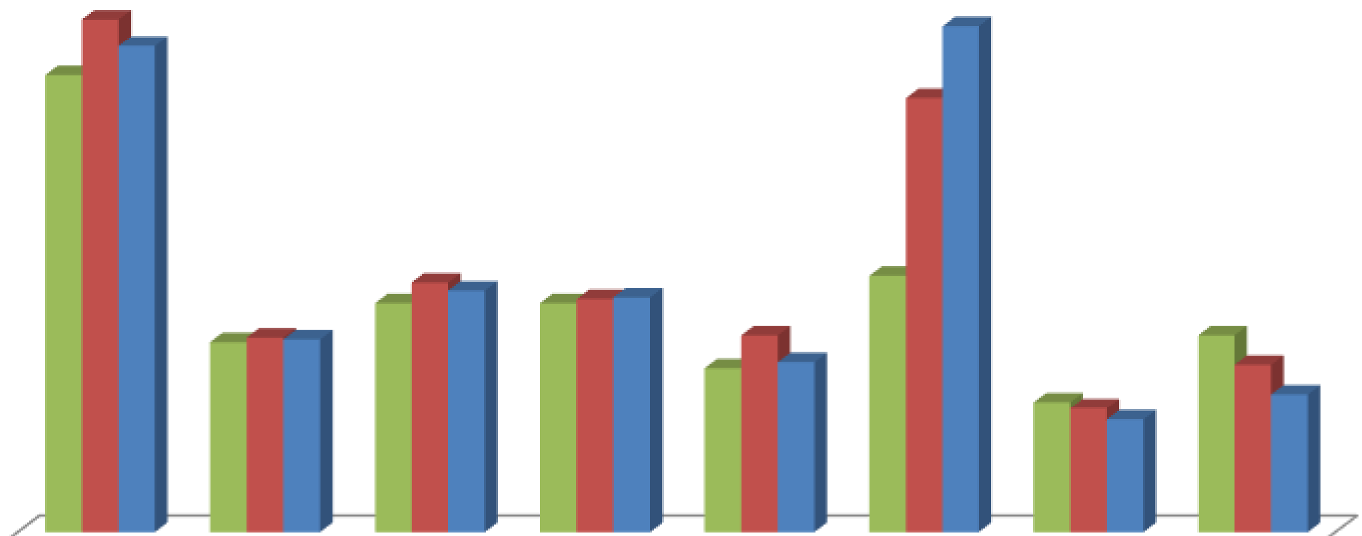
- Fiscal year 2021 depreciation expenses totaled $4,559,003 compared to $4,348,181 in fiscal year 2020, an increase of 4.8%. The completion of capital projects that began prior to the pandemic, including the Executive suite, the Emergency operations Center, renovations of the Tamarack building, emergency transformer and the gym HVAC upgrade were factors in the increase. The Commonwealth's policy allows the Academy to take a full year of depreciation in the year the asset was put into use, contributing to the higher depreciation.

- Scholarship expenses increased 17.54% or $1,030,906 in fiscal year 2021. Included in this amount is the $807,173 CARES Act funds for Emergency grants to students. The Academy funded an additional 16.08% or $845,078 in scholarship funds as compared to fiscal year

Statements of Revenues and Expenses and Changes in Net Position - Continued

2020. The Academy maintains the commitment to support affordability and combat the trend of students graduating with increased debt. The Academy continues reviewing the financial aid policy to better target underrepresented populations and address Board of Higher Education and Legislation formula funding focus.

MASSACHUSETTS MARITIME ACADEMY - OPERATING EXPENSES



	INSTRUCTION	ACADEMIC SUPPORT	STUDENT SERVICES	INSTITUTIONAL SUPPORT	OPERATION & MAINTENANCE OF PLANT	AUXILLIARY ACTIVITIES	DEPRECIATION	SCHOLARSHIPS
2021	16,021,383	6,663,585	8,027,892	8,024,836	5,755,425	8,983,044	4,559,003	6,906,805
2020	17,977,697	6,827,361	8,743,059	8,172,539	6,902,980	15,222,521	4,348,181	5,875,899
2019	17,050,243	6,766,472	8,462,701	8,230,013	5,968,347	17,748,298	3,949,264	4,837,293

Statements of Revenues and Expenses and Changes in Net Position - Continued

Loss from Operations

The following schedule presents the components of the Academy's losses from operations for the fiscal years ended June 30,

	2021	2020	2019
Operating revenues			
Tuition and fee revenue, net	$ 23,284,857	$ 26,282,956	$ 24,062,607
Other revenue	15,989,426	19,510,011	26,908,537
Operating expenses			
Expenditures	(60,382,970)	(69,722,056)	(69,063,367)
Depreciation	(4,559,003)	(4,348,181)	(3,949,264)
Operating loss	$(25,667,690)	$(28,277,270)	$(22,041,487)

Due to the nature of public higher education, as well as the GASB's financial reporting rules, almost all public institutions incur an operating loss. The Academy sets tuition and fees and other charges in accordance with the special mission status. Commonwealth appropriations to the Academy funded the loss from operations not supported by tuition and fees. The Academy, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to eliminate losses after Commonwealth appropriations.

Capital Assets and Debts of the Academy

As of June 30, 2021, the Academy has $57,017,517 invested in capital assets, net of related debt and accumulated depreciation. Additions for this fiscal year totaled $6,187,880 inclusive of the DCAMM expense of $2,176,957 for the power plant electrical infrastructure upgrade.

The Commonwealth's capitalization policy sets a minimum of $100,000 for buildings and road infrastructures, and $50,000 for all other categories except land and historical treasures/works of art, which do not have a pre-set threshold.

Capital Assets and Debts of the Academy - Continued

Fiscal year 2021 major capital additions were as follows:

IT Distance learning upgrade	376,339
Executive Suite Renovation	120,547
Tamarack Improvements	361,881
Kendall Rae Parking Security Cameras	57,112
Kendall Rae Parking lot development - MSCBA CIP	1,006,800
Emergency Operations Center - SEC	31,270
Emergency Transformer - DCAMM	85,000
Flanagan HVAC - DCAMM CIP	23,500
Gym/Envelope/Window - DCAMM CIP	1,948,474
Power Plant elect Upgrade - DCAMM Xfer CIP	2,176,957
	6,187,880

The Academy has debt of $11,224,335 in bonds. $654,496 represents the HEFA Loan for the expansion of the Bresnahan building. The remaining $10,569,839 is payable to MSCBA for various capital construction projects.

Economic Condition and Outlook

The Academy is located in southeastern Massachusetts. While the majority of students are Massachusetts residents, the Academy is expanding outreach to attract students from other states and address the declining demographics of high school graduates in New England. The Academy has implemented a model keeping out of state tuition and fees competitive to meet enrollment targets. The challenges of the Coronavirus pandemic has shifted the predictive models for recruiting the incoming class. The pre-COVID-19 goal of reaching a 1,900 student body (including both undergraduates and graduates) has been adjusted downward by 100 students to reflect these emerging challenges. The Academy will strive to continue to educate and recruit in alignment with the DHE's equity agenda in order to increase the enrollment and degree attainment of women and underrepresented students of color. These goals will be achieved through avenues such as social media, marketing, promoting the return on investment, partner programs, and K-12 outreach - all with the focus to increase applications, acceptances, enrollments and degree completion.

Economic Condition and Outlook – Continued

The table below reflects the decline in enrollment the Academy experienced in fiscal year 2021.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
# Students	1,415	1,476	1,497	1,674	1,751	1,780	1,802	1,792	1,637
# FTE	1,434	1,472	1,542	1,669	1,749	1,781	1,786	1,791	1,650
# Credits	21,390	21,991	22,976	24,875	26,178	26,644	26,717	26,757	24,620

The Academy has been ranked #4, Top Public Schools (Regional Colleges North), by US News and World Report; #5 among 50 best small colleges by (Time) Money Magazine; and #4 in Massachusetts by PayScale for return on a student investment. These rankings are key factors in drawing the top talent to our institution and maintaining a strong enrollment.

Looking ahead fiscal year 2022, the state appropriation is funded at $19,355,243. State revenues continue to be positive. The Academy anticipates additional funding based on the DHE's formula funding model. The Academy expects the signing of the three collective bargaining agreements and supplemental budgets to support the financial obligations of these agreements. While the pandemic is ongoing, the Academy has continued a multi scenario budgeting plan for FY 2022 which is both fluid and transparent, working with the Board of Trustees to allow the Academy to draw from its rainy-day fund if necessary. The Academy has put plans forward to address challenging enrollment numbers, and gradual recovery from the pandemic, and continuing to increase spending on key items which focus on student safety and success. The Academy's health protocol will be reviewed weekly by its resident doctor and adjusted as needed to follow CDC guidelines and recommendations.

The Academy continues to work closely with DCAMM and MSCBA to seek funding options for expansion projects and thereby improve campus life. The Trustees approved a plan where MSCBA will work with the Academy to demolish the Beachmoor and build a structure in its place offering conference space and cadet housing. The demolition is set to begin in the fall of 2021. The Academy is also working with MSCBA to study the expansion of the Fantail/Student Union.

Economic Condition and Outlook – Continued

On July 22, 2021, MSCBA closed on over $18M of Project Revenue Bonds for the purpose of providing funding for a new capacity project and for improvements on the Company 1 residence hall. The bonds carry interest rates ranging from 2% to 5%.

The Academy has developed a capital reinvestment and modernization plan to address the needs of the campus. This plan includes a new Academic building housing science, technology and engineering laboratories. The Academy anticipates funding from DCAMM of approximately $17 Million, the balance will be funded by the Academy. In addition, DCAMM is appropriating $450,000 in fiscal year 2022 for small repair projects.

Currently, the Academy received a grant from the Seaport Economic Council to upgrade and reconstruct its aquaculture lab.

The Academy will continue supporting the Governor's Workforce Development initiative and offer all five modules of GWO basic Safety Training for offshore wind as well as other Center for Maritime and Professional Training workforce development courses.

The Academy is preparing the Campus for the arrival of the Schooner Ernestina Morrissey and will continue our collaboration with the Schooner Ernestina Commission and the Department of Conservation and Recreation.

Fiscal year 2022 marks the seventh year of the A Rising Tide Campaign. This is a comprehensive 10-year fundraising campaign initiated to raise $50 Million; $20 Million to the Endowment, $20 Million for capital projects and $10 Million for scholarships and financial aid.

The Academy is looking to grow its population to 1800 students by the year 2025. This could prove challenging as the predicted decline in high school graduates has community colleges, state universities and the UMass system competing for the same instate students.

The Academy continues to advance a common agenda for Inclusive Excellence that aligns institutional strategies with statewide initiatives to transform diversity, equity and inclusion in every facet of the institution. These focus areas include recruitment & retention of faculty, staff and students of color, a climate of inclusion, enhanced community engagement and review of university infrastructure.

Economic Condition and Outlook – Continued

Included in the Federal Government's fiscal year 2019 budget is $300 Million for construction of a second national security multi-mission vessel (NSMV). This second vessel is slated to replace the T/S Kennedy, Massachusetts Maritime Academy's training ship.

There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net position), results of operations (revenues and expenses and changes in net position) or cash flow.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2021 Academy	2020 Academy	**2021 Foundation**	2020 Foundation
Current Assets:				
Cash and equivalents	**$ 1,787,682**	$ 2,979,825	**$ 3,910,757**	$ 4,970,626
Cash held by State Treasurer	**1,858,220**	1,688,285	**-**	-
Cash held by MSCBA	**223,335**	1,233,600	**-**	-
Accounts receivable, net	**5,462,618**	3,058,084	**222,355**	52,528
Pledges receivable, net	**-**	-	**1,227,341**	771,743
Due from affiliate	**-**	119,917	**-**	-
Prepaid expenses	**1,679,553**	2,181,652	**-**	-
Total Current Assets	**11,011,408**	11,261,363	**5,360,453**	5,794,897
Non-Current Assets:				
Restricted cash and equivalents	**373,107**	493,524	**-**	-
Investments	**59,885,302**	44,907,583	**31,029,507**	22,317,905
Donated assets held for resale	**920,766**	848,183	**-**	-
Capital assets, net	**68,018,517**	66,389,640	**2,474,116**	2,490,169
Pledges receivable, net of current portion	**-**	-	**1,386,688**	1,893,854
Total Non-Current Assets	**129,197,692**	112,638,930	**34,890,311**	26,701,928
Total Assets	**140,209,100**	123,900,293	**40,250,764**	32,496,825
Deferred Outflows of Resources:				
Deferred loss on bonds	**228,715**	-	**-**	-
Pension related, net	**628,533**	375,012	**-**	-
OPEB related, net	**711,173**	664,391	**-**	-
Total Deferred Outflows of Resources	**1,568,421**	1,039,403	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 141,777,521**	$ 124,939,696	**$ 40,250,764**	$ 32,496,825

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2021 Academy	2020 Academy	**2021 Foundation**	2020 Foundation
Current Liabilities:				
Accounts payable	**$ 1,134,773**	$ 817,712	**$ 47,247**	$ 27,907
Accrued expenses	**2,426,572**	2,479,034	**-**	-
Bonds payable	**473,287**	812,782	**-**	-
Compensated absences	**2,053,702**	1,949,938	**-**	-
Workers' compensation	**88,173**	88,864	**-**	-
Due to affiliate	**-**	-	**-**	119,917
Student deposits and unearned revenue	**1,316,679**	1,533,390	**-**	-
Total Current Liabilities	**7,493,186**	7,681,720	**47,247**	147,824
Non-Current Liabilities:				
Bonds payable, net of current portion	**10,751,048**	10,316,510	**-**	-
Compensated absences, net of current portion	**1,113,676**	1,194,929	**-**	-
Workers' compensation, net of current portion	**636,362**	391,480	**-**	-
Net pension liability	**2,200,902**	1,664,505		
Net OPEB liability	**2,832,046**	3,137,860	**-**	-
Total Non-Current Liabilities	**17,534,034**	16,705,284	**-**	-
Total Liabilities	**25,027,220**	24,387,004	**47,247**	147,824
Deferred Inflows of Resources				
Service concession revenue applicable to future years	**3,261,551**	3,533,347	**-**	-
Pension related, net	**187,278**	278,083		
OPEB related, net	**1,439,086**	1,130,062	**-**	-
Total Deferred Inflows of Resources	**4,887,915**	4,941,492	**-**	-
Net Position:				
Net investment in capital assets	**57,017,517**	56,493,948	**2,474,116**	2,490,169
Restricted:				
Nonexpendable	**-**	-	**9,278,007**	8,349,009
Expendable:				
Scholarships	**-**	-	**6,451,489**	4,980,028
Capital	**-**	-	**4,970,382**	5,010,515
Other	**2,222,944**	2,213,840	**3,259,457**	3,160,604
Unrestricted	**52,621,925**	36,903,412	**13,770,066**	8,358,676
Total Net Position	**111,862,386**	95,611,200	**40,203,517**	32,349,001
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 141,777,521**	$ 124,939,696	**$ 40,250,764**	$ 32,496,825

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2021 Academy	2020 Academy	**2021 Foundation**	2020 Foundation
Operating Revenues:				
Tuition and fees	**$ 30,629,712**	$ 32,780,952	**$ -**	$ -
Less: scholarships and fellowships	**7,344,855**	6,497,996	**-**	-
Net tuition and fees	**23,284,857**	26,282,956	**-**	-
Federal grants and contracts	**3,122,938**	2,920,947	**-**	-
State grants and contracts	**365,325**	1,458,255	**-**	-
Auxiliary revenue	**11,946,140**	14,259,733	**-**	-
Other operating revenues	**555,023**	871,076	**3,683,900**	6,240,157
Total Operating Revenues	**39,274,283**	45,792,967	**3,683,900**	6,240,157
Operating Expenses:				
Instruction	**16,021,383**	17,977,697	**-**	-
Academic support	**6,663,585**	6,827,361	**238,076**	316,156
Student services	**8,027,892**	8,743,059	**-**	-
Institutional support	**8,024,836**	8,172,539	**369,101**	681,917
Operation and maintenance of plant	**5,755,425**	6,902,980	**-**	-
Auxiliary activities	**8,983,044**	15,222,521	**643,203**	694,462
Depreciation	**4,559,003**	4,348,181	**16,053**	16,054
Scholarships and fellowships	**6,906,805**	5,875,899	**-**	-
Total Operating Expenses	**64,941,973**	74,070,237	**1,266,433**	1,708,589
Net Operating Income (Loss)	**(25,667,690)**	(28,277,270)	**2,417,467**	4,531,568
Non-Operating Revenues (Expenses):				
State appropriations, net	**26,361,024**	25,826,590	**-**	-
Federal grants	**1,193,001**	1,037,700	**-**	-
Other revenue - MSCBA	**-**	298,889	**-**	-
Private gifts and grants	**704,103**	2,164,053	**-**	-
Investment income, net of expenses	**9,122,168**	1,486,278	**5,437,049**	865,152
Interest expense	**(243,940)**	(376,767)	**-**	-
Total Non-Operating Revenues (Expenses)	**37,136,356**	30,436,743	**5,437,049**	865,152
Change in Net Position Before Other Revenues	**11,468,666**	2,159,473	**7,854,516**	5,396,720
Capital Appropriations	**4,782,520**	5,745,808	**-**	-
Changes in Net Position	**16,251,186**	7,905,281	**7,854,516**	5,396,720
Net Position, Beginning of Year	**95,611,200**	87,705,919	**32,349,001**	26,952,281
Net Position, End of Year	**$ 111,862,386**	$ 95,611,200	**$ 40,203,517**	$ 32,349,001

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

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	2021	2020
Cash Flows from Operating Activities:		
Tuition and fees	**$ 17,111,128**	$ 25,767,192
Grants and contracts	**7,160,663**	4,354,020
Payments to employees	**(25,609,276)**	(27,876,422)
Payments to suppliers and vendors	**(26,857,809)**	(36,311,926)
Auxiliary revenue	**11,946,140**	14,259,733
Other operating revenues	**555,023**	871,076
Net Cash Applied to Operating Activities	**(15,694,131)**	(18,936,327)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**19,355,243**	18,973,636
Federal grants	**1,193,001**	1,037,700
Other revenues - MSCBA	**-**	298,889
Private gifts and grants	**631,520**	1,996,315
Net Cash Provided by Non-Capital Financing Activities	**21,179,764**	22,306,540
Cash Flows from Capital Financing Activities:		
Proceeds from capital appropriations	**2,605,563**	1,433,101
Purchases of capital assets	**(4,010,923)**	(3,037,300)
Payments on bonds payable	**(109,080)**	(791,607)
Interest paid on capital debt	**(268,532)**	(376,767)
Net Cash Applied to Capital Financing Activities	**(1,782,972)**	(2,772,573)
Cash Flows from Investing Activities:		
Proceeds from sale and maturities of investments	**13,409,957**	10,803,238
Interest on investments	**639,548**	831,146
Purchases of investments	**(19,905,056)**	(10,355,446)
Net Cash Provided by (Applied to) Investing Activities	**(5,855,551)**	1,278,938
Net (Decrease) Increase in Cash and Equivalents	**(2,152,890)**	1,876,578
Cash and Equivalents, Beginning of Year	**6,395,234**	4,518,656
Cash and Equivalents, End of Year	**$ 4,242,344**	$ 6,395,234

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2021	2020
Reconciliation of Net Operating Loss to		
Net Cash Applied to Operating Activities:		
Net operating loss	**$ (25,667,690)**	$ (28,277,270)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	**4,559,003**	4,348,181
Fringe benefits provided by the State	**7,005,781**	6,852,954
Service concession revenue	**(271,796)**	(278,715)
Changes in assets and liabilities:		
Accounts receivable	**(2,404,534)**	(94,512)
Due from affiliate	**119,917**	(69,184)
Prepaid expenses	**502,099**	(781,925)
Accounts payable	**317,061**	25,470
Accrued expenses	**(52,462)**	(206,104)
Compensated absences and worker's compensation	**266,702**	(184,565)
Student deposits and unearned revenue	**(216,711)**	(377,251)
Net pension activity	**192,071**	40,051
Net OPEB activity	**(43,572)**	66,543
Net Adjustments	**9,973,559**	9,340,943
Net Cash Applied to Operating Activities	**$ (15,694,131)**	$ (18,936,327)
Cash and Equivalents, End of Year:		
Cash and equivalents	**$ 1,787,682**	$ 2,979,825
Cash held by State Treasurer	**1,858,220**	1,688,285
Cash held by MSCBA	**223,335**	1,233,600
Restricted Cash and equivalents	**373,107**	493,524
Total	**$ 4,242,344**	$ 6,395,234
Supplemental Non-Cash Activities:		
Fringe benefits provided by state	**$ 7,005,781**	$ 6,852,954
Capital improvements provided by capital appropriations	**$ 2,176,957**	$ 4,312,707
Bond refunding	**$ 247,775**	$ -

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

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

Organization
Massachusetts Maritime Academy (the "Academy") (an agency of the Commonwealth of Massachusetts), founded in 1891, is a state-supported comprehensive four-year college that offers an education leading to bachelor's degrees in six majors. The Academy also offers three master's degrees in graduate programs related to the undergraduate curriculum offered by the Academy's Division of Continuing Education. The Academy enrolls approximately 1,600 undergraduate students and 120 graduate students from many states and foreign countries. The Academy's campus is located in the town of Bourne, Massachusetts.

The Massachusetts Maritime Foundation, Inc. (the "Foundation"), a component unit of the Academy, was formed in 1968 as a tax-exempt entity to render financial assistance and support to the educational programs and development of the Academy. The Foundation is legally separate from the Academy, and the Academy is not financially accountable for the Foundation. The Foundation has been included in the Academy's financial statements because of the nature and significance of its relationship with the Academy. The complete financial statements can be obtained from the Foundation's administrative offices in Buzzards Bay, Massachusetts.

As described further in Note 15, the accompanying financial statements do not include the Academy's proportionate share of the assets and liabilities of the Massachusetts State College Building Authority ("MSCBA"), an agency of the Commonwealth of Massachusetts (the "Commonwealth").

COVID-19
On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the Academy's operations in response to government requirements and observing safety measures. As a result, the Academy's maximum housing's capacity decreased by approximately 60% for the 2020-2021 academic year.

In response to the pandemic, the Federal government provided to the Academy the Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act

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

COVID-19 – continued
(ARPA). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 29, 2022.

The Academy has been awarded the following HEERF as of June 30, 2021:

	Student Aid Award	Institutional Award	Total
CARES	$ 621,345	$ 621,344	$ 1,242,689
CRRSAA	621,345	1,118,547	1,739,892
ARPA	1,597,900	1,597,898	3,195,798
Total	$ 2,840,590	$ 3,337,789	$ 6,178,379

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

	For the Year Ended June 30, 2021		
	Student Aid Award	Institutional Award	Total
CARES	$ 185,828	$ 185,827	$ 371,655
CRRSAA	621,345	200,001	821,346
ARPA	-	-	-
Total	$ 807,173	$ 385,828	$ 1,193,001

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

COVID-19 – continued

For the Year Ended June 30, 2020	Student Aid Award	Institutional Award	Total
CARES	$ 435,517	$ 435,517	$ 871,034
CRRSAA	-	-	-
ARPA	-	-	-
Total	$ 435,517	$ 435,517	$ 871,034

As of June 30, 2021 and 2020 the Academy received $90,000 and $0 in Governor’s Emergency Education Relief Fund (“GEERF”) as a pass through from the State of Massachusetts. The Academy recorded this amount under State grants and contracts.

As of June 30, 2021 and 2020 the Academy received $0 and $166,666 in Direct Support Funds pursuant to the CARES Act, from the United States Maritime Administration (“MARAD”) to help prevent, prepare for and respond to the coronavirus. The Academy recorded this amount under non-operating Federal grants.

Basis of Presentation and Accounting

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 accompanying statements of revenues and expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

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

Basis of Presentation and Accounting - continued

The Academy has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The Academy presents statements of net position, revenues and expenses and changes in net position and cash flows on a combined Academy-wide basis.

The Academy's policies for defining operating activities in the statements of revenues and expenses are those activities 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 including the Academy's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

Net Position

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

- **Net Investment in Capital Assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted - Nonexpendable:** Net position subject to externally imposed stipulations that will be maintained in perpetuity by the Academy.

- **Restricted - Expendable:** Net position that is subject to externally imposed stipulations that can be fulfilled by actions of the Academy pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and capital programs and initiative.

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

Net Position - continued
The Academy's financial statements include three financial statements: The Statements of Net Position, the Statements of Revenues and Expenses and Changes in Net Position, and the Statements of Cash Flows. The effect of interfund activity has been removed from these financial statements.

Trust Funds
The Academy's operations are accounted for in several trust funds. All trust funds have been consolidated and are included in the accompanying financial statements.

Cash and Equivalents
The Academy considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and equivalents. The Academy maintains its cash in bank and brokerage house money market deposit accounts which, at times, exceed federally insured limits. The Academy has not experienced any losses in such accounts. The Academy believes it has lowered its risk of loss by maintaining these monies in high-quality financial institutions.

Cash Held by State Treasurer
Cash held by State Treasurer consists of funding from the Division of Capital Asset Management and Maintenance (“DCAMM”) for various projects on campus.

Cash Held by MSCBA
Cash held by MSCBA represents funds held by the Massachusetts State College Building Authority (“MSCBA”) for specific projects. The debt service funds for the related bonds payable are included within restricted cash and equivalents.

Allowance for Doubtful Accounts
Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Investments
Investments are carried at market value based on quoted market prices. Realized and unrealized gains and losses are reported as revenues or expenses as incurred. Investments that mature within one year from the balance sheet date are classified as

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

Investments - continued
short-term investments, and all others are classified as long-term investments. Money market cash is included in cash and equivalents.

Donated Assets Held for Resale
The Academy solicits boat donations from donors and holds them for resale to the general public. The boats are recognized as unrestricted contributions at their estimated fair value on the date received.

Capital Assets
Capital assets are recorded at original cost, or estimated fair value at date of donation in the case of gifts. Depreciation is recorded on property and equipment using the straight-line method. Buildings are depreciated over useful lives of 40 years and building improvements over useful lives from 15 to 25 years. Land improvements are depreciated over useful lives ranging from 10 to 25 years. Depreciable lives for equipment and furnishings range from 3 to 10 years. Historical treasures are recorded at original cost. Maintenance and repairs are expensed as incurred, and improvements are capitalized.

Compensated Absences
Certain employees, as defined in an existing collective bargaining agreement, earn the right to be compensated during absences for vacation and sick leave. Vacation is earned by eligible employees throughout the entire year. Compensated sick leave represents 20% of amounts earned by those employees with ten or more years of state service at the end of each year. These employees are entitled to receive payment for this accrued balance only upon retirement. Eligibility for retirement is ten years of state service and attainment of age 60, or twenty years of state service at any age.

Student Deposits and Unearned Revenue
Student reservation deposits, along with advance payment for tuition, room and board, and certain expenditures related to the Academy's summer and fall sessions, have been deferred and will be recorded as revenues and expenses in the period in which the sessions are completed.

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

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

Postemployment Benefits Other Than Pensions ("OPEB")
For purposes of measuring the Academy's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT") and additions to/deductions from SRBT's fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Grants
The Academy receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Fringe Benefits
The Academy participates in the state's retirement plan and programs for fringe benefits and others, including health insurance, unemployment, and worker's compensation. Health insurance and pension costs are billed through a fringe benefit rate charged to the Academy.

Income Tax Status
The Academy is an agency of the Commonwealth of Massachusetts and is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code.

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 donated assets, accounts receivable, estimating depreciation, amortization, the recoverability of long-lived assets, and determining the net pension liability and OPEB liability.

New Governmental Accounting Pronouncements
GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Governmental Accounting Pronouncements - continued
GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

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

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

Note 2 - **Cash and Equivalents**

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the Academy would not be able to recover its balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Academy does not have a deposit policy for custodial credit risk. At June 30, 2021 and 2020, the bank balance of the Academy's cash and cash equivalents was approximately $2,615,000 and $3,638,000, respectively. At June 30, 2021 and 2020, the Academy had uninsured and collateralized by securities held by the pledging financial institution bank balances exposed to custodial credit risk of approximately $2,365,000 and $3,388,000, respectively.

Note 3 - Accounts Receivable

The composition of the Academy's accounts receivable at June 30, is summarized as follows:

	2021	2020
Students' accounts	**$ 150,277**	$ 63,944
Division of continuing education	**18,637**	115,760
Accrued interest	**30,925**	34,387
Charter	**1,394,969**	2,144,359
Student federal loans	**3,678,498**	-
Other	**254,736**	764,887
Subtotal	**5,528,042**	3,123,337
Allowance for doubtful accounts	**(65,424)**	(65,253)
Total accounts receivable, net	**$ 5,462,618**	$ 3,058,084

Note 4 - Pledges Receivable

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

	2021	2020
Less than one year	**$ 1,227,341**	$ 771,743
Between one and five years	**1,540,000**	2,140,000
	2,767,341	2,911,743
Discount at 5.00%	**(153,312)**	(246,146)
Pledges receivable, net	**$ 2,614,029**	$ 2,665,597

Note 5 - **Investments**

Investment Risk

Both the Academy's and Foundation's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Academy's and Foundation's financial position. At June 30, 2021 and 2020, the Academy's and Foundation's investment balances are each insured up to $500,000 by Securities Investor Protection Corporation, "SIPC". The Academy's and Foundation's investments are held by investment agents in their respective names.

Academy

Investments consist of the following at June 30,:

	2021	2020
Money Market Investments	**$ 17,073,748**	$ 10,606,416
Corporate Bonds	**6,015,518**	5,172,478
Equity Securities and Mutual Funds	**32,731,257**	25,877,053
Government Bonds	**4,064,779**	3,251,636
Total Investments	**$ 59,885,302**	$ 44,907,583

Note 5 - **Investments - Continued**

Academy - continued
The risk categories for the debt securities held by the Academy at June 30, are as follows:

2021

		Investment Maturities (in years)			
Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	**$ 17,073,748**	**$ 17,073,748**	**$ -**	**$ -**	**$ -**
Corporate Bonds	**6,015,518**	**791,162**	**4,551,963**	**672,393**	**-**
Government Bonds	**4,064,779**	**1,813,064**	**2,148,699**	**103,016**	**-**
Total	**27,154,045**	**$ 19,677,974**	**$ 6,700,662**	**$ 775,409**	**$ -**
Other Investments					
Equity Securities and Mutual Funds	**32,731,257**				
Total	**$ 59,885,302**				

2020

		Investment Maturities (in years)			
Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 10,606,416	$ 10,606,416	$ -	$ -	$ -
Corporate Bonds	5,172,477	555,818	4,315,984	300,675	-
Government Bonds	3,251,637	1,523,103	1,728,534	-	-
Total	19,030,530	$ 12,685,337	$ 6,044,518	$ 300,675	$ -
Other Investments					
Equity Securities and Mutual Funds	25,877,053				
Total	$ 44,907,583				

Note 5 - **Investments - Continued**

Academy - continued

2021

Investment Rating

Investment Type	Market Value	AAA	AA	A	BBB	BB	Unrated
Money Market Investments	**$17,073,748**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 17,073,748**
Corporate Bonds	**6,015,518**	**-**	**367,696**	**2,011,809**	**3,434,993**	**201,020**	**-**
Government Bonds	**4,064,779**	**-**	**4,064,779**	**-**	**-**	**-**	**-**
Total	**$27,154,045**	**$ -**	**$4,432,475**	**$ 2,011,809**	**$ 3,434,993**	**$ 201,020**	**$ 17,073,748**

2020

Investment Rating

Investment Type	Market Value	AAA	AA	A	BBB	BB	Unrated
Money Market Investments	$10,606,416	$ -	$ -	$ -	$ -	$ -	$ 10,606,416
Corporate Bonds	5,172,477	-	256,042	2,713,144	2,001,351	201,940	-
Government Bonds	3,251,637	443,043	2,808,594	-	-	-	-
Total	$19,030,530	$ 443,043	$3,064,636	$ 2,713,144	$ 2,001,351	$ 201,940	$ 10,606,416

Note 5 - **Investments - Continued**

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.

Money Market Investments: Valued at the current available closing price reported or based on values obtained on comparable funds.

Corporate Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Equity Securities and Mutual Funds: Valued based on quoted prices in active markets of similar instruments.

U.S. Government Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Note 5 - **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 Academy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. At June 30, the investments are categorized as follows:

	Assets at Market Value as of June 30, 2021			
	Level 1	*Level 2*	*Level 3*	*Total*
Investments:				
Money Market Investments	**$17,073,748**	**$ -**	**$ -**	**$17,073,748**
Corporate Bonds	**-**	**6,015,518**	**-**	**6,015,518**
Equity Securities and Mutual Funds	**32,731,257**	**-**	**-**	**32,731,257**
Government Bonds	**4,064,779**	**-**	**-**	**4,064,779**
Total assets at fair value	**$53,869,784**	**$ 6,015,518**	**$ -**	**$59,885,302**

	Assets at Market Value as of June 30, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Investments:				
Money Market Investments	$10,606,416	$ -	$ -	$10,606,416
Corporate Bonds	-	5,172,478	-	5,172,478
Equity Securities and Mutual Funds	25,877,053	-	-	25,877,053
Government Bonds	3,251,636	-	-	3,251,636
Total assets at fair value	$39,735,105	$ 5,172,478	$ -	$44,907,583

Note 5 - **Investments - Continued**

Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30,:

	2021	2020
Common stocks	**$ 18,891,994**	$ 11,093,854
Mutual funds	**1,463,583**	1,414,205
ETFS & CEFS	**2,830,850**	2,850,657
Government securities	**1,560,996**	866,833
Corporate fixed income	**4,682,084**	4,492,356
Real Estate	**1,600,000**	1,600,000
	$ 31,029,507	$ 22,317,905

Note 6 - **Capital Assets**

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

	2021				
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Capital assets not depreciated:					
Land	$ 702,217	$ -	$ -	$ -	$ 702,217
Historical treasures	567,500	-	-	-	567,500
Construction in progress	6,910,950	5,307,548	-	(2,263,370)	9,955,128
Total not depreciated	8,180,667	5,307,548	-	(2,263,370)	11,224,845
Capital assets depreciated:					
Library	694,019	-	-	-	694,019
Equipment and furnishings	28,497,444	518,450	-	934,955	29,950,849
Boats	886,803	-	-	-	886,803
Buildings	82,666,012	361,882	-	1,328,415	84,356,309
Total depreciated	112,744,278	880,332	-	2,263,370	115,887,980
Total capital assets	120,924,945	6,187,880	-	-	127,112,825
Accumulated depreciation:					
Library	(543,476)	(50,087)	-	-	(593,563)
Equipment and furnishings	(21,684,404)	(1,978,703)	-	-	(23,663,107)
Boats	(780,000)	(40,352)	-	-	(820,352)
Buildings	(31,527,425)	(2,489,861)	-	-	(34,017,286)
Total accumulated depreciation	(54,535,305)	(4,559,003)	-	-	(59,094,308)
Capital assets, net	$ 66,389,640	$ 1,628,877	$ -	$ -	$ 68,018,517

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Capital Assets - Continued**

Academy - continued

	2020				
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
Capital assets not depreciated:					
Land	$ 702,217	$ -	$ -	$ -	$ 702,217
Historical treasures	567,500	-	-	-	567,500
Construction in progress	6,490,220	6,177,577	-	(5,756,847)	6,910,950
Total not depreciated	7,759,937	6,177,577	-	(5,756,847)	8,180,667
Capital assets depreciated:					
Library	694,019	-	-	-	694,019
Equipment and furnishings	26,340,492	766,796	-	1,390,156	28,497,444
Boats	886,803	-	-	-	886,803
Buildings	77,893,687	405,634	-	4,366,691	82,666,012
Total depreciated	105,815,001	1,172,430	-	5,756,847	112,744,278
Total capital assets	113,574,938	7,350,007	-	-	120,924,945
Accumulated depreciation:					
Library	(500,890)	(42,586)	-	-	(543,476)
Equipment and furnishings	(19,776,300)	(1,908,104)	-	-	(21,684,404)
Boats	(703,340)	(76,660)	-	-	(780,000)
Buildings	(29,206,594)	(2,320,831)	-	-	(31,527,425)
Total accumulated depreciation	(50,187,124)	(4,348,181)	-	-	(54,535,305)
Capital assets, net	$ 63,387,814	$ 3,001,826	$ -	$ -	$ 66,389,640

Note 6 - **Capital Assets - Continued**

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

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not depreciated:				
Land	$ 1,934,991	$ -	$ -	$ 1,934,991
Capital assets depreciated:				
Buildings	642,134	-	-	642,134
Total capital assets	2,577,125	-	-	2,577,125
Accumulated depreciation:				
Buildings	(86,956)	(16,053)	-	(103,009)
Capital assets, net	$ 2,490,169	$ (16,053)	$ -	$ 2,474,116

Note 6 - **Capital Assets - Continued**

Foundation - continued

	2020			
	Beginning Balance	**Additions**	**Disposals**	**Ending Balance**
Capital assets not depreciated:				
Land	$ 963,200	$ 971,791	$ -	$ 1,934,991
Capital assets depreciated:				
Buildings	642,134	-	-	642,134
Total capital assets	1,605,334	971,791	-	2,577,125
Accumulated depreciation:				
Buildings	(70,902)	(16,054)	-	(86,956)
Capital assets, net	$ 1,534,432	$ 955,737	$ -	$ 2,490,169

Note 7 - **Financing Agreements**

Letter of Credit
The Academy has a letter of credit agreement with Bank of America as described below. The letter of credit agreement is to be used to support the Massachusetts Health and Educational Facilities Authority ("MHEFA") revenue bonds. The agreement requires the Academy to conform to specific financial covenants and expires in May 2022.

Bonds Payable
In July 2002, the Academy borrowed $3,000,000 through the Massachusetts Health and Educational Facilities Authority to help finance the expansion of the Storer Engineering Building. MHEFA issued Revenue Bonds - Capital Asset Program Issue, Series M (the "Bonds"), which mature in 2027. The Bonds bear interest at a variable rate based on rates established under the Bond Market Association. The Bonds are collateralized by the Foundation's investments. At June 30, 2021 and 2020, the interest rate was .05% and 1.40%, respectively. The Academy maintains restricted cash of $21,132 and $21,425 at June 30, 2021 and 2020, respectively, in a debt service fund in accordance with the loan agreement with MHEFA. At June 30, 2021 and 2020, the balance on the bonds was $654,496 and $763,576, respectively.

In July 2020 the MSCBA, on behalf of the Academy, refunded its outstanding Series 2012 and 2014 bonds through Series 2020A bonds resulting in an economic gain of $58,470 and a deferred loss of $247,775. Through its agreements with the- Massachusetts State College Building Authority ("MSCBA"), the Academy has an agreement to repay this debt in semi-annual installments through May 2033, at an annual variable coupon rate averaging 2.47%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2021 the balance on these bonds was $10,569,839.

In April 2013, the Academy entered into three separate financing agreements with the MSCBA for the renovation of Admiral's Hall, expansion and strengthening of the marine docks, and improvements to the Wastewater Treatment Plant. Financing for the projects was obtained through the issuance of Project Revenue Bonds by MSCBA ("Series 2012C"). Through May 2032, the Academy must make semi-annual installments including interest. The Academy maintains restricted cash of $92,231 and $123,708 as of June 30, 2021 and 2020, respectively, for these projects. In July 2020 this bond was refunded into the Series 2020A bond disclosed on above.

Note 7 - **Financing Agreements - Continued**

Bonds Payable - continued

In January 2014, MSCBA issued Project Revenue Bonds - Academy Series 2014A in the amount of $6,383,594 to provide funds for the expansion of the Mess Deck. Under the terms of the agreement, the Academy is responsible for semi-annual installments including an annual variable interest rate, through May 2033. The Academy maintains restricted cash of $259,744 and $348,391 as of June 30, 2021, and 2020, respectively. In July 2020 this bond was refunded into the Series 2020A bond disclosed on the previous page.

Maturities of the bonds payable subsequent to June 30, 2021 are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	$ 473,287	$ 270,625	$ 743,912
2023	832,168	256,478	1,088,646
2024	977,414	230,372	1,207,786
2025	996,253	201,840	1,198,093
2026	1,011,358	176,308	1,187,666
2027-2031	4,805,707	587,278	5,392,985
2032-2033	2,128,148	72,659	2,200,807
	$ 11,224,335	$ 1,795,560	$ 13,019,895

Note 8 - **Service Concession Revenue**

Campus Dining Facilities Agreement

The Academy has entered into service concession arrangements for dining and related services with Chartwell Food Services, Inc. (“Chartwell”). In exchange for these agreements, Chartwell has provided the Academy with funds aggregating $4.9 million to augment the cost of improvements to the Academy’s dining and kitchen facilities. These monies are amortized into revenue ratably over the life of the agreement through June 2033. In the event of termination, as provided for by either party in the

Note 8 - **Service Concession Revenue - Continued**

Campus Bookstore Agreement

agreement, repayment of the unamortized portion would be required. The agreement also requires additional payments from Chartwell to defray costs incurred by the Academy, as well as revenue sharing, which amounted to approximately $281,000 and $321,000 during the years ended June 30, 2021 and 2020, respectively.

The Academy entered into an agreement for the management of its bookstore. The agreement provides for minimum annual commission payments to the Academy in years one and two. Minimum annual payments in subsequent years, including renewal years, will be 95% of the preceding years' actual commission payment. In addition, the Academy received a one-time bonus of approximately $220,700, subject to amortization over the initial life of the agreement. This payment has been fully amortized as of June 30, 2020.

Recognition of deferred inflows in annual revenue related to the Campus Dining Facilities is as follows:

Years Ending June 30,	
2022	$ 271,796
2023	271,796
2024	271,796
2025	271,796
2026	271,796
2027-2031	1,358,980
2032-2033	543,592
	$ 3,261,552

The Academy reports the net book value of the capital assets related to the service concession arrangement of approximately $3,322,836 and $3,563,792, at June 30, 2021 and 2020, respectively.

Note 9 - **Long-Term Liabilities**

Long-term liabilities at June 30,:

2021

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	**$ 11,129,292**	**$ 204,123**	**$ (109,080)**	**$ 11,224,335**	**$ 473,287**
Other Liabilities:					
Compensated absences	**3,144,867**	**22,511**	**-**	**3,167,378**	**2,053,702**
Worker's compensation	**480,344**	**244,191**	**-**	**724,535**	**88,173**
Net pension liability	**1,664,505**	**536,397**	**-**	**2,200,902**	**-**
Net OPEB liability	**3,137,860**	**-**	**(305,814)**	**2,832,046**	**-**
	8,427,576	**803,099**	**(305,814)**	**8,924,861**	**2,141,875**
	$ 19,556,868	**$ 1,007,222**	**$ (414,894)**	**$ 20,149,196**	**$ 2,615,162**

2020

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease and bonds payable:					
Bonds payable	$ 11,920,899	$ -	$ (791,607)	$ 11,129,292	$ 812,782
Other Liabilities:					
Compensated absences	3,334,819	-	(189,952)	3,144,867	1,949,938
Worker's compensation	474,957	5,387	-	480,344	88,864
Net pension liability	1,791,453	-	(126,948)	1,664,505	-
Net OPEB liability	3,920,039	-	(782,179)	3,137,860	-
	9,521,268	5,387	(1,099,079)	8,427,576	2,038,802
	$ 21,442,167	$ 5,387	$ (1,890,686)	$ 19,556,868	$ 2,851,584

Note 10 - **Pensions**

Defined Benefit Plan Description

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

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

Benefit Provisions

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

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

Note 10 - **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:

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

The Commonwealth does not require the Academy to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $2,823,110, $2,719,547, and $2,371,673, for the years ended June 30, 2021, 2020 and 2019, respectively.

For employees covered by SERS but not paid from state appropriations, the Academy is required to contribute at an actuarially determined rate. The rate was 14.66%, 14.08%, and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. The Academy contributed $128,743, $138,620 and $113,265 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Note 10 - **Pensions - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Academy reported a liability of $2,200,902 and $1,664,505, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The Academy's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the Academy for the fiscal years 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the Academy's proportion was 0.013% and 0.011%, respectively.

Note 10 - **Pension - Continued**

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued
For the years ended June 30, 2021 and 2020, the Academy recognized pension expense of $320,816 and $178,671, respectively. The Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	2021	2020
Deferred Outflows of Resources Related to Pension		
Differences between expected and actual experience	**$ 70,029**	$ 55,279
Net differences between projected and actual investment earnings on pension plan investments	**120,985**	-
Changes in assumptions	**124,788**	123,380
Changes in proportion from Commonwealth	**1,662**	2,939
Changes in proportions due to internal allocation	**182,326**	54,794
Contributions made after the plan measurement date	**128,743**	138,620
Total	**$ 628,533**	$ 375,012
Deferred Inflows of Resources Related to Pension		
Differences between expected and actual experience	**$ 14,241**	$ 21,648
Net differences between projected and actual investment earnings on pension plan investments	**-**	24,828
Changes in proportion from Commonwealth	**5,364**	85
Changes in proportion due to internal allocation	**167,673**	231,522
Total	**$ 187,278**	$ 278,083

The Academy's contributions of $128,743 and $138,620 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Note 10 - **Pension - Continued**

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

Years Ending June 30,	
2022	$ 62,034
2023	89,844
2024	93,567
2025	62,464
2026	4,603
Total	$ 312,512

Actuarial Assumptions

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

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

Note 10 - **Pension - Continued**

Actuarial Assumptions - continued
For measurement dates June 30, 2020 and 2019, mortality rates were based on:

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

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

- Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

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

Note 10 - **Pension - Continued**

Actuarial Assumptions - continued

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

Discount Rate

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

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

Note 10 - **Pension - Continued**

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

	2021	
1.00% Decrease 6.25%	**Current Discount Rate 7.25%**	**1.00% Increase 8.25%**
$ 2,899,825	**$ 2,200,902**	**$ 1,626,442**

	2020	
1.00% Decrease 6.25%	Current Discount Rate 7.25%	1.00% Increase 8.25%
$ 2,215,510	$ 1,664,505	$ 1,193,698

Note 11 - **OPEB**

Plan Description

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

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

Management of the SRBT is vested with the Board of Trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or

Note 11 - **OPEB - Continued**

Plan Description - continued
a designee), 1 person appointed by the Governor, and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the Board.

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

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

Contributions
Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The Academy is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal year ended June 30, 2021 and 2020, respectively. The Academy contributed $67,604 and $71,809 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for the year.

Note 11 - **OPEB - Continued**

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

At June 30, 2021 and 2020, the Academy reported a liability of $2,832,046 and $3,137,860, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, respectively. The Academy's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the Academy's share of total covered payroll for the fiscal years 2020 and 2019. The Academy's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the Academy's proportion was 0.014% and 0.018%, respectively.

For the years ended June 30, 2021 and 2020, the Academy recognized OPEB expense of $27,341 and $158,731, respectively. The Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Note 11 - **OPEB - Continued**

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

	2021	2020
Deferred Outflows of Resources Related to OPEB		
Net differences between projected and actual earnings on OPEB plan investments	**$ 8,189**	$ -
Contributions made after the plan measurement date	**67,704**	71,809
Differences between expected and actual experience	**78,159**	125,843
Changes in OPEB plan actuarial assumptions	**233,224**	2,414
Changes in proportion from Commonwealth	**4,292**	7,651
Changes in proportion due to internal allocation	**319,705**	456,674
Total	**$ 711,273**	$ 664,391
Deferred Inflows of Resources Related to OPEB		
Net differences between projected and actual earnings on OPEB plan investments	**$ -**	$ 1,443
Differences between expected and actual experience	**69,904**	4,018
Changes in proportion from Commonwealth	**9,618**	-
Changes in proportion due to internal allocation	**1,085,857**	652,747
Changes in OPEB plan actuarial assumptions	**273,707**	471,854
Total	**$1,439,086**	$1,130,062

The Academy's contributions of $67,704 and $71,809 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Note 11 - **OPEB - Continued**

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

Years Ended June 30,	
2022	$ (224,940)
2023	(211,721)
2024	(166,850)
2025	(164,070)
2026	(27,936)
	$ (795,517)

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

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	3.00%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5%, decreasing by 0.5% each year to 5.5% in 2023, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP until 2025 and then 4.5% in 2026; 4.5% for administrative costs

Note 11 - **OPEB - Continued**

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

The participation rates are actuarially assumed as below:

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

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

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

Note 11 - **OPEB - Continued**

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

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020 are the same as discussed in the pension footnote.

Discount Rate
The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date," when projected benefits are not covered by projected assets, is 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.15% and 7.25%, respectively, per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the Academy's proportionate share of the net OPEB liability, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Note 11 - **OPEB - Continued**

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

2021

	1.00% Decrease 1.28%	**Current Discount Rate 2.28%**	**1.00% Increase 3.28%**
Net OPEB liability	**$ 3,403,328**	**$ 2,832,046**	**$ 2,380,664**

2020

	1.00% Decrease 2.63%	Current Discount Rate 3.63%	1.00% Increase 4.63%
Net OPEB liability	$ 3,745,591	$ 3,137,860	$ 2,657,357

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

The following presents the Academy's proportionate share of the net OPEB liability, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Note 11 - **OPEB - Continued**

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

2021

	1.00% Decrease (B)	**Current Healthcare Cost Trend Rate (A)**	**1.00% Increase (C)**
Net OPEB liability	**$ 2,300,277**	**$ 2,832,046**	**$ 3,538,548**

2020

	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	$ 2,585,993	$ 3,137,860	$ 3,865,989

(A) - Current healthcare cost trend rate, as disclosed on page 63
(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 63
(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 63

Note 12 - **Fringe Benefits**

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

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to

Note 12 - **Fringe Benefits - Continued**

Group Insurance Commission - continued
the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the Academy.

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2021 and 2020, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

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

Note 13 - **Related Party Transactions**

Massachusetts Maritime Academy Foundation, Inc. is a separate tax-exempt corporation organized for the purpose of fundraising through private donations for the ultimate benefit of the Academy. The Academy was the beneficiary of contributions

Note 13 - **Related Party Transactions - Continued**

from the Foundation of approximately $725,000 and $1,153,000 for the years ending June 30, 2021, and 2020, respectively, of which approximately $643,000 and $694,000 for the years ended June 30, 2021, and 2020, respectively, were for scholarships that were awarded directly to students at the Academy.

Due to/from Affiliate
Due to/from affiliate represents student scholarships awarded and owed, as well as other various items incurred through the normal course of business between the Academy and the Foundation.

Note 14 - **Operating Expenses**

The Academy's operating expenses, on a natural classification basis, are comprised of the following at June 30,:

	2021	2020
Compensation and benefits	**$ 33,042,666**	$ 34,445,299
Supplies and services	**20,433,499**	29,400,858
Depreciation	**4,559,003**	4,348,181
Scholarships and fellowships	**6,906,805**	5,875,899
	$ 64,941,973	$ 74,070,237

Note 15 - **Investment in Plant**

Certain plant assets are controlled, but not owned by the Academy. The Academy is not able to sell or otherwise pledge these assets since they are owned by the Commonwealth.

The Massachusetts State College Building Authority was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students and staff of the nine state colleges of the Commonwealth. Assets and liabilities of the MSCBA, which are not included in these financial statements because they are under

Note 15 - **Investment in Plant - Continued**

the control of the Massachusetts State College Building Authority, consist principally of land, buildings, furnishings and equipment, and the related debt.

The Academy is obligated under contracts for financial assistance, management and services with the MSCBA to collect rents, fees and other charges with respect to such facilities sufficient to pay principal and interest on the MSCBA's debt obligations based on occupancy rates of the dormitories.

Note 16 - **Contingent Liabilities and Commitments**

Federal, State, and Private Contracts and Grants
Certain funding received by the Academy is from grants and contracts with federal and state governments. Amounts received under these grants and contracts are subject to review and adjustment after performance. Management does not expect any substantial adjustments to amounts charged on such funding.

Litigation
The Academy is periodically involved in legal actions arising in the ordinary course of business. Costs for all known claims not covered by insurance, if any, are recognized in the financial statements. Although the ultimate outcome of certain of these actions cannot be determined, management's opinion is that the Academy has adequate legal defense with respect to each of these actions, and that the amount of any additional liability would not have a material impact on the financial statements.

Plant Commitments
The Academy has no current obligation relative to plant expenditures beyond the sole state regulation that mandates an investment of 5% of the unrestricted Educational and General Funds for deferred maintenance projects across the campus. This investment is measured over a three-year rolling average.

Lease Commitments
The Academy leases off-campus housing for additional dormitory space for its students annually beginning September 1, through June 30. Rent expense for the years ended June 30, 2021 and 2020 was $515,000 and $475,000, respectively. The lease was renewed in June 2020 and requires future annual payments as follows:

Note 16 - **Contingent Liabilities and Commitments - Continued**

Lease Commitments - continued

Fiscal Years Ending June 30,	
2022	$ 515,000
2023	515,000
2024	515,000
2025	515,000
	$ 2,060,000

Prepaid Tuition Program

The Academy 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 2.00%. The Academy is obligated to accept, as payment of tuition, the amount determined by this Program without regard to standard tuition rate in effect at the time of the individual's enrollment at the Academy. The effect of the Program cannot be determined as it is contingent on future tuition increases and the number of Program participants who attend the Academy.

Risk Management

The Academy participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances.

Note 17 - **Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires the Commonwealth's 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. The amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

The Academy's state appropriations are comprised of the following at June 30,:

	2021	2020
Direct appropriations	**$ 19,355,243**	$ 18,973,636
Add: Fringe benefits for employees on the Commonwealth payroll	**7,005,781**	6,852,954
Total unrestricted appropriations	**26,361,024**	25,826,590
Capital appropriations	**4,782,520**	5,745,808
Total appropriations	**$ 31,143,544**	$ 31,572,398

The Academy has an agreement with the state that allows the Academy to retain all tuition and fees received by the Academy. As such, the Academy is not required to remit day school tuition back to the state.

Note 17 - **Management Accounting and Reporting System - Continued**

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

		2021		2020
Revenue per MMARS	$	42,095,295	$	46,607,181
Revenue per College		42,705,895		46,607,181
Difference	$	610,600	$	-

For the year ended June 30, 2021, a timing difference occurred where the Academy had additional revenue in the amount of $610,600 that was reported to MMARS after August 31, 2021. No timing difference occurred for the year ended June 30, 2020.

Note 18 - **Subsequent Events**

On July 22, 2021, MSCBA closed on $16,825,000 of Project Revenue Bonds Series 2021A (Green Bonds) for the purpose of providing funding for a new capacity project at the Academy. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2051. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2% to 5%.

On July 22, 2021, MSCBA closed on $2,265,000 Project Revenue Bonds Series 2021B for the purpose of providing funding for projects at the Massachusetts Maritime Academy and Massachusetts College of Liberal Arts. The Massachusetts Maritime Academy issued $1,360,000 of bonds to fund $1,500,000 of improvements for the Company 1 residence hall. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2041. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2% to 5%.

REQUIRED SUPPLEMENTARY INFORMATION

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of the Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Academy's proportion of the net pension liability	0.013%	0.011%	0.014%	0.013%	0.013%	0.014%	0.010%
Academy's proportionate share of the net pension liability	$ 2,200,902	$ 1,664,505	$ 1,791,453	$ 1,695,524	$ 1,801,578	$ 1,565,796	$ 779,398
Academy's covered payroll	$ 984,518	$ 939,180	$ 1,051,154	$ 1,038,803	$ 992,457	$ 828,855	$ 778,726
Academy's proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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.

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Schedules of Pension Contributions (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 128,743	$ 138,620	$ 113,265	$ 123,826	$ 103,361	$ 93,819	$ 86,118
Contributions in relation to the contractually required contribution	(128,743)	(138,620)	(113,265)	(123,826)	(103,361)	(93,819)	(86,118)
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 878,192	$ 984,517	$ 939,179	$ 1,051,158	$ 1,038,803	$ 992,457	$ 828,855
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarial 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.

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

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

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

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

The mortality rate assumptions were changed as follows:

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

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

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

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

- Disability – did not change

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

Measurement date – June 30, 2016
The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

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

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

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

The mortality rates were changed as follows:

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

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)

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

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Academy's proportion of the collective net OPEB liability	0.014%	0.018%	0.011%	0.019%
Academy's proportionate share of the net OPEB liability	$ 2,832,046	$ 3,137,860	$ 3,920,039	$ 3,729,812
Academy's covered payroll	$ 984,518	$ 939,180	$ 1,051,158	$ 1,038,803
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	359.05%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	7.38%	4.80%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Schedules of OPEB Contributions (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	2021	2020	2019	2018
Statutorily required contribution	$ 67,604	$ 71,809	$ 82,592	$ 93,751
Contributions in relation to the statutorily required contribution	(67,604)	(71,809)	(82,592)	(93,751)
Contribution excess	$ -	$ -	$ -	$ -
Academy's covered payroll	$ 878,192	$ 984,517	$ 939,179	$ 1,051,158
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%	8.92%

Employers participating in the State Retirees' Benefit Trust are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2021

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

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

Change in Investment Rate
The investment rate of return decreased from 7.25% to 7.15%.

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

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

Fiscal year June 30, 2020

Assumptions
Change in Inflation
The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions
Salary decreased from 4.5% to 4.0%.

Change in Investment Rate
The investment rate of return decreased from 7.35% to 7.25%.

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

Fiscal year June 30, 2020 - continued

Change in Trend on Future Costs
The original healthcare trend rate decreased from 8.0% to 7.5%, which impacts the high cost excise tax.

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

Fiscal year June 30, 2019

Assumptions:
Change in Trend on Future Costs
The healthcare trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

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

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

Change in Discount Rate
The discount rate was increased to 3.92% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

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

SUPPLEMENTAL INFORMATION

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

	2021	2020
Assets:		
Interfund balance	**$ 782,060**	$ (1,310,289)
Liabilities and Net Position:		
Accounts payable and accrued expense	**$ 7,644**	$ 7,508
Accrued compensated absences	**217,059**	239,430
Total Liabilities	**224,703**	246,938
Net Position	**557,357**	(1,557,227)
Total Liabilities and Net Position	**$ 782,060**	$ (1,310,289)

MASSACHUSETTS MARITIME ACADEMY
(an agency of the Commonwealth of Massachusetts)

Schedules of Revenues, Expenditures and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

	2021	2020
Revenue:		
Student fees	**$ 6,191,261**	$ 7,443,713
Dormitory damage	**-**	4,025
Commissions and miscellaneous other	**39,279**	70,385
Rentals	**23,878**	260,130
Total Revenue	**6,254,418**	7,778,253
Expenditures:		
Regular employee compensation	**1,232,400**	1,229,546
Employee related expenses	**11,620**	20,196
Special employee/contracted services	**207,600**	209,972
Pension and insurance	**452,374**	471,223
Administrative expenses	**12,619**	19,574
Facility operating supplies and expenses	**204,495**	332,302
Energy costs and space rental	**541,425**	508,473
Other	**227,101**	452,374
Operational services	**8,717**	87,571
Equipment and IT	**10,666**	77,622
Equipment lease and maintenance	**49,577**	76,478
Payments to the building authority	**2,332,512**	7,602,255
Housing grants	**234,555**	214,370
Total Expenditures	**5,525,661**	11,301,956
Non-Operating Revenues:		
Other revenue - MSCBA	**-**	298,889
University Support	**1,000,000**	-
CARES Act funds	**385,827**	435,516
Total Non-Operating Revenues	**1,385,827**	734,405
Changes in Net Position	**2,114,584**	(2,789,298)
Net Position - Beginning of Year	**(1,557,227)**	1,232,071
Net Position - End of Year	**$ 557,357**	$ (1,557,227)

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
Massachusetts Maritime Academy
Buzzards Bay, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massachusetts Maritime Academy (the "Academy"), which comprise the statements of net position as of June 30, 2021 and 2020 and the related statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Massachusetts Maritime Academy's basic financial statements and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 19, 2021