

MASSACHUSETTS MARITIME ACADEMY

**(an agency of the Commonwealth of
Massachusetts)**

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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

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

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Massachusetts Maritime Academy:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, of Massachusetts Maritime Academy (the "Academy"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Academy, as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, 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.

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

December 20, 2024

MASSACHUSETTS MARITIME ACADEMY

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Management's Discussion and Analysis (Unaudited)

Introduction

As management of the Massachusetts Maritime Academy (the "Academy" or "MMA"), 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, 2024, with selected comparative information for the prior period. 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 WithumSmith+Brown, PC., independent auditors.

Massachusetts Maritime Academy was designated in 2004, by the Board of Higher Education (BHE), as a Special Mission College. The establishment of this partnership with the Commonwealth 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 (M.G.L. Chapter 15A, Section 7). The partnership further authorized the Academy to set and retain its student tuition and fees. On 20 June 2023, the Board of Higher Education approved the Massachusetts Maritime Academy Five-Year Renewal Plan for a Partnership with the Commonwealth. The Academy's Special Mission Plan also sets the limit to tuition and fee increases. The document begins with an affirmation of the MMA mission statement and vision, and concludes with the five overarching Governing Principles, which include short- term and long-term steps needed to attain those goals. The Tactical Objectives provide the specific means by which the Academy will achieve its five Governing Principles and include the action items and performance metrics that are needed to support this plan over five years, from AY23-28.

Consistent with the Board of Higher Education's Strategic Plan for Racial Equity, the Academy continues to strive for an inclusive and accepting environment, where all members of the MMA community feel welcome regardless of race, gender identity, sexual orientation, ethnicity, age, socioeconomic status, geographic origin, or veteran status. The Academy believes that a successful climate emerges from successful recruitment initiatives, which attract talented prospective cadets, staff and faculty from Massachusetts and across the United States. As importantly, the Academy knows that its success

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Management's Discussion and Analysis (Unaudited) - Continued

Introduction – Continued

also depends upon retaining talented new members by making them feel at home in the MMA campus community.

Although the COVID-19 pandemic temporarily disrupted the previously steady growth in MMA enrollment, the Academy remains optimistic about future enrollment trends. The Fall 2024 freshman class, with approximately 500 students, serves as an encouraging indicator of expected growth in the coming years.

In response to financial needs and market conditions, the Board of Trustees authorized and approved a tuition and fee increase of up to 3% for fiscal year 2024, applicable to the Undergraduate Education courses. Additionally, the Board approved a contracted rate increase of up to 4% for Chartwells Dining Services for fiscal year 2024.

Fiscal Year 2024 Financial Highlights

The Academy's fiscal year 2024 state appropriation (GAA) totaled \$24,311,925, which includes \$500,000 earmarked for the operation and maintenance of the Schooner Ernestina-Morrissey. This amount also incorporates \$685,673 from the Department of Higher Education (DHE) formula funding model and \$1,584,344 allocated for collective bargaining funding. State appropriations in fiscal years 2023 and 2022 were \$22,041,909 and \$21,203,584, respectively.

The Academy collaborates with the other public higher education institutions to enhance negotiation leverage, realize cost savings, and support the DHE Vision Project, particularly in Information Technology and Cybersecurity initiatives.

In fiscal year 2024, Seaport Economic Council awarded MMA \$1,000,000 allowing for \$750,000 to be utilized in fiscal year 2024 and the remaining \$250,000 in fiscal year 2025 for Waterside dredging improvements and Pier infrastructure support. The Academy also received and expended \$461,230 of a \$1,000,000 three-year Federal Keating Grant from the U.S. Department of Education's Office of Postsecondary Education for ECDIS, Full-Mission Bridge, and Dynamic Position simulators. Additionally, the U.S. Department of Transportation Maritime Administration provided \$15,000 for the Women of the Water (WOW) conference in February 2024. WOW connects cadets from State Maritime Academies and midshipmen from the United States Merchant Marine Academy with professionals leading various sectors of the maritime industry. This event offers cadets, midshipmen, and professionals the chance to learn from industry leaders, discuss current maritime issues, and network for professional development.

Philly Shipyard Inc. was awarded the contract by Tote Services LLC to construct the National Security Multi-Mission Vessel II (NSMV II), a new vessel provided by the federal government

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Management's Discussion and Analysis (Unaudited) - Continued

Fiscal Year 2024 Financial Highlights - Continued

via MARAD to replace the Academy's current training ship, Kennedy. The NSMV II will play a crucial role in sea term training and piloting exercises—key components of the Academy's educational and licensing program. Required pier and site infrastructure upgrades to accommodate the NSMV II are being overseen by the Massachusetts State College Building Authority (MSCBA).

On October 4, 2023, the Academy signed a cooperative agreement with U.S. Department of Transportation Maritime Administration (MARAD) to fund Pier and Infrastructure Upgrades, Berth Dredging and Disposal, Aquaculture Lab Relocation. MARAD awarded \$26,960,734 to the Academy, covering 80% of the eligible costs totaling \$33,700,917. By the end of fiscal year 2024, the Academy had received \$8,022,918 from MARAD to support the pier's construction and associated expenses.

In total, the Academy spent over \$20 million on deferred maintenance and capital projects in fiscal year 2024. Of this, the MSCBA managed more than \$13 million in projects, including the Pier upgrades and Gym expansion. An additional \$4.9 million was expended on upgrades and repairs across campus facilities, including the Kelly Power Plant Renovations, Kurz Hall Concrete Coating, FortiGate IT Software, Baystate AV Upgrade, Tamarack Roof repair, Admiral's Hall AV Upgrade, Harrington Labs construction, and IT equipment for Harrington Labs. And more than \$2.1 million was recognized under GASB 87 lease accounting requirements, reflecting the addition of lease assets in compliance with the updated standard.

The Division of Capital Asset Management and Maintenance (DCAMM) managed \$2,506,685 in construction-in-progress costs related to the Science, Technology, and Engineering Lab Modernization, and an additional \$438 for the Decarbonization project.

The Academy also reported a significant gain on investments in 2024, totaling \$10,045,710, compared to \$4,952,546 in 2023 and a loss of \$4,849,650 in 2022. Investment management is provided by Morgan Stanley and Eaton Vance. Following a procurement process in 2024, Morgan Stanley was awarded the contract to manage the Academy's full investment portfolio starting in fiscal year 2025.

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Management's Discussion and Analysis (Unaudited) - Continued

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 25 through 28 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 29 through 71 of this report. The supplemental information to the financial statements can be found on pages 72-84 of this report.

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Management's Discussion and Analysis (Unaudited) - Continued

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:

	2024	2023	2022
Current and other assets	113,094,941	96,288,934	95,530,284
Capital assets (net of depreciation)	168,518,164	159,180,052	153,741,129
Total assets	281,613,105	255,468,986	249,271,413
Deferred Outflows of Resources			
Pension Related, net	304,133	270,509	394,024
OPEB Related, net	311,475	438,506	470,233
Total Deferred Outflows of Resources	615,608	709,015	864,257
Total Assets & Deferred Outflows of Resources	282,228,713	256,178,001	250,135,670
Current liabilities	14,329,693	12,541,354	13,063,630
Other liabilities	90,588,989	95,178,684	100,528,093
Net Pension Liability	1,078,890	1,417,221	1,129,477
Net OPEB Liability	1,147,488	1,783,559	1,983,100
Total Liabilities	107,145,060	110,920,818	116,704,300
Deferred Inflows of Resources			
Public-private partnership revenue applicable to future years	4,706,001	5,042,141	2,989,755
Deferred Gain	6,290,210	4,001,780	4,234,813
Pension Related, Net	518,937	376,330	877,700
OPEB Related, Net	1,701,540	1,693,991	1,821,073
Total deferred Inflow of Resources	13,216,688	11,114,242	9,923,341
Net assets			
Invested in capital assets, net of related debt	73,957,790	66,257,062	64,162,743
Restricted	6,379,080	998,700	1,181,146
Unrestricted	81,530,095	66,887,179	58,164,140
Total Net Position	\$161,866,965	\$134,142,940	\$123,508,030

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Management's Discussion and Analysis (Unaudited) - Continued

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 4% in 2024, and 1% in 2023 and 2022) represents 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:

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Management's Discussion and Analysis (Unaudited) - Continued

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

	2024	2023	2022
Operating revenues			
Student tuition and fees	33,495,231	33,483,055	32,861,889
Less: scholarship allowances	(9,261,529)	(8,759,755)	(8,205,800)
	<hr/>	<hr/>	<hr/>
Net student tuition and fees	24,233,702	24,723,300	24,656,089
	<hr/>	<hr/>	<hr/>
Grants and contracts	5,374,257	5,980,072	4,920,335
Auxiliary revenue	19,520,518	19,248,920	19,440,055
Other	759,069	897,884	658,241
	<hr/>	<hr/>	<hr/>
Total operating revenue	49,887,546	50,850,176	49,674,720
	<hr/>	<hr/>	<hr/>
Operating expenses	81,078,8879	76,749,956	75,708,456
	<hr/>	<hr/>	<hr/>
Operating loss	(31,191,343)	(25,899,780)	(26,033,736)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues (expenses)			
State appropriations - operating, net	33,206,619	29,921,260	28,515,919
Federal grants	8,508,032	28,140	4,598,330
Other revenue - MSCBA	278,778	64,445	462,499
Other revenue - MMAF	5,000,000	-	-
Private gifts	1,066,550	1,272,625	1,319,573
State appropriations - capital	4,077,226	3,986,752	11,292,626
Investment income/ (loss), net	10,045,710	4,952,546	(4,849,650)
Interest expense and other, net	(3,267,548)	(3,691,076)	(3,659,918)
	<hr/>	<hr/>	<hr/>
Net non-operating revenues	58,915,367	36,534,692	37,679,379
	<hr/>	<hr/>	<hr/>
Increase in net position	27,724,024	10,634,912	11,645,643
Net position, beginning of year	134,142,941	123,508,029	111,862,386
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Net position, end of year	161,866,965	134,142,941	123,508,029
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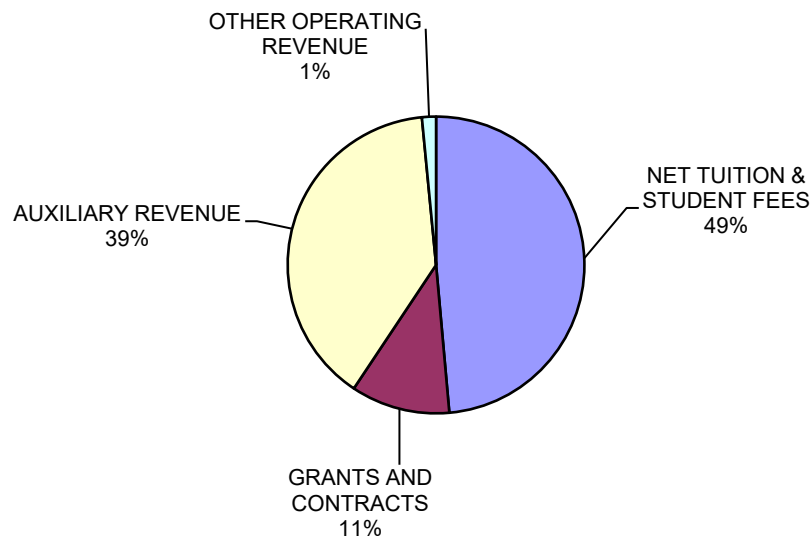
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Management's Discussion and Analysis (Unaudited) - Continued

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 2024.

Highlights of operating revenue activity for fiscal year 2024 are as follows:

The global pandemic and declining population trends have contributed to reduced student enrollment across higher education institutions. At the Academy, fall 2023 enrollment numbers reflected a 4.7% decrease compared to fall 2022.

- In fiscal year 2024, net tuition and fees revenue accounted for 49% of total operating revenue, a slight increase from 48% in fiscal year 2023. Total operating revenue in 2024 decreased by 1.89% compared to 2023. This decline is primarily due to the decrease in net tuition and fees revenue and the absence of a one-time \$2,000,000 distribution from the State in fiscal year 2023, which supported immediate COVID-19 recovery needs.

MASSACHUSETTS MARITIME ACADEMY

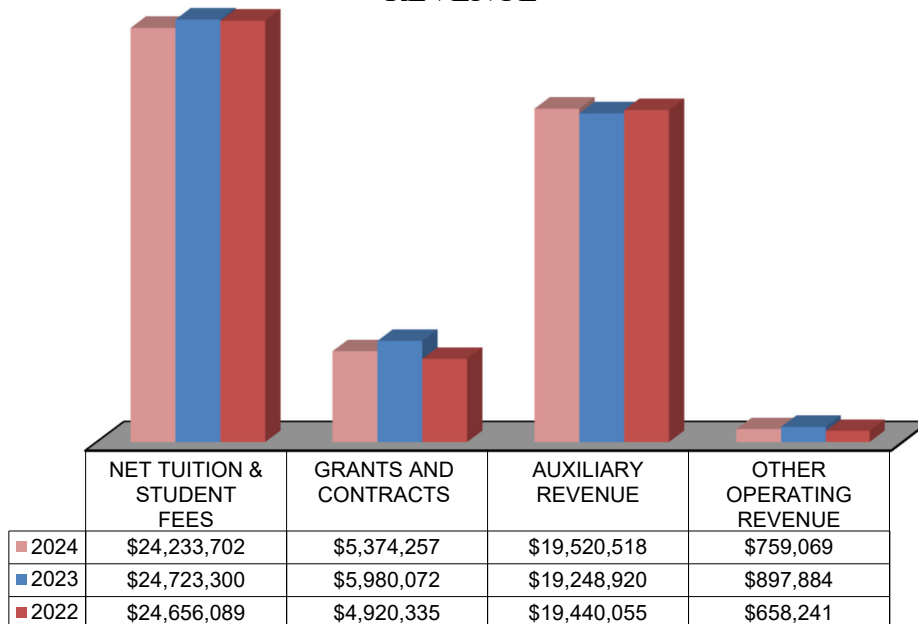
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Management's Discussion and Analysis (Unaudited) - Continued

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

- Auxiliary revenue increased by \$271,597, or approximately 1%. Of this revenue, 90% was generated from room and board. Although enrollment declined in 2024, room and board fees increased by 3% and 4%, respectively, contributing to the rise in auxiliary revenue. The MSCBA set the room rate at \$8,714 for fiscal year 2024, a 3% increase, while the board rate rose 4% to \$5,812. The remaining 10% of auxiliary revenue, derived from facility rentals and commissions, increased by about 8% over fiscal year 2023 and approximately 23% compared to fiscal year 2022, when COVID-related policies and restrictions were in effect.
- Grants and contracts revenue, consisting of state and federal grants, decreased by approximately 10% compared to fiscal year 2023 but showed a 9% increase relative to fiscal year 2022. In fiscal year 2024, MMA received \$750,000 from the Seaport Economic Council for the Waterside dredging improvement and Pier infrastructure support project. The Academy also received \$461,230 from a \$1,000,000 three-year Federal Keating Grant from the U.S. Department of Education's Office of Postsecondary Education, designated for ECDIS, Full-Mission Bridge, and Dynamic Position simulators. Additionally, the U.S. Department of Transportation Maritime Administration provided \$15,000 for the Women of the Water (WOW) conference held in February 2024.

MASSACHUSETTS MARITIME ACADEMY OPERATING REVENUE



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

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

	2024	2023	2022
Tuition and general fees	\$ 22,129,097	\$ 21,587,124	\$ 21,452,640
Sea-term, internship, coop	4,100,916	4,519,453	4,182,607
Other fees	5,102,607	4,924,464	5,122,830
Continuing education tuition and fees	2,162,612	2,452,014	2,103,812
Waivers and scholarships	(9,261,529)	(8,759,755)	(8,206,815)
Net student fees and tuition	<u>\$ 24,233,702</u>	<u>\$ 24,723,300</u>	<u>\$ 24,655,075</u>

In fiscal year 2024, tuition and general fee revenue increased by about 2.5% compared to 2023 and 3% compared to 2022. The fiscal year 2024 3% increase in the tuition and fee rates contributed towards the revenue increase despite the continued decline in enrollment.

Revenue from sea-term, commercial shipping, and co-op activities decreased by 9% in fiscal year 2024 compared to 2023, and by 2% compared to 2022. This decline was primarily due to a change in the timing of the sea-term schedule, resulting from limited ship availability and alterations to the standard academic calendar. As a result, spring classes commenced in January, with the sea-term starting in April, which resulted in the Academy not being able to offer a winter experiential learning opportunity in fiscal year 2024, which contributed to the decrease in revenue. During this fiscal year, students traveled to Bermuda, the United Kingdom, Sweden, Japan, Guatemala, New Orleans, and Florida

Other fees increased by approximately 3% in fiscal year 2024 compared to fiscal year 2023 and 2022, which correlates with the 3% increase in the fee rate.

Continuing Education tuition and fees decreased by approximately 12% in 2024 as compared to 2023 and 3% compared to 2022. The drop is a result of fewer total program participants, combined with an increase in “4+1 Program” participants. “4+1 Program” allows the students to pay a reduced fee for the continuing education classes.

Waivers and scholarships increased by approximately 6% in 2024 compared to 2023, and by 13% compared to 2022, reflecting the Academy's ongoing efforts to enhance institutional funding. Each year, the Academy allocates additional funds to need-based financial aid, aiming to bridge the gap between aid awarded and remaining unmet needs. Furthermore, the Academy is committed to expanding its targeted populations and achieving its mission of inclusiveness.

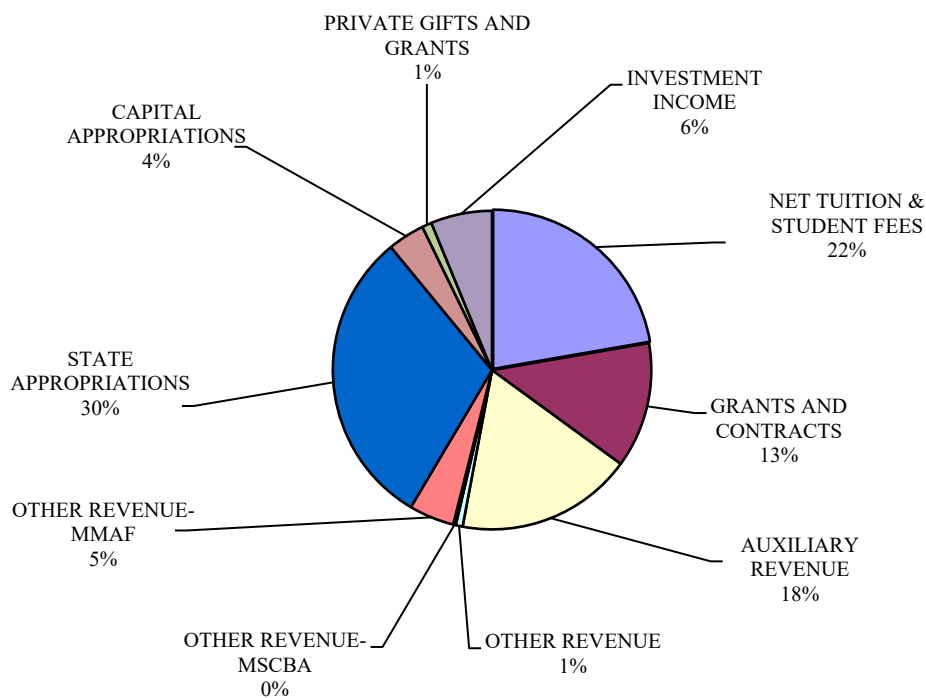
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Management's Discussion and Analysis (Unaudited) - Continued

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

MASSACHUSETTS MARITIME ACADEMY TOTAL REVENUE



The Academy's statements of revenues and expenses and changes in net position reflect an operating loss. This is a result of the GASB requirement that State appropriations be classified as non-operating revenue, which made up 31% of total revenue in fiscal year 2024. This figure is comparable to the 33% recorded in both fiscal years 2023 and 2022.

The 2024 financial statements reflect a state appropriation line that includes the state maintenance appropriation as outlined in the General Appropriations Act, totaling \$33,206,619. This amount incorporates fringe benefits for state employees, which accounted for \$8,894,694. In comparison, the fiscal year 2023 state appropriation was \$29,921,260, including fringe benefits of \$7,879,351, while fiscal year 2022 totaled \$28,515,919 with fringe benefits amounting to \$7,312,335.

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Management's Discussion and Analysis (Unaudited) - Continued

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

The fringe benefit package is appropriated and administered separately from the General Appropriations Act. It is calculated annually by the state comptroller as a percentage of the Academy's payroll. The fringe benefit rates were 43.20% in 2024, 39.50% in 2023, and 37.46% in 2022.

The final annual direct state appropriation for fiscal year 2024 was \$24,311,925. In comparison, the fiscal year 2023 state appropriation was \$22,041,909, while the fiscal year 2022 appropriation was \$21,203,586.

In fiscal year 2024, non-operating federal grants revenue totaled \$8,508,032. This included an \$8,022,918 contribution from MARAD toward the construction of the pier and associated expenses, \$461,230 from the Keating Grant for upgrading lab simulators, and \$15,000 from MARAD to support the Women on the Water Conference. In contrast, fiscal year 2023's non-operating federal grants amounted to only \$28,140, representing reimbursement for COVID-related expenses from FEMA, while fiscal year 2022 saw non-operating federal grants of \$4,598,330 amount associated with CRRSAA, ARPA and FEMA funding.

Capital appropriations accounted for 4% of total revenue in fiscal year 2024, the same percentage as in 2023, compared to 13% in 2022. In fiscal year 2024, capital appropriations included \$2,506,685 for a non-cash transfer expensed by DCAMM related to the MMA Science, Technology, and Engineering Lab Modernization, as well as \$438 expensed for the MMA Decarbonization project. Additionally, the Department of Conservation and Recreation transferred \$540,140 pursuant to Chapter 116 of the Acts of 2020, representing remaining uncommitted funding to the MMA Schooner Ernestina Morrissey Trust following the transfer of the Schooner Ernestina-Morrissey vessel in 2023.

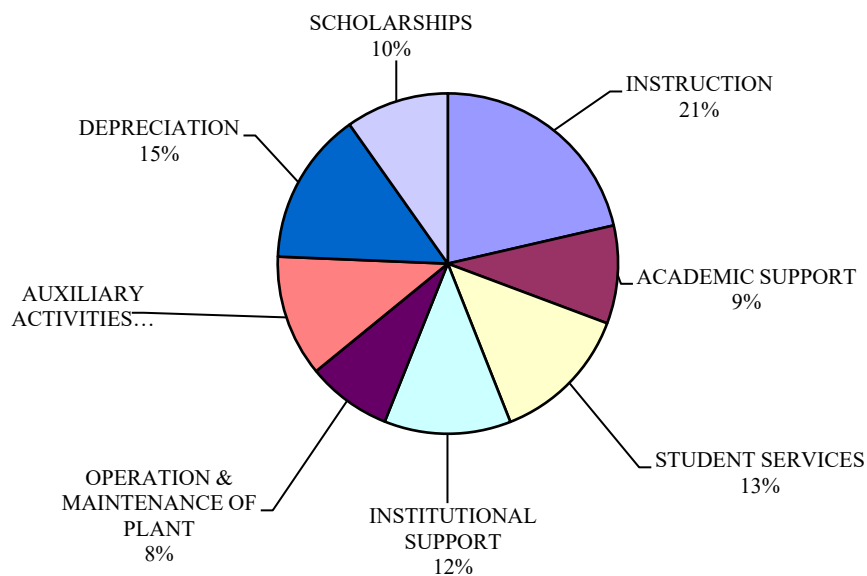
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Management's Discussion and Analysis (Unaudited) - Continued

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

MASSACHUSETTS MARITIME ACADEMY - OPERATING EXPENSES BY SOURCE



Highlights of fiscal 2024 operating expense activity include:

Over the past decade and a half, MMA has experienced a steady rise in enrollment, largely attributed to its special mission status and strong return on investment. However, like many institutions, the pandemic has disrupted this trend. Despite this, MMA is optimistic about future growth, especially with the fall 2024 freshman class expected to consist of approximately 500 students.

In response to declining enrollment numbers, the Academy implemented careful hiring practices in fiscal year 2024, allowing only key personnel positions to be advertised and filled. Overtime for essential personnel was closely monitored, and the campus maintained rigorous cost monitoring and efficiency efforts to stay within budget.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

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

In fiscal year 2024:

- **Instruction Expenses:** Instruction expenses decreased to approximately 21% of total operating expenses in fiscal year 2024, down from 24% in fiscal year 2023 and returning to 21% in 2022. This slight decrease is attributed to the continued decline in enrollment.
- **Academic Support Expenses:** Fiscal year 2024 academic support expenses decreased slightly compared to the previous years, accounting for about 9%, 10%, and 11% of total operating expenses in 2024, 2023, and 2022, respectively.
- **Student Support Expenses:** In contrast, student support expenses increased in fiscal year 2024 compared to 2023 and 2022, representing about 13%, 12%, and 11% of total operating expenses, respectively. The Academy hired additional staff to enhance enrollment efforts and improve retention rates in response to declining enrollment. The Academy is committed to fostering inclusive excellence by aligning institutional strategies with statewide initiatives to infuse diversity, equity, and inclusion throughout the Academy. The Captain Paul Cuffe Center for Inclusion, formerly the Massachusetts Maritime Academy Office of Intercultural Engagement, aims to create a community of inclusive excellence. In 2024, the Academy launched a rebranding campaign that included a new logo, website updates, a new font, and expanded advertising and outreach efforts.
- **Institutional Support Expenses:** Institutional support expenses increased by just over 1% compared to fiscal year 2023 and 2% compared to 2022. This increase is partly due to additional operating expenses incurred after acquiring the Schooner Ernestina-Morrissey.
- **Auxiliary Expenses:** Fiscal year 2024 auxiliary expenses constituted 12% of total operating expenses, up from 10% in 2023 and 11% in 2022. This increase is linked to rising auxiliary-related payroll expenses and the allocation of GASB 87 expenses. The GASB 87 Lease Accounting changes require the recognition of certain lease assets and liabilities, which enhances the usefulness of governmental financial statements. Previously classified operating leases are now recognized as assets and liabilities, leading to increased depreciation and adjustments to lease payments for vans, buildings, and MSCBA properties.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

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

- **Operation and Maintenance Expenses:** Fiscal year 2024 operation and maintenance expenses increased by approximately 12% compared to 2023 but decreased by about 10% compared to 2022. The Academy undertook several capital projects funded by both DCAMM and local sources in fiscal year 2024.
- **Depreciation Expenses:** In both fiscal years 2024 and 2023, depreciation expenses represented around 15% of total operating expenses. In 2024, the depreciation expense was \$11,788,750, compared to \$11,444,194 in 2023. Both amounts were higher than the fiscal year 2022 depreciation expense of \$10,114,942, which accounted for 13% of total operating expenses. These increases reflect the implementation of GASB 87 Lease Accounting standards in fiscal year 2022, and in 2023, GASB implemented Statement No. 96 to standardize accounting and disclosure related to IT subscriptions. Modern organizations, including governmental entities, increasingly rely on cloud-based IT services obtained through subscriptions, which were previously expensed. GASB Statement No. 96 ensures that users of financial statements receive a comprehensive view of a government entity's obligations. Both fiscal years 2024 and 2023 adhere to the standards set forth by GASB 87 and GASB 96.
- **Scholarship Expenses:** In fiscal year 2024, total scholarship expenses amounted to \$7,948,625, representing 10% of total operating revenue. This reflects an increase of \$325,066 compared to 2023 but a decrease of \$1,017,633 compared to 2022, when \$1,597,900 of ARPA funding was used as one-time emergency grant funding support to students. The Academy remains committed to supporting affordability and addressing the trend of increasing student debt. It continues to review its financial aid policy to better target underrepresented populations and align with the Board of Higher Education and Legislative funding priorities.

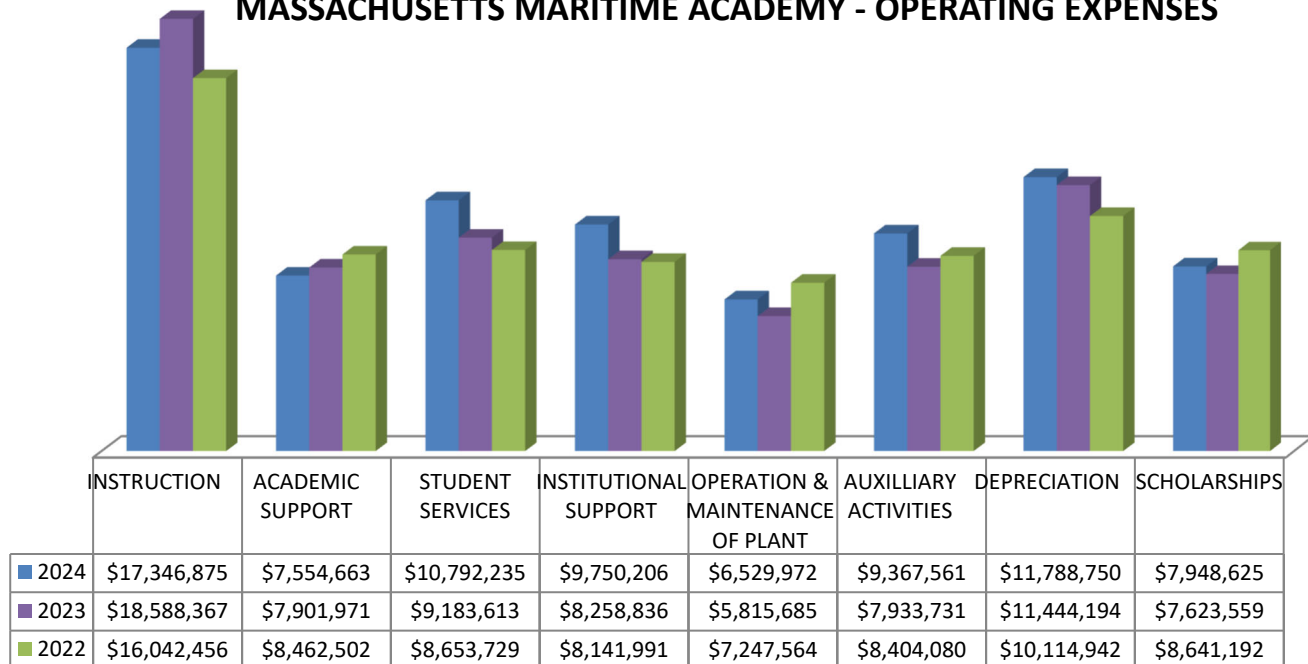
MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

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

MASSACHUSETTS MARITIME ACADEMY - OPERATING EXPENSES



Loss from Operations

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

Losses from Operations

	2024	2023	2022
Operating revenues			
Tuition and fee revenue, net	\$ 24,233,702	\$ 24,723,300	\$ 24,656,089
Other revenue	25,653,844	26,126,876	25,018,631
Operating expenses			
Expenditures	(69,290,139)	(65,305,762)	(65,593,514)
Depreciation	(11,788,750)	(11,444,194)	(10,114,942)
Operating loss	\$ (31,191,343)	\$ (25,899,780)	\$ (26,033,736)

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

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

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, 2024, the Academy has \$67,335,404 invested in capital assets, net of related debt and accumulated depreciation. Additions for this fiscal year totaled \$20,361,278 inclusive of \$2,107,540 GASB 87 Lease Accounting changes, and the DCAMM expense of \$2,506,685 for the science, technology and engineering lab modernization, and \$438 for decarbonization.

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.

Fiscal year 2024 major capital additions were as follows:

Kurz Hall Concrete Coating	\$	130,365
Kelly Power Plant Renovations		759,434
Baystate AV Upgrade		59,347
Fortigate IT Software		130,200
Festo Units Lab Equipment		152,542
Full Mission Bridge		347,155
ECDIS Upgrade		72,145
Tamarack Roof - CIP		232,019
Admirals Hall AV Upgrade - CIP		145,315
Harrington Labs Construction - CIP		368,871
Harrington Labs IT - CIP		53,368
Science, Technology and Engineering Lab Modernization - DCAMM CIP		2,506,685
Decarbonization - DCAMM CIP		438
Pier Upgrade - MSCBA CIP		13,273,487
Gym Expansion - MSCBA CIP		22,367
Leases - GASB 87		2,107,540
	<u>\$</u>	<u>20,361,278</u>

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Capital Assets and Debts of the Academy - Continued

The Academy has debt of \$17,442,502 in bonds. \$327,240 represents the HEFA Loan for the expansion of the Bresnahan building. The remaining \$17,115,262 is payable to MSCBA for various capital construction projects.

Economic Condition and Outlook

The Academy is located in southeastern Massachusetts and primarily serves Massachusetts residents. However, in response to the declining demographics of high school graduates in New England, the Academy is expanding its outreach efforts to attract students from other states. To meet enrollment targets, the Academy has adopted a competitive model for out-of-state tuition and fees. The pre-COVID-19 goal of achieving an 1,800-student body, including both undergraduate and graduate students, has been reinstated.

The Academy is committed to aligning its recruitment and educational initiatives with the Department of Higher Education's equity agenda, which aims to increase the enrollment and degree attainment of women and underrepresented students. Additionally, MMA strives to foster an inclusive and welcoming environment for all community members, regardless of race, gender identity, sexual orientation, ethnicity, age, socioeconomic status, geographic origin, or veteran status. This commitment to inclusivity spans every division and department within the Academy.

To achieve these goals, the Academy will leverage various strategies, including social media marketing, promoting the return on investment of an MMA education, partner programs, and K-12 outreach initiatives. These efforts will focus on increasing applications, acceptances, enrollments, and degree completion.

The table below reflects the declining enrollment of the Academy through fiscal year 2024.

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
# Students	1,674	1,751	1,780	1,802	1,792	1,637	1,527	1,426	1,362
# FTE	1,669	1,749	1,781	1,786	1,791	1,650	1,549	1,431	1,368
# Credits	24,875	26,178	26,644	26,717	26,757	24,620	23,043	21,319	20,378

Looking ahead to fiscal year 2025, the state appropriation is projected to remain level at \$24,311,925, supported by positive state revenues. The Academy anticipates receiving additional funds based on the Department of Higher Education's (DHE) formula funding model. Currently, the DHE is engaged in collective bargaining negotiations with the three unions; once new contracts are finalized, the Academy expects to receive supplemental state appropriations.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Economic Condition and Outlook – Continued

The budgeting plan for FY2025 is built on conservative enrollment projections, which are subject to change and are transparently communicated. Considering these uncertainties, the Board of Trustees has authorized the Academy to draw from its reserve funds if necessary.

The Academy's initiatives to address challenging enrollment numbers have yielded positive results, with a fall 2025 freshman class of over 500 cadets. To further support this growth, the Academy is developing a multi-year, longitudinal financial model and conducting ongoing assessments to align institutional aid, enrollment (for both new and returning students), and net tuition revenue projections, which will be implemented by the summer of 2025.

Strategic growth efforts emphasize inclusive excellence as the Academy strives to diversify its campus while increasing investments in key areas focused on student safety and success. The State of Massachusetts is anticipated to receive funds through the Fair Share Act, which will impact appropriations to the Academy, including financial aid for students and capital funding.

The Academy continues to collaborate closely with the DCAMM to identify funding options for expansion projects, thereby enhancing campus life. Additionally, the MSCBA is working with the Academy to achieve near-term savings following a review of existing debt schedules.

On October 11, 2024, the new National Security Multi-Mission Vessel (NSMV-II), Patriot State II, was officially delivered and transferred to the Academy, replacing the T/S Kennedy. The Academy continues to collaborate with the U.S. Maritime Administration, the ship's master and crew, and licensed faculty to ensure the custodial care and operation of TS Patriot State II.

The Academy is committed to supporting the Governor's Workforce Development initiative by offering Global Wind Organization (GWO) Basic Safety Training for offshore wind, along with other workforce development courses through the Center for Maritime and Professional Training. The Academy is the first institution in the Northeast to provide GWO training and the first in the nation to offer GWO Sea Survival courses. This project is funded by the Massachusetts Clean Energy Center, the North Atlantic States Carpenters Training Fund, and the Seaport Economic Council. Furthermore, the Academy is preparing to install Helicopter Underwater Escape Training (HUET) equipment in its pool, with funding of \$2 Million from the Clean Energy Technology Center grant, aiming for completion by 2026.

Following the transfer of the Schooner Ernestina-Morrissey to the Academy in the spring of 2023, efforts are underway to develop a K-12 student recruitment program that highlights the educational opportunities associated with this historic sailing vessel. Additionally, the Academy will explore potential linkages between its undergraduate programs in seamanship, science, and engineering aboard the Schooner Ernestina, including possible concentrations and elective opportunities.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Economic Condition and Outlook – Continued

The Academy continues its partnership with the architectural design firm Ellenzweig and the DCAMM to construct laboratories, classrooms, and academic meeting spaces for the newly approved STEM Academic Building. This project includes relocating the Aquaculture lab and renovating existing buildings to better serve the student population. Construction of the new STEM building is set to begin in fall 2024, with a projected opening in fall 2026. MMA anticipates approximately \$17 Million in funding from DCAMM for this project, with the remaining balance funded by the Academy and other sources, including the Foundation, which transferred \$5 Million to the Academy towards the STEM Building. The total cost of the STEM building has escalated to \$61.7 Million due to the ongoing escalation of the material costs.

The Academy is launching its public and final phase of the Rising Tide Campaign, 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 which is slated to end in July 2025. The next fund-raising campaign will focus on the upgrade to the Clear Harbors Athletic Center with a goal of \$15 Millions in two years.

In partnership with the MSCBA, the Academy continues renovations of dormitories for the 4th, 6th, and 7th companies during the summer of 2024 and summer of 2025.

Additionally, MSCBA is supervising a \$33 Million schematic and design project for pier improvements, which is expected to be completed by the end of fall 2024, coinciding with the delivery of the National Security Multi-Mission Vessel II (NSMV-2) to the campus. This project includes upgrading the bollards and fendering system, enhancing electrical and steam support, and addressing dredging requirements. The Academy secured \$10.5 Million from the previous administration of the State of Massachusetts in fiscal year 2022 to help fund this complex project.

The project also encompasses upgrades to the Aquaculture Lab, supported by \$990,000 from the Seaport Economic Council, along with an additional \$1 Million for dredging, also sourced from the Seaport Economic Council.

The Board of Trustees has authorized \$1 Million of the Academy's reserve funds to be allocated for a certified study and schematic design of an athletic center addition, which includes a new Field House. This study is being managed by the MSCBA as the Academy works to secure resources for the construction project.

Additionally, the Academy is collaborating with the Massachusetts Department of Energy Resources to install new geothermal well fields in designated areas to provide low-carbon HVAC solutions for the new STEM Building, Harrington Hall, and Kurz Hall.

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

Management's Discussion and Analysis (Unaudited) - Continued

Economic Condition and Outlook – Continued

Currently, there are no 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)

Statement of Net Position

June 30, 2024 and 2023

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2024 <u>Academy</u>	2023 <u>Academy</u>	2024 <u>Foundation</u>	2023 <u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 1,912,069	\$ 4,487,608	\$ 4,420,652	\$ 7,905,665
Cash held by State Treasurer	3,237,644	1,313,146	-	-
Cash held by MSCBA	6,622,386	10,419,094	-	-
Accounts receivable, net	2,196,588	3,464,139	387,411	222,970
Pledges receivable, net	-	-	4,794,679	2,029,667
Prepaid expenses	<u>476,574</u>	<u>229,466</u>	<u>-</u>	<u>20,000</u>
Total Current Assets	<u>14,445,261</u>	<u>19,913,453</u>	<u>9,602,742</u>	<u>10,178,302</u>
Non-Current Assets:				
Restricted cash and equivalents	183,616	276,951	-	-
Investments	97,810,170	75,368,690	51,713,084	39,198,204
Donated assets held for resale	655,894	729,840	-	-
Capital assets, net	168,518,164	159,180,052	3,666,981	2,852,009
Pledges receivable, net of current portion	<u>-</u>	<u>-</u>	<u>6,050,269</u>	<u>3,845,748</u>
Total Non-Current Assets	<u>267,167,844</u>	<u>235,555,533</u>	<u>61,430,334</u>	<u>45,895,961</u>
Total Assets	<u>281,613,105</u>	<u>255,468,986</u>	<u>71,033,076</u>	<u>56,074,263</u>
Deferred Outflows of Resources:				
Pension related, net	304,133	270,509	-	-
OPEB related, net	<u>311,475</u>	<u>438,506</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>615,608</u>	<u>709,015</u>	<u>-</u>	<u>-</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 282,228,713</u>	<u>\$ 256,178,001</u>	<u>\$ 71,033,076</u>	<u>\$ 56,074,263</u>
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The accompanying notes are an integral part of the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2024 <u>Academy</u>	2023 <u>Academy</u>	2024 <u>Foundation</u>	2023 <u>Foundation</u>
Current Liabilities:				
Accounts payable	\$ 1,863,732	\$ 787,491	\$ 300,489	\$ 391,486
Accrued expenses	2,906,255	2,311,861	-	-
Bonds payable	1,188,163	1,179,811	-	-
Compensated absences	2,212,380	2,038,774	-	-
Workers' compensation	107,952	90,551	-	-
Current portion of lease liability	4,447,463	4,227,754	-	-
Current portion of SBITA liability	472,700	436,430	-	-
Student deposits and unearned revenue	<u>1,131,048</u>	<u>1,468,682</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>14,329,693</u>	<u>12,541,354</u>	<u>300,489</u>	<u>391,486</u>
Non-Current Liabilities:				
Bonds payable, net of current portion	16,254,339	17,474,169	-	-
Compensated absences, net of current portion	1,044,431	1,002,107	-	-
Workers' compensation, net of current portion	760,334	680,268	-	-
Lease liability, net of current portion	71,842,419	74,861,974	-	-
SBITA liability, net of current portion	687,466	1,160,166	-	-
Net pension liability	1,078,890	1,417,221	-	-
Net OPEB liability	<u>1,147,488</u>	<u>1,783,559</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>92,815,367</u>	<u>98,379,464</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>107,145,060</u>	<u>110,920,818</u>	<u>300,489</u>	<u>391,486</u>
Deferred Inflows of Resources				
Public-private partnership	4,706,001	5,042,141	-	-
Deferred gain from lease modification	6,115,882	3,956,613	-	-
Deferred gain from bond refunding	174,328	45,167	-	-
Pension related, net	518,937	376,330	-	-
OPEB related, net	<u>1,701,540</u>	<u>1,693,991</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>13,216,688</u>	<u>11,114,242</u>	<u>-</u>	<u>391,486</u>
Net Position:				
Net investment in capital assets	73,957,790	66,257,062	3,666,981	2,852,009
Restricted:				
Nonexpendable	-	-	22,038,856	15,658,113
Expendable:				
Scholarships	-	-	9,849,578	6,624,451
Capital	5,000,000	-	9,792,977	9,940,115
Other	1,379,080	998,700	5,842,524	4,459,286
Unrestricted	<u>81,530,095</u>	<u>66,887,179</u>	<u>19,541,671</u>	<u>16,148,803</u>
Total Net Position	<u>161,866,965</u>	<u>134,142,941</u>	<u>70,732,587</u>	<u>55,682,777</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 282,228,713</u>	<u>\$ 256,178,001</u>	<u>\$ 71,033,076</u>	<u>\$ 56,074,263</u>

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,

	Primary <u>Government</u>	Component <u>Unit</u>		
	2024 <u>Academy</u>	2023 <u>Academy</u>	2024 <u>Foundation</u>	2023 <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 33,495,231	\$ 33,483,055	\$ -	\$ -
Less: scholarships and fellowships	<u>9,261,529</u>	<u>8,759,755</u>	<u>-</u>	<u>-</u>
Net tuition and fees	24,233,702	24,723,300	-	-
Federal grants and contracts	4,372,844	2,445,882	-	-
State grants and contracts	1,001,413	3,534,190	-	-
Auxiliary revenue	19,520,518	19,248,920	-	-
Other operating revenues	<u>759,069</u>	<u>897,884</u>	<u>13,444,873</u>	<u>11,555,664</u>
Total Operating Revenues	<u>49,887,546</u>	<u>50,850,176</u>	<u>13,444,873</u>	<u>11,555,664</u>
Operating Expenses:				
Instruction	17,346,875	18,588,367	-	-
Academic support	7,554,663	7,901,971	5,198,839	367,599
Student services	10,792,235	9,183,613	-	-
Institutional support	9,750,206	8,258,836	288,252	172,907
Operation and maintenance of plant	6,529,974	5,815,685	-	-
Auxiliary activities	9,367,561	7,933,731	1,105,386	1,128,769
Depreciation and amortization	11,788,750	11,444,194	16,053	16,054
Scholarships and fellowships	<u>7,948,625</u>	<u>7,623,559</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>81,078,889</u>	<u>76,749,956</u>	<u>6,608,530</u>	<u>1,685,329</u>
Net Operating Income (Loss)	<u>(31,191,343)</u>	<u>(25,899,780)</u>	<u>6,836,343</u>	<u>9,870,335</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	33,206,619	29,921,260	-	-
Federal grants	8,508,032	28,140	-	-
Other revenue - MSCBA	278,778	64,445	-	-
Other revenue - MMAF	5,000,000	-	-	-
Private gifts and grants	1,066,550	1,272,625	-	-
Investment income, net of expenses	10,045,710	4,952,546	8,213,467	3,965,452
Interest expense	<u>(3,267,548)</u>	<u>(3,691,076)</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>54,838,141</u>	<u>32,547,940</u>	<u>8,213,467</u>	<u>3,965,452</u>
Change in Net Position Before Other Revenues	23,646,798	6,648,160	15,049,810	13,835,787
Capital Appropriations	<u>4,077,226</u>	<u>3,986,752</u>	<u>-</u>	<u>-</u>
Changes in Net Position	27,724,024	10,634,912	15,049,810	13,835,787
Net Position, Beginning of Year	<u>134,142,941</u>	<u>123,508,029</u>	<u>55,682,777</u>	<u>41,846,990</u>
Net Position, End of Year	<u>\$ 161,866,965</u>	<u>\$ 134,142,941</u>	<u>\$ 70,732,587</u>	<u>\$ 55,682,777</u>

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

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

Statement of Cash Flows

For the Year Ended June 30,:

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 24,426,026	\$ 24,372,963
Grants and contracts	5,510,636	5,918,442
Payments to employees	(26,269,718)	(26,583,242)
Payments to suppliers and vendors	(33,119,642)	(30,158,938)
Auxiliary revenue	20,121,732	19,248,920
Other operating revenues	<u>422,929</u>	<u>897,884</u>
Net Cash Applied to Operating Activities	<u>(8,908,037)</u>	<u>(6,303,971)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	24,311,925	22,041,909
Federal grants	8,508,032	28,140
Other revenues - MSCBA	278,778	64,445
Other revenue - MMAF	5,000,000	-
Private gifts and grants	<u>1,140,496</u>	<u>909,138</u>
Net Cash Provided by Non-Capital Financing Activities	<u>39,239,231</u>	<u>23,043,632</u>
Cash Flows from Capital Financing Activities:		
Proceeds from capital appropriations	-	75,064
Purchases of capital assets	(15,928,233)	(12,019,954)
Advance payment related to public-private partnership	-	2,000,000
Payments on bonds payable	(870,760)	(710,821)
Interest paid on bonds	(691,728)	(749,984)
Termination of lease payment	-	(175,000)
Principal paid on leases and SBITAs	(3,060,858)	(5,203,645)
Interest paid on leases and SBITAs	<u>(2,907,941)</u>	<u>(3,312,593)</u>
Net Cash Applied to Capital Financing Activities	<u>(23,459,520)</u>	<u>(20,096,933)</u>
Cash Flows from Investing Activities:		
Proceeds from sale and maturities of investments	11,040,958	10,137,280
Interest on investments	3,218,413	1,637,322
Purchases of investments	<u>(25,672,129)</u>	<u>(17,766,095)</u>
Net Cash Applied to Investing Activities	<u>(11,412,758)</u>	<u>(5,991,493)</u>
Net Decrease in Cash and Equivalents	(4,541,084)	(9,348,765)
Cash and Equivalents, Beginning of Year	<u>16,496,799</u>	<u>25,845,564</u>
Cash and Equivalents, End of Year	<u>\$ 11,955,715</u>	<u>\$ 16,496,799</u>

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows - Continued

For the Years Ended June 30, 2024

Reconciliation of Net Operating Loss to

Net Cash Applied to Operating Activities:

Net operating loss	<u>\$ (31,191,343)</u>	<u>\$ (25,899,780)</u>
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	11,788,750	11,444,194
Fringe benefits provided by the State	8,894,694	7,879,351
Public-private partnership amortization	(336,140)	(304,397)
Changes in assets and liabilities:		
Accounts receivable	1,267,551	(373,809)
Prepaid expenses	(247,108)	1,944,129
Accounts payable	1,076,241	301
Accrued expenses	594,394	(658,181)
Compensated absences and worker's compensation	313,397	25,757
Student deposits and unearned revenue	(337,634)	23,471
Net pension activity	(229,348)	(90,111)
Net OPEB activity	<u>(501,491)</u>	<u>(294,896)</u>
Net Adjustments	<u>22,283,306</u>	<u>19,595,809</u>
Net Cash Applied to Operating Activities	<u>\$ (8,908,037)</u>	<u>\$ (6,303,971)</u>

Cash and Equivalents, End of Year:

Cash and equivalents	1,912,069	\$ 4,487,608
Cash held by State Treasurer	3,237,644	1,313,146
Cash held by MSCBA	6,622,386	10,419,094
Restricted Cash and equivalents	<u>183,616</u>	<u>276,951</u>
Total	<u>\$ 11,955,715</u>	<u>\$ 16,496,799</u>

Supplemental Non-Cash Activities:

Fringe benefits provided by state	<u>\$ 8,894,694</u>	<u>\$ 7,879,351</u>
Capital improvements provided by capital appropriations	<u>\$ 3,051,460</u>	<u>\$ 3,911,507</u>
Capital assets acquired through leases and software arrangements	<u>\$ 2,223,085</u>	<u>\$ 275,431</u>
Deferred gain on bond refunding	<u>\$ 2,479,279</u>	<u>\$ -</u>
Interest expense reduction on deferred bond refunding	<u>\$ 346,494</u>	<u>\$ -</u>
Bond premiums amortization	<u>\$ 206,529</u>	<u>\$ 261,100</u>

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

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2024 and 2023

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.

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 statement of revenues, expenses and changes in net position demonstrates 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.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 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 statement of revenues, expenses and changes in net position 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted - Nonexpendable:** Net position whose use is subject to externally imposed conditions or by law that can be fulfilled by the actions of the Academy or the passage of time.
- **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.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Basis of Presentation and Accounting - continued

- **Unrestricted:** Net position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The Academy's financial statements include three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement 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.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

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 statement of net position date are classified as 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. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/ subscription term or useful life of the underlying asset. 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

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Compensated Absences - continued

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.

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.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Federal Grant

In October 2023 the Academy received a grant from the United States Department of Transportation Maritime Administration (“MARAD”) to cover approximately eighty percent of a construction project renewing its shipping pier. The project is coordinated through the Massachusetts State College Building Authority MSCBA. For the year ended June 30, 2024 the Academy has recognized approximately \$8,500,000 as non-operating Federal grants for this project.

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.

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.

Future Governmental Accounting Pronouncements

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

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Future Governmental Accounting Pronouncements - continued

GASB Statement 102 - *Certain Risk Disclosures* is effective for fiscal years beginning after June 15, 2024. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB Statement 103 - *Financial Reporting Model Improvements* is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

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

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation.

Note 2 - **Cash and Equivalents**

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, 2024 and 2023, the bank balance of the Academy's cash and cash equivalents was approximately \$1,982,000 and \$4,669,000, respectively. At June 30, 2024 and 2023, the Academy had uninsured and collateralized by securities held by the pledging financial institution bank balances exposed to custodial credit risk of approximately \$1,732,000 and \$4,419,000, respectively.

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 2 - Cash and Equivalents - Continued

Cash Held by State Treasurer

Cash forwarded by the University to and held by the State Treasurer for payment of so called “non-appropriated” liabilities at June 30, 2024 and 2023 through Massachusetts Management Accounting Reporting System (“MMARS”) were recorded in the sums of \$460,439 and \$65,307, respectively.

Liabilities to be funded by state appropriations at June 30, 2024 and 2023 were \$2,777,205 and \$1,247,839, respectively.

Note 3 - Accounts Receivable

The Academy’s accounts receivable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Students' accounts	\$ 125,497	\$ 218,161
Division of continuing education	104,952	499,750
Accrued interest	61,975	49,674
Charter	979,506	1,171,056
Grant receivable	422,605	558,684
Other	<u>744,070</u>	<u>1,153,734</u>
Subtotal	2,438,605	3,651,059
Allowance for doubtful accounts	<u>(242,017)</u>	<u>(186,920)</u>
Total accounts receivable, net	<u>\$ 2,196,588</u>	<u>\$ 3,464,139</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 4 - Pledges Receivable

The Foundation has pledges receivable as of June 30 2024 and 2023, which are expected to be realized in the following time periods:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 4,794,679	\$ 2,029,667
Between one and five years	<u>7,047,557</u>	<u>4,207,557</u>
	11,842,236	6,237,224
Discount at 5.00%	<u>(997,288)</u>	<u>(361,809)</u>
Pledges receivable, net	<u>\$ 10,844,948</u>	<u>\$ 5,875,415</u>

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, 2024, the Academy's and Foundation's investment balances are each insured up to \$500,000 by the 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:

	<u>2024</u>	<u>2023</u>
Money Market Investments	\$ 48,410,222	\$ 33,167,755
Corporate Bonds	10,948,792	9,615,467
Equity Securities and Mutual Funds	36,151,291	29,504,851
Government Bonds	<u>2,299,865</u>	<u>3,080,617</u>
Total Investments	<u>\$ 97,810,170</u>	<u>\$ 75,368,690</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 5 - Investments - Continued

Academy - continued

The maturities for the debt securities held by the Academy at June 30, 2024 and 2023 are as follows:

2024

Investment Maturities (in years)

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market Investments	\$ 48,410,222	\$ 48,410,222	\$ -	\$ -	\$ -
Corporate Bonds	10,948,792	2,709,073	6,379,410	1,582,752	277,557
Government Bonds	<u>2,299,865</u>	<u>725,052</u>	<u>1,452,669</u>	<u>122,144</u>	<u>-</u>
Total	61,658,879	<u>\$ 51,844,347</u>	<u>\$ 7,832,079</u>	<u>\$ 1,704,896</u>	<u>\$ 277,557</u>

Other Investments

Equity Securities and Mutual Funds	<u>36,151,291</u>
Total	<u>\$ 97,810,170</u>

2023

Investment Maturities (in years)

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market Investments	\$ 33,167,755	\$ 33,167,755	\$ -	\$ -	\$ -
Corporate Bonds	9,615,467	2,436,940	6,044,758	829,701	304,068
Government Bonds	<u>3,080,617</u>	<u>2,070,850</u>	<u>1,009,767</u>	<u>-</u>	<u>-</u>
Total	45,863,839	<u>\$ 37,675,545</u>	<u>\$ 7,054,525</u>	<u>\$ 829,701</u>	<u>\$ 304,068</u>

Other Investments

Equity Securities and Mutual Funds	<u>29,504,851</u>
Total	<u>\$ 75,368,690</u>

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 5 - Investments – Continued

Academy - continued

The risk categories for the debt securities held by the Academy at June 30, 2024 and 2023 are as follows:

<u>2024</u>							
<u>Investment Rating</u>							
<u>Investment Type</u>	<u>Market Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>Unrated</u>
Money Market Investments	\$48,410,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,410,222
Corporate Bonds	10,948,792	70,224	\$ 481,380	\$ 3,684,038	6,713,150	-	-
Government Bonds	<u>2,299,865</u>	<u>2,299,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$61,658,879</u>	<u>\$2,370,089</u>	<u>\$ 481,380</u>	<u>\$ 3,684,038</u>	<u>\$ 6,713,150</u>	<u>\$ -</u>	<u>\$ 48,410,222</u>

<u>2023</u>							
<u>Investment Rating</u>							
<u>Investment Type</u>	<u>Market Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>Unrated</u>
Money Market Investments	\$33,167,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,167,755
Corporate Bonds	9,615,467	58,123	\$2,847,011	\$ 4,127,376	2,582,957	-	-
Government Bonds	<u>3,080,617</u>	<u>3,080,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$45,863,839</u>	<u>\$3,138,740</u>	<u>\$2,847,011</u>	<u>\$ 4,127,376</u>	<u>\$ 2,582,957</u>	<u>\$ -</u>	<u>\$ 33,167,755</u>

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 the Academy 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.

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 5 - Investments – Continued

Fair Value Hierarchy - continued

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.

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, 2024 and 2023, the investments are categorized as follows:

	<u>Assets at Market Value as of June 30, 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Investments	\$48,410,222	\$ -	\$ -	\$48,410,222
Corporate Bonds	-	10,948,792	-	10,948,792
Equity Securities and Mutual Funds	36,151,291	-	-	36,151,291
Government Bonds	<u>2,299,865</u>	<u>-</u>	<u>-</u>	<u>2,299,865</u>
Total assets at fair value	<u>\$86,861,378</u>	<u>\$10,948,792</u>	<u>\$ -</u>	<u>\$97,810,170</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 5 - Investments - Continued

Assets at Market Value as of June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Investments	\$33,167,755	\$ -	\$ -	\$33,167,755
Corporate Bonds	-	9,615,467	-	9,615,467
Equity Securities and Mutual Funds	29,504,851	-	-	29,504,851
Government Bonds	<u>3,080,617</u>	<u>-</u>	<u>-</u>	<u>3,080,617</u>
Total assets at fair value	<u>\$65,753,223</u>	<u>\$ 9,615,467</u>	<u>\$ -</u>	<u>\$75,368,690</u>

Foundation

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

	<u>2024</u>	<u>2023</u>
Common stocks	\$ 33,923,781	\$ 22,298,287
Mutual funds	1,061,226	1,519,565
ETFS & CEFS	3,509,924	2,660,630
Government securities	622,429	626,268
Corporate fixed income	10,995,724	10,493,454
Real estate	<u>1,600,000</u>	<u>1,600,000</u>
	<u>\$ 51,713,084</u>	<u>\$ 39,198,204</u>

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 6 - **Capital Assets**

Academy

Capital assets consist of the following at June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Capital assets not depreciated:					
Land	\$ 702,217	\$ -	\$ -	\$ -	\$ 702,217
Historical treasures	567,500	-	-	-	567,500
Construction in progress	<u>19,853,014</u>	<u>16,755,093</u>	<u>(75,915)</u>	<u>(9,930,476)</u>	<u>26,601,716</u>
Total not depreciated	<u>21,122,731</u>	<u>16,755,093</u>	<u>(75,915)</u>	<u>(9,930,476)</u>	<u>27,871,433</u>
Capital assets depreciated:					
Library	694,019	-	-	-	694,019
Equipment and furnishings	30,929,934	2,072,770	(25,169)	-	32,977,535
Boats	4,373,153	-	-	-	4,373,153
Buildings	89,934,348	151,830	-	9,930,476	100,016,654
Software arrangements	2,141,889	-	-	-	2,141,889
Leased buildings	89,293,375	1,854,637	(19,055)	-	91,128,957
Leased vehicles	<u>96,490</u>	<u>368,448</u>	<u>(96,490)</u>	<u>-</u>	<u>368,448</u>
Total depreciated	<u>217,463,208</u>	<u>4,447,685</u>	<u>(140,714)</u>	<u>9,930,476</u>	<u>231,700,655</u>
Total capital assets	<u>238,585,939</u>	<u>21,202,778</u>	<u>(216,629)</u>	<u>-</u>	<u>259,572,088</u>
Accumulated depreciation:					
Library	(662,313)	(31,706)	-	-	(694,019)
Equipment and furnishings	(26,312,557)	(1,776,441)	25,169	-	(28,063,829)
Boats	(1,584,073)	(697,270)	-	-	(2,281,343)
Buildings	(39,521,210)	(3,284,684)	-	-	(42,805,894)
Software arrangements	(461,912)	(496,397)	-	-	(958,309)
Leased buildings	(10,774,753)	(5,392,483)	19,054	-	(16,148,182)
Leased vehicles	<u>(89,069)</u>	<u>(109,769)</u>	<u>96,490</u>	<u>-</u>	<u>(102,348)</u>
Total accumulated depreciation	<u>(79,405,887)</u>	<u>(11,788,750)</u>	<u>140,713</u>	<u>-</u>	<u>(91,053,924)</u>
Capital assets, net	<u>\$ 159,180,052</u>	<u>\$ 9,414,028</u>	<u>\$ (75,916)</u>	<u>\$ -</u>	<u>\$ 168,518,164</u>

MASSACHUSETTS MARITIME ACADEMY

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 6 - Capital Assets- Continued

Academy

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Capital assets not depreciated:					
Land	\$ 702,217	\$ -	\$ -	\$ -	\$ 702,217
Historical treasures	567,500	-	-	-	567,500
Construction in progress	<u>8,996,067</u>	<u>11,345,834</u>	<u>-</u>	<u>(488,887)</u>	<u>19,853,014</u>
Total not depreciated	<u>10,265,784</u>	<u>11,345,834</u>	<u>-</u>	<u>(488,887)</u>	<u>21,122,731</u>
Capital assets depreciated:					
Library	694,019	-	-	-	694,019
Equipment and furnishings	30,174,447	811,554	(56,067)	-	30,929,934
Boats	886,803	3,486,350	-	-	4,373,153
Buildings	89,227,151	218,310	-	488,887	89,934,348
Software arrangements	1,797,045	344,844	-	-	2,141,889
Leased buildings	91,285,944	-	(1,992,569)	-	89,293,375
Leased vehicles	<u>96,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,490</u>
Total depreciated	<u>214,161,899</u>	<u>4,861,058</u>	<u>(2,048,636)</u>	<u>488,887</u>	<u>217,463,208</u>
Total capital assets	<u>224,427,683</u>	<u>16,206,892</u>	<u>(2,048,636)</u>	<u>-</u>	<u>238,585,939</u>
Accumulated depreciation:					
Library	(630,040)	(32,273)	-	-	(662,313)
Equipment and furnishings	(24,807,980)	(1,560,644)	56,067	-	(26,312,557)
Boats	(860,703)	(723,370)	-	-	(1,584,073)
Buildings	(36,746,111)	(2,775,099)	-	-	(39,521,210)
Software arrangements	-	(461,912)	-	-	(461,912)
Leased buildings	(5,800,140)	(5,846,362)	871,749	-	(10,774,753)
Leased vehicles	<u>(44,535)</u>	<u>(44,534)</u>	<u>-</u>	<u>-</u>	<u>(89,069)</u>
Total accumulated depreciation	<u>(68,889,509)</u>	<u>(11,444,194)</u>	<u>927,816</u>	<u>-</u>	<u>(79,405,887)</u>
Capital assets, net	<u>\$ 155,538,174</u>	<u>\$ 4,762,698</u>	<u>\$ (1,120,820)</u>	<u>\$ -</u>	<u>\$ 159,180,052</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 6 - Capital Assets - Continued

Foundation

Capital assets consist of the following at June 30, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 2,344,991	\$ 447,900	\$ -	\$ 2,792,891
Capital assets depreciated:				
Buildings	<u>642,134</u>	<u>383,125</u>	<u>-</u>	<u>1,025,259</u>
Total capital assets	2,987,125	831,025	-	3,818,150
Accumulated depreciation:				
Buildings	<u>(135,116)</u>	<u>(16,053)</u>	<u>-</u>	<u>(151,169)</u>
Capital assets, net	<u>\$ 2,852,009</u>	<u>\$ 814,972</u>	<u>\$ -</u>	<u>\$ 3,666,981</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 1,934,991	\$ 410,000	\$ -	\$ 2,344,991
Capital assets depreciated:				
Buildings	<u>642,134</u>	<u>-</u>	<u>-</u>	<u>642,134</u>
Total capital assets	2,577,125	410,000	-	2,987,125
Accumulated depreciation:				
Buildings	<u>(119,062)</u>	<u>(16,054)</u>	<u>-</u>	<u>(135,116)</u>
Capital assets, net	<u>\$ 2,458,063</u>	<u>\$ 393,946</u>	<u>\$ -</u>	<u>\$ 2,852,009</u>

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 2025.

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, 2024 and 2023, the interest rate was .86% and .86%, respectively. The Academy maintains restricted cash of \$11,495 and \$17,208 at June 30, 2024 and 2023, respectively, in a debt service fund in accordance with the loan agreement with MHEFA. At June 30, 2024 and 2023, the balance on the bonds was \$327,240 and \$436,320, respectively.

In February 2024, the MSCBA, on behalf of the Academy, refunded its outstanding Series 2012 bonds through Series 2022A bonds resulting in an economic gain of \$3,495 and a deferred gain of \$10,621. 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 2032, at an annual variable coupon rate averaging 8.45%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2024, the balance on these bonds was \$3,911,884.

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. In February 2024 this bond was refunded into the Series 2024A bond disclosed on above.

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 \$172,121 and \$259,744 as of June 30, 2024 and 2023, respectively. In February 2024, this bond was refunded into the Series 2024A bond resulting in an economic gain of \$197,149 and deferred gain of \$134,854. At June 30, 2024 and 2023, the balance on this bond was \$4,498,410 and \$4,915,023, respectively.

In February 2022, MSCBA issued Project Revenue Bonds - Academy Series 2022A in the amount of \$9,061,100 to provide funds for the renovation of the Fantail lounge. Under the terms of the agreement, the Academy is responsible for semi-annual installments including an annual coupon rate, through May 2052. At June 30, 2024 and 2023, the balance on this bond was \$8,704,968 and \$8,910,719, respectively.

Maturities of the bonds payable subsequent to June 30, 2024 are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	Amortization <u>of Premium</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 992,695	\$ 195,468	\$ 573,033	\$ 1,761,196
2026	1,023,925	177,736	532,704	1,734,365
2027	1,058,467	164,653	501,901	1,725,021
2028	980,668	150,789	469,199	1,600,656
2029	1,018,347	136,393	434,497	1,589,237
2030-2034	4,775,078	441,849	1,597,567	6,814,494
2035-2039	1,215,084	246,794	1,061,251	2,523,129
2040-2044	1,480,941	184,969	795,396	2,461,306
2045-2049	1,801,790	110,356	474,547	2,386,693
2050-2052	<u>1,263,398</u>	<u>23,102</u>	<u>102,393</u>	<u>1,388,893</u>
	<u>\$ 15,610,393</u>	<u>\$ 1,832,109</u>	<u>\$ 6,542,488</u>	<u>\$ 23,984,990</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 8 - Deferred Inflows of Resources

Campus Dining Facilities Agreement

The Academy has entered into 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 \$8.25 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 2038. This financial commitment is categorized as a public-private partnership under GASB 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*. In the event of termination, as provided for by either party in the 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 \$513,000 for each of the years ended June 30, 2024 and 2023.

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

Years Ending <u>June 30,</u>	
2025	336,143
2026	336,143
2027	336,143
2028	336,143
2029	336,143
2030-2034	1,680,715
2035-2038	<u>1,344,571</u>
	<u><u>\$ 4,706,001</u></u>

The Academy reported the net book value of the capital assets related to the arrangement of approximately \$2,600,000 and \$2,842,000, at June 30, 2024 and 2023, respectively.

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 9 - Long-Term Liabilities

Long-term liabilities at June 30,:

	<u>2024</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 18,653,980	\$ -	\$ (1,211,478)	\$ 17,442,502	\$ 992,695
Other Liabilities:					
Leases	79,089,728	2,303,861	(5,103,707)	76,289,882	4,447,463
SBITAs	1,596,596		(436,430)	1,160,166	472,700
Compensated absences	3,040,881	215,930	-	3,256,811	2,212,380
Worker's compensation	770,819	97,467	-	868,286	107,952
Net pension liability	1,417,221		(338,331)	1,078,890	-
Net OPEB liability	1,783,559	-	(636,071)	1,147,488	-
	<u>87,698,804</u>	<u>2,617,258</u>	<u>(6,514,539)</u>	<u>83,801,523</u>	<u>7,240,495</u>
	<u>\$ 106,352,784</u>	<u>\$ 2,617,258</u>	<u>\$ (7,726,017)</u>	<u>\$ 101,244,025</u>	<u>\$ 8,233,190</u>
	<u>2023</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 19,625,901	\$ -	\$ (971,921)	\$ 18,653,980	\$ 1,179,811
Other Liabilities:					
Leases	84,954,362	-	(5,864,634)	79,089,728	4,227,754
SBITAs	1,797,045	275,431	(475,880)	1,596,596	436,430
Compensated absences	3,022,008	18,873	-	3,040,881	2,038,774
Worker's compensation	763,935	6,884	-	770,819	90,551
Net pension liability	1,129,477	287,744	-	1,417,221	-
Net OPEB liability	1,983,100	-	(199,541)	1,783,559	-
	<u>93,649,927</u>	<u>588,932</u>	<u>(6,540,055)</u>	<u>87,698,804</u>	<u>6,793,509</u>
	<u>\$ 113,275,828</u>	<u>\$ 588,932</u>	<u>\$ (7,511,976)</u>	<u>\$ 106,352,784</u>	<u>\$ 7,973,320</u>

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 10 - Leases

A summary of the Academy's leases at June 30, 2024 and 2023 is as follows:

<u>2024</u>					
<u>Description</u>	<u>Issue Date</u>	<u>Expiration Date</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Liability</u>
Vehicles	9/1/2023	8/31/2026	\$ 11,000	5.02%	\$ 271,592
MSCBA	7/1/2021	5/1/2052	Varies	2-35%	76,018,290
					<u>\$ 76,289,882</u>
<u>2023</u>					
<u>Description</u>	<u>Issue Date</u>	<u>Expiration Date</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Lease Liability</u>
Vehicles	9/1/2019	8/1/2023	\$ 3,780	1.64%	\$ 7,545
MSCBA	7/1/2021	5/1/2052	Varies	2-35%	79,082,183
					<u>\$ 79,089,728</u>

On June 1, 2020, the Academy entered into a five-year lease agreement for additional housing for cadets. Payments of \$42,917 are due monthly. The Academy's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. On April 1, 2023 the Academy terminated this lease. As part of the termination the Academy was required to make a \$175,000 payment that was not related to the lease.

On September 1, 2023, the Academy entered into a three-year lease agreement for ten vehicles. The Academy may extend on a daily, weekly, or monthly basis, by requesting extensions in writing to the lessor and the lessor accepting. Payments of \$11,000 are due monthly. The Academy did not make any additional payments related to this lease for the year ended June 30, 2024. The Academy's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 10 - Leases - Continued

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority (“MSCBA”) from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the Academy’s residence halls, certain social event spaces and parking lots. The residence halls, social event spaces and parking lots and the associated liability are reflected on the financial statements of MSCBA. MSCBA leases these properties to the Academy.

According to an agreement between the Commonwealth of Massachusetts and the Academy, the Academy is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the properties and operating costs for the properties incurred by MSCBA.

The lease term is completed when the final bond payment is made, which is scheduled for May 2052. The lease liability was calculated based upon the discounting of the future bond service payments using the average interest rate. If MSCBA refunds the bonds, any cost savings are passed through to the Academy. For the year ended June 30, 2024, \$2.5 million of the bonds were refunded. The difference in the lease liability due to the refunding was recognized as a deferred inflow of resources.

Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2024, debt service payments and operating costs paid by the Academy were \$5,742,650 and \$1,251,252, respectively. For the year ended June 30, 2023, debt service payments and operating costs paid by the Academy were \$7,608,747 and \$1,190,745, respectively.

At June 30, 2024, the total amount of the leased right of use assets and accumulated amortization for leases were \$91,497,405 and \$16,250,530, respectively.

At June 30, 2023, the total amount of the leased right of use assets and accumulated amortization for leases were \$89,389,865 and \$10,863,822, respectively.

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 10 - Leases – Continued

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2024 are as follows:

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>
2025	\$ 4,447,463	\$ 3,187,959
2026	4,549,852	2,979,088
2027	4,599,353	2,725,252
2028	4,675,681	2,432,195
2029	4,963,757	1,945,268
2030-2034	24,004,604	7,182,726
2035-2039	14,649,414	3,695,812
2040-2044	8,885,546	1,428,080
2045-2049	3,806,304	502,578
2050-2052	<u>1,707,908</u>	<u>65,241</u>
Total	<u>\$ 76,289,882</u>	<u>\$ 26,144,199</u>

Note 10A - Subscription-Based Information Technology Arrangements

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

The financial management software arrangements range from three to five year, initiated in fiscal year 2024 with yearly payments ranging from of \$20,000 to 291,0000. The Academy has used a 3.37% discount rate for these arrangements based on a comparable rate if the assets were purchased to determine the present value of the intangible right-to-use asset and SBITA liability. The Academy has an option to extend these arrangements for 12 additional months but is not likely to exercise that option. There is no option to purchase the software. For the years ended June 30, 2024 and 2023, the Academy did not make any other payments for these leases.

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 10A -Subscription-Based Information Technology Arrangements - Continued

The document management software arrangement is a three-year agreement, initiated in fiscal year 2023 with a yearly payment of \$43,850 that escalates each year of the agreement. The Academy has used a 4.42% discount rate for this arrangement based on a borrowing rate provided by their bank to determine the present value of the intangible right-to-use asset and SBITA liability. The Academy has an option to extend this arrangement for 12 additional months but is not likely to exercise that option. There is no option to purchase the software. For the year ended June 30, 2024, the Academy had a prepayment of \$69,413 not included in the monthly lease payments.

At June 30, 2024, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$2,141,889 and \$958,309, respectively.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$2,141,889 and \$461,912, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2024 are as follows:

Years Ending		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	472,700	40,211
2026	369,664	23,529
2027	<u>317,802</u>	<u>10,877</u>
Total	<u>\$ 1,160,166</u>	<u>\$ 74,617</u>

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - **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 on-line 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.

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.

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - Pensions - Continued

Member contributions for SERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 - 6/30/1996	8% of regular compensation
7/1/1996 - present	9% of regular compensation
1979 - 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 \$3,436,403, \$3,331,270, and \$3,144,735, for the years ended June 30, 2024, 2023, and 2022, 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 16.69%, 16.70%, and 16.11% of annual covered payroll for the fiscal years ended June 30, 2024, 2023, and 2022, respectively. The Academy contributed \$171,998, \$108,604, and \$143,403, for the fiscal years ended June 30, 2024, 2023, and 2022, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2024, and 2023 the Academy reported a liability of \$1,078,890, and \$1,417,221, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2024, the reporting date, was measured as of June 30, 2023, 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, 2023 rolled forward to June 30, 2023. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - Pensions - Continued

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

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 2024 and 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2024 and 2023, the Academy's proportion was 0.007% and 0.011%, respectively.

For the year ended June 30, 2024 the Academy recognized pension income of \$57,350. For the year ended June 30, 2023 the Academy recognized pension expense of \$18,492.

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

	<u>2024</u>	<u>2023</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience \$	38,325	\$ 35,254
Net difference between projected and actual Investment earnings	29,036	-
Change in plan actuarial assumptions, net	18,133	39,018
Changes in proportion from Commonwealth	9	97
Changes in proportion due to internal allocation	46,632	87,536
Contributions subsequent to the measurement date	<u>171,998</u>	<u>108,604</u>
Total deferred outflows related to pension	<u>\$ 304,133</u>	<u>\$ 270,509</u>
	<u>2024</u>	<u>2023</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience \$	26,659	\$ 55,315
Net differences between projected and actual earnings on pension plan investments	-	7,555
Changes in proportion from Commonwealth	8,242	3,834
Changes in proportion due to internal allocation	<u>484,036</u>	<u>309,626</u>
Total deferred inflows related to pension	<u>\$ 518,937</u>	<u>\$ 376,330</u>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - Pensions – Continued

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

The Academy's contributions of \$171,998 and \$108,604 made during the fiscal years ending 2023 and 2022, 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:

Years Ended <u>June 30,</u>	
2025	\$ (18,546)
2026	193,153
2027	(476,319)
2028	<u>(85,090)</u>
	<u>\$ (386,802)</u>

Actuarial Assumptions

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

<u>Measurement date</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Inflation	2.50%	2.50%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credited to annuity savings fund	3.50%	3.50%

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - **Pensions – Continued**

For measurement dates June 30, 2023 and 2022, 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 the post-retirement mortality described above, set forward 1 year.

The 2024 pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 2023 and rolled forward to June 30, 2023. The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 2022 and rolled forward to June 30, 2022.

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 weighing 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:

Asset Class	2024		2023	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	37%	4.9%	38%	4.2%
Portfolio Completion Strategies	10%	3.8%	15%	5.0%
Core Fixed Income	15%	1.9%	15%	7.3%
Private Equity	16%	7.4%	10%	2.7%
Real Estate	10%	3.0%	10%	3.3%
Value Added Fixed Income	8%	5.1%	8%	3.7%
Timber/Natural Resources	4%	4.3%	4%	3.9%
	<u>100%</u>		<u>100%</u>	

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - Pensions – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

2024		
1.00% Decrease	Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 1,482,789	\$ 1,078,890	\$ 737,085
2023		
1.00% Decrease	Current Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 1,954,670	\$ 1,417,221	\$ 962,461

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - **Other Post-Employment Benefits**

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 deceased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the board of trustees, which consists of seven members (or their designee) and includes the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

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

Benefits Provided

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

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - **Other Post-Employment Benefits – Continued**

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2024 and 2023, and as of the valuation date (January 1, 2023 and 2022), 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 7.83% and 7.28% of annual covered payroll for the fiscal years ended June 30, 2024 and 2023, respectively. The Academy contributed \$80,686 and \$47,329 for the fiscal years ended June 30, 2024 and 2023, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2024 and 2023, the Academy reported a liability of \$1,147,488 and \$1,783,559 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, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 and 2022, 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 2023 and 2022. The Academy's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023 and 2022, the Academy's proportion was 0.014% and 0.013%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

For the year ended June 30, 2024, the Academy recognized income related to OPEB of \$415,038. For the year ended June 30, 2023, the Academy recognized income related to OPEB of \$21,247. The Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	<u>2024</u>	<u>2023</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 80,686	\$ 47,329
Changes in OPEB plan actuarial assumptions	50,410	131,365
Differences between expected and actual experience	46,672	32,833
Net differences between projected and actual earnings on OPEB plan investments	3,751	2,711
Changes in the proportion from Commonwealth	105	819
Changes in the proportion due to internal allocation	<u>129,851</u>	<u>223,449</u>
Total deferred outflows related to OPEB	<u>\$ 311,475</u>	<u>\$ 438,506</u>
	<u>2024</u>	<u>2023</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 295,979	\$ 645,508
Differences between expected and actual experience	128,891	295,287
Changes in proportion due to internal allocations.	1,265,690	744,388
Changes in OPEB from Commonwealth	<u>10,980</u>	<u>8,808</u>
Total deferred inflows related to OPEB	<u>\$ 1,701,540</u>	<u>\$ 1,693,991</u>

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

Contributions

The Academy's contributions of \$80,686 and \$47,329 made during the fiscal years 2024 and 2023, 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 as increases (decreases) in OPEB expense as follows:

Years Ended <u>June 30,</u>	
2025	\$ (373,036)
2026	(366,812)
2027	(359,541)
2028	(295,040)
2029	<u>(76,322)</u>
	<u><u>\$ (1,470,751)</u></u>

Actuarial Assumptions

The total OPEB liability for 2024 and 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, 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 2023_1f. Medicare and non-Medicare benefits range from 5.79% to 7.50%	Developed based on the most recent published GAO-Getzen trend rate model, version 2022_1f. Medicare and non-Medicare benefits range from 5.00% to 7.60%

MASSACHUSETTS MARITIME ACADEMY

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

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

The participation rates are actuarially assumed as below:

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

	2024		2023	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	27%	96.0%	28%	96.0%
POS/PPO	63%	0.0%	60%	0.0%
HMO	10%	4.0%	12%	4.0%

The actuarial assumptions used in the January 1, 2023 and 2022 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2023 and 2022 through December 31, 2022 and 2021, depending upon the criteria being evaluated.

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

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

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, 2024 and 2023, are the same as discussed in the pension footnote.

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 weighing 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:

Asset Class	2024		2023	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	37%	4.9%	38%	4.2%
Portfolio Completion Strategies	10%	3.8%	15%	5.0%
Core Fixed Income	15%	1.9%	15%	7.3%
Private Equity	16%	7.4%	10%	2.7%
Real Estate	10%	3.0%	10%	3.3%
Value Added Fixed Income	8%	5.1%	8%	3.7%
Timber/Natural Resources	4%	4.3%	4%	3.9%
	<u>100%</u>		<u>100%</u>	

MASSACHUSETTS MARITIME ACADEMY
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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

Discount Rate

The discount rate used to measure the total OPEB liability for the 2023 and 2022 measurement dates was 4.34% and 4.30%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.65% and 3.54%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2042 and 2042 for the fiscal years 2024 and 2023, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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:

	<u>2024</u>		
	1.00% Decrease	Discount Rate	1.00% Increase
	3.34%	4.34%	5.34%
Net OPEB liability	\$ 1,340,736	\$ 1,147,488	\$ 988,931

	<u>2023</u>		
		Current	
	1.00% Decrease	Discount Rate	1.00% Increase
	3.30%	4.30%	5.30%
Net OPEB liability	\$ 2,080,714	\$ 1,783,559	\$ 1,539,468

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - Other Post-Employment Benefits – Continued

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:

	<u>2024</u>		
	1.00% Decrease	Discount Rate	1.00% Increase
	3.34%	4.34%	5.34%
Net OPEB liability	\$ 1,340,736	\$ 1,147,488	\$ 988,931

	<u>2023</u>		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	3.30%	4.30%	5.30%
Net OPEB liability	\$ 2,080,714	\$ 1,783,559	\$ 1,539,468

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

Note 13 - 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.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 13 - Fringe Benefits - Continued

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and 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 year ended June 30, 2023, 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.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 14 - **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 from the Foundation of approximately \$6,353,000 and \$1,510,000 for the years ending June 30, 2024 and 2023, respectively. Of these amounts \$1,100,000 and \$1,129,000 for the years ended June 30, 2024 and 2023, respectively, were for scholarships that were awarded directly to students at the Academy.

Note 15 - **Operating Expenses**

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

	<u>2024</u>	<u>2023</u>
Compensation and benefits	\$ 37,028,032	\$ 34,708,718
Supplies and services	24,313,482	22,973,485
Depreciation	11,788,750	11,444,194
Scholarships and fellowships	<u>7,948,625</u>	<u>7,623,559</u>
	<u>\$ 81,078,889</u>	<u>\$ 76,749,956</u>

Note 16 - **Massachusetts State College Building Authority**

MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses.

The Academy is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls, as well as debt service on instruments issued by MSCBA for dormitory and other major construction projects for the Academy. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations and certain MSCBA operating costs.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 16 - **Massachusetts State College Building Authority - Continued**

These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus.

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the Academy for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the Academy for the years ended June 30, 2024 and 2023 were \$7,020,954 and \$8,799,493, respectively. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset by a lease liability.

Note 17 - **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.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 17 - Contingent Liabilities and Commitments - Continued

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 18 - 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*.

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Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 18 - Management Accounting and Reporting System - Continued

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

	<u>2024</u>	<u>2023</u>
Direct appropriations	\$ 24,311,925	\$ 22,041,909
Add: Fringe benefits for employees on the Commonwealth payroll	<u>8,894,694</u>	<u>7,879,351</u>
Total unrestricted appropriations	33,206,619	29,921,260
Capital appropriations	<u>4,077,226</u>	<u>3,986,752</u>
Total appropriations	<u>\$ 37,283,845</u>	<u>\$ 33,908,012</u>

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.

A reconciliation of revenue between the Academy and MMARS as of June 30, 2024 and 2023, is as follows (unaudited):

	<u>2024</u>	<u>2023</u>
Revenue per MMARS	\$ 53,417,959	\$ 50,761,266
Revenue per Academy	<u>53,579,353</u>	<u>49,307,013</u>
Difference	<u>\$ 161,394</u>	<u>\$ (1,454,253)</u>

For the year ended June 30, 2024, a timing difference occurred where the Academy had additional revenue in the amount of \$161,394, that was reported to MMARS after August 31, 2024.

For the year ended June 30, 2023, a timing difference occurred where the Academy had less revenue in the amount of \$1,454,253, that was reported to MMARS after August 31, 2023.

**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 Measurement date Valuation date	June 30, 2024 June 30, 2023 January 1, 2023	June 30, 2023 June 30, 2022 January 1, 2022	June 30, 2022 June 30, 2021 January 1, 2021	June 30, 2021 June 30, 2020 January 1, 2019	June 30, 2020 June 30, 2019 January 1, 2019	June 30, 2019 June 30, 2018 January 1, 2018	June 30, 2018 June 30, 2017 January 1, 2017	June 30, 2017 June 30, 2016 January 1, 2016	June 30, 2016 June 30, 2015 January 1, 2015	June 30, 2015 June 30, 2014 January 1, 2014
Academy's proportion of the net pension liability	0.007%	0.011%	0.011%	0.013%	0.011%	0.014%	0.013%	0.013%	0.014%	0.010%
Academy's proportionate share of the net pension liability	\$ 1,078,890	\$ 1,417,221	\$ 1,129,477	\$ 2,200,902	\$ 1,664,505	\$ 1,791,453	\$ 1,695,524	\$ 1,801,578	\$ 1,565,796	\$ 779,398
Academy's covered payroll	\$ 650,323	\$ 890,149	\$ 878,192	\$ 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	165.90%	159.21%	128.61%	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	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 171,998	\$ 108,604	\$ 143,403	\$ 128,743	\$ 138,620	\$ 113,265	\$ 123,826	\$ 103,361	\$ 93,819	\$ 86,118
Contributions in relation to the contractually required contribution	<u>(171,998)</u>	<u>(108,604)</u>	<u>(143,403)</u>	<u>(128,743)</u>	<u>(138,620)</u>	<u>(113,265)</u>	<u>(123,826)</u>	<u>(103,361)</u>	<u>(93,819)</u>	<u>(86,118)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,030,545	\$ 650,323	\$ 890,149	\$ 878,192	\$ 984,517	\$ 939,179	\$ 1,051,158	\$ 1,038,803	\$ 992,457	\$ 828,855
Contribution as a percentage of covered payroll	16.69%	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Actuarial and Assumptions

Measurement date – June 30, 2023

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement Date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

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

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

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Actuarial and Assumptions - Continued

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

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.

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

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

For the Year Ended June 30, 2024 and 2023

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

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, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Academy's proportion of the collective net OPEB liability	0.014%	0.013%	0.012%	0.014%	0.018%	0.011%	0.019%
Academy's proportionate share of the net OPEB liability	\$ 1,147,488	\$ 1,783,559	\$ 1,983,100	\$ 2,832,046	\$ 3,137,860	\$ 3,920,039	\$ 3,729,812
Academy's covered payroll	\$ 650,323	\$ 890,149	\$ 878,192	\$ 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	176.45%	200.37%	225.82%	287.66%	334.11%	372.93%	359.05%
Plan fiduciary net position as a percentage of the total OPEB liability	13.80%	13.00%	10.70%	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,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 80,686	\$ 47,329	\$ 68,104	\$ 67,604	\$ 71,809	\$ 82,592	\$ 93,751
Contributions in relation to the statutorily required contribution	<u>(80,686)</u>	<u>(47,329)</u>	<u>(68,104)</u>	<u>(67,604)</u>	<u>(71,809)</u>	<u>(82,592)</u>	<u>(93,751)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,030,545	\$ 650,323	\$ 890,149	\$ 878,192	\$ 984,517	\$ 939,179	\$ 1,051,158
Contribution as a percentage of covered payroll	7.83%	7.28%	7.65%	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.

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

Notes to the Required Supplementary Information - OPEB (Unaudited)

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Assumptions

Fiscal year June 30, 2024

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 2023_1f. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.34% (based upon a blend of the Bond Buyer Index rate (3.65%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2023

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Discount Rate

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

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

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

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Assumptions - Continued

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

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

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

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Assumptions - Continued

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%.

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate

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

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

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

For the Year Ended June 30, 2024 and 2023

Note 1 - Change in Plan Assumptions - Continued

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

The discount rate was increased to 3.95% (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)

Schedule of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets:		
Interfund balance	<u>\$ 2,168,420</u>	<u>\$ 2,003,808</u>
Liabilities and Net Position:		
Accounts payable and accrued expense	\$ 20,091	\$ 53,936
Accrued compensated absences	<u>252,783</u>	<u>181,367</u>
Total Liabilities	272,874	235,303
Net Position	<u>1,895,546</u>	<u>1,768,505</u>
Total Liabilities and Net Position	<u>\$ 2,168,420</u>	<u>\$ 2,003,808</u>

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

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

For the Year Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue:		
Student fees	\$ 10,500,884	\$10,454,864
Dormitory damage	3,975	6,135
Commissions and miscellaneous other	40,861	43,587
Lease	<u>308,096</u>	<u>312,922</u>
Total Revenue	<u>10,853,816</u>	<u>10,817,508</u>
Expenditures:		
Regular employee compensation	\$ 1,653,621	1,396,410
Employee related expenses	8,492	15,661
Special employee/contracted services	369,686	311,029
Pension and insurance	756,704	583,170
Administrative expenses	8,339	8,190
Facility operating supplies and expenses	119,792	151,772
Energy costs and space lease	570,731	695,194
Other	4,838	1,855
Operational services	329,557	109,799
Equipment and IT	36,336	21,360
Equipment lease and maintenance	156,442	93,432
Payments to the building authority	6,749,424	8,214,485
Housing grants	<u>241,591</u>	<u>241,591</u>
Total Expenditures	<u>11,005,553</u>	<u>11,843,948</u>
Non-Operating Revenues:		
Other revenue - MSCBA	<u>278,778</u>	<u>64,445</u>
Changes in Net Position	127,041	(961,995)
Net Position - Beginning of Year	<u>1,768,505</u>	<u>2,730,500</u>
Net Position - End of Year	<u>\$ 1,895,546</u>	<u>\$ 1,768,505</u>

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

To the Board of Trustees of
Massachusetts Maritime Academy:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Massachusetts Maritime Academy (the "Academy"), and its discretely presented major component unit, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Massachusetts Maritime 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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 20, 2024