

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS

JUNE 30, 2021

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Financial Statements

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Education of
State of Rhode Island
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented major component unit of Rhode Island College (a component unit of the State of Rhode Island) (the "College"), as of, and for, the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Rhode Island College Foundation (the "Foundation") as of June 30, 2021 as discussed in Note 1 to the financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely upon the report of the other auditors. We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 major component unit of Rhode Island College as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-18, the schedule of proportionate share of the net pension liability on page 58, the schedule of pension contributions on page 59, the notes to the pension required supplementary information on pages 60-61, the schedule of proportionate share of the net OPEB liability on page 62, the schedule of OPEB contributions on page 63, and the notes to the OPEB required supplementary information on page 64-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of Rhode Island College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

September 30, 2021

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Introduction

The following management discussion and analysis ("MD&A") provides management's view of the financial position of Rhode Island College (the "College") as of June 30, 2021 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2020. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of the College's financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management which is responsible for the completeness and fairness of the information and it should be read in conjunction with the College's financial statements and notes thereto that follow this section.

The College, founded in 1854, is the oldest of the three public institutions of higher education in the State of Rhode Island, and is governed by the Board of Education (the "BOE"). The Rhode Island Office of Postsecondary Commissioner, which operates under the direction of the Commissioner of Postsecondary Education, is the administrative and research arm of the BOE. The College's primary mission is to make its academic programs available to any qualified students who can benefit from its educational services. The College fulfills its educational mission by offering undergraduate programs in liberal arts and sciences and in a variety of professional and pre-professional fields. The College also offers a range of selected graduate programs in arts and sciences, education, business, nursing, and in areas of social, public and community service. The College offers its academic programs to undergraduates of traditional age as well as to older students who often study and or work part-time while earning undergraduate or advanced degrees. The majority of students are from Rhode Island. The College also contributes directly to the cultural life of the State through ongoing theatre and concert performances, art exhibits, lectures, and films which are all open to the public.

The College was established in 1854 as the Rhode Island Normal School, focusing on teacher education. Due to diminished state support the College was closed for a period between 1865 and 1869 when it reopened as the Rhode Island State Normal School. In 1920 the Normal School became the Rhode Island College of Education, offering a four-year program leading to the degree of Bachelor of Education. The graduate program originated in the early 1920s. During the 1958-59 academic year the College was relocated from the downtown Providence location to its current 180-acre campus on the border of Providence and North Providence. In 1959 the mission of the College was expanded to that of a comprehensive college. In 1960 the name of the institution was changed to Rhode Island College to reflect its expanded mission. The College now serves over 6,400 students in a variety of courses and programs both on and off campus.

RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island)

Management’s Discussion and Analysis (Unaudited) - Continued

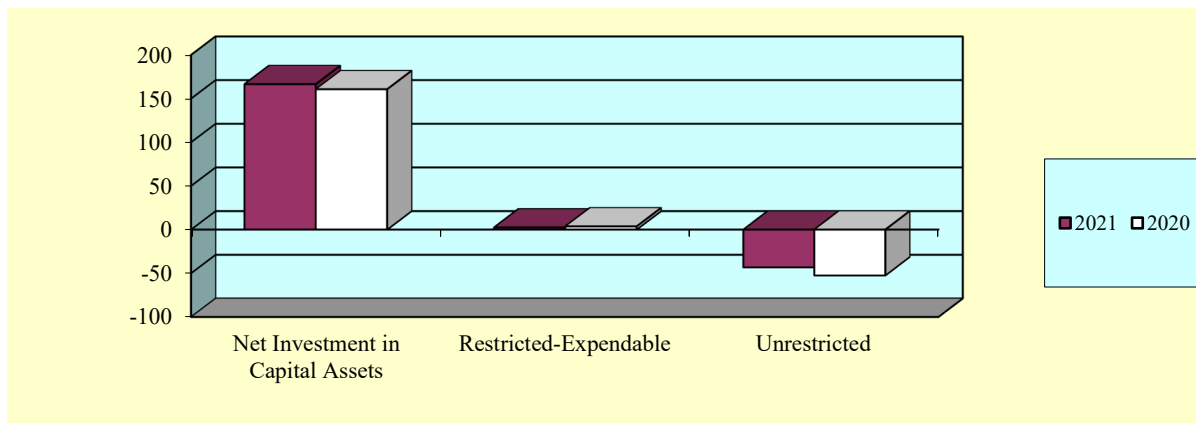
June 30, 2021

The College is part of the Rhode Island system of public higher education that includes Rhode Island College and the Community College of Rhode Island. The University of Rhode Island, is governed by an independent board of trustees, but the three institutions of higher education maintain articulation agreements for matriculation exist for student transfers between the three schools. The Rhode Island Council on Postsecondary Education became the governing body for the College in 2013.

Financial Highlights

The College’s financial position remained strong as of June 30, 2021. At June 30, 2021, the College’s assets of \$231.2 million exceeded its liabilities of \$104.6 million by \$126.6 million, an increase over the prior year of \$15.9 million.

The resulting net position is summarized into the following categories (in \$ millions) for the fiscal years ended June 30, 2021 and 2020:



Restricted expendable net position may be expended only for the purposes authorized by the creditor, grantor, or enabling legislation. Unrestricted net position represents all other funds that do not meet the definition of Net Investment in Capital Assets or Restricted funds.

For fiscal year 2021, operating revenues decreased by 8%, or \$7.3 million, from \$93.5 million in fiscal year 2020 to \$86.2 million in fiscal year 2021. In addition, operating expenses increased by \$0.1 million from \$154.1 million in fiscal year 2020 to \$154.2 million in fiscal year 2021.

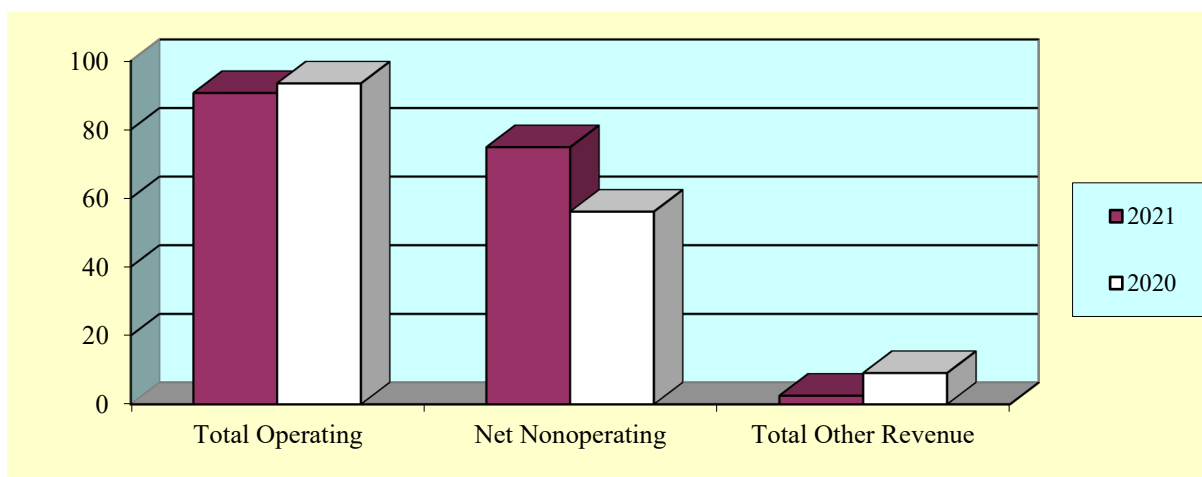
RHODE ISLAND COLLEGE

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The following chart provides a graphical breakdown of total revenues (in \$ millions) by category for the fiscal years ending June 30, 2021 and 2020:



Cash flow continued to be adequate for operations with a cash balance of \$25.4 million at June 30, 2021.

Overview of the Financial Statements

The financial statements focus on the College as a whole, rather than upon individual funds or activities, and have two primary components: 1) the financial statements and 2) the notes to the financial statements.

Rhode Island College Foundation (the “Foundation”) is a legally separate tax-exempt component unit of Rhode Island College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

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

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements. These statements present financial information in a form similar to that used by private institutions of higher education and corporations.

The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. Other factors are also relevant to assessing the College's overall financial health. These include the trend, quality, and retention and size of student enrollments; diversification of revenue streams; management of costs; and condition of facilities.

The *Statements of Revenues, Expenses and Changes in Net Position* show how the College's net position changed during the most recent fiscal year. This statement reports total operating revenues and expenses, non-operating revenues and expenses, and capital additions and deletions. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The financial statements can be found on pages 19-22 of this report.

The College reports its operations as a business-type activity using the economic measurement focus and full accrual basis of accounting. The College is a component unit of the State of Rhode Island and Providence Plantations. Therefore, the results of the College's operations, its net position and its cash flows are also summarized in the State's Comprehensive Annual Financial Report in its government-wide financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements and supplementary information can be found on pages 23 to 57 of this report.

Financial Analysis

As noted earlier, the difference between total assets and total liabilities may serve over time as a useful indicator of the College's financial position. For fiscal year 2021, assets exceeded liabilities by \$126.6 million and for fiscal year 2020, assets exceeded liabilities by \$110.7 million, as shown in the chart below:

Condensed Statement of Net Position

(Dollars in millions)

	2021	2020
Assets:		
Current assets	\$ 36.9	\$ 28.2
Noncurrent assets	194.3	191.8
Total assets	\$ 231.2	\$ 220.0
Deferred outflows of resources	\$ 9.8	\$ 9.9
Liabilities:		
Current liabilities	\$ 20.3	\$ 19.1
Noncurrent liabilities	84.3	90.2
Total liabilities	\$ 104.6	\$ 109.3
Deferred inflows of resources	\$ 10.6	\$ 8.7
Net position:		
Net investment in capital assets	\$ 166.5	\$ 160.7
Restricted:		
Expendable	2.5	3.7
Unrestricted	(43.2)	(52.5)
Total net position	\$ 125.8	\$ 111.9

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The largest portion of the College's net position, \$166.5 million and \$160.7 million in fiscal year 2021 and 2020, respectively, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending.

Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the College's financial statements, the State of Rhode Island regularly provides financing for certain capital projects through the issuance of general obligation bonds and appropriations from the Rhode Island Capital Fund.

Additional financing for certain capital projects is provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency.

The liabilities-to-assets ratio was 45% in fiscal year 2021, down from 50% in fiscal year 2020, driven by an increase in total assets of \$11.2 million or 5% accompanied by a decrease in total liabilities of \$4.7 million or 4.3%. Net pension liability at June 30, 2021 of \$40.2 million and \$41.6 million at June 30, 2020 is the College's largest liability.

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Condensed Statement of Revenues and Expenses

Years Ended June 30, 2021 and 2020

(Dollars in millions)

	2021	2020
Operating revenues:		
Tuition and fees	\$ 65.6	\$ 65.9
Auxiliary enterprises	7.9	16.5
Less: scholarship allowances	(14.3)	(17.4)
Grants, contracts, and other	27.0	28.5
Total operating revenues	86.2	93.5
Operating expenses:		
Salaries and benefits	102.3	106.2
Scholarships, grants, and contracts	7.5	8.9
Other expenses	32.7	27.8
Depreciation and amortization	11.7	11.1
Total operating expenses	154.2	154.1
Net operating loss	(68.0)	(60.6)
Nonoperating revenues (expenses):		
State appropriations	52.2	47.8
Other nonoperating revenues, net	16.3	8.3
Net nonoperating revenues	68.5	56.1
Increase (decrease) in net position before other revenues, expenses, gains, or losses	0.5	4.4
Capital appropriations	13.4	8.9
Capital gifts and grants	-	0.2
Total other revenues	13.4	9.1
Increase in net position	\$ 13.9	\$ 4.6

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Operating Revenues

Total operating revenues for fiscal year 2021 were \$86.2 million, a decrease of \$7.3 million, or 8% over the prior year. The most significant sources of operating revenue for the College are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- For fiscal year 2021, the College increased tuition by 5.0% for all tuition rates (in-state, out of state and the metropolitan plan). However, overall undergraduate enrollment for the College has declined, resulting in lower tuition and fees collected of approximately \$0.3 million.
- Auxiliary revenues declined \$8.6 million from \$16.5 million in fiscal year 2020 to \$7.9 million in fiscal year 2021. This was primarily driven by the COVID-19 pandemic which curtailed the maximum capacity of students in dormitories by approximately 60%.
- Revenues associated with grants and contracts decreased \$1.5 million from \$28.5 million in fiscal year 2020 to \$27.0 million in fiscal year 2021, or 4.0%. The decrease is primarily attributed to an increase in federal funds to address the COVID-19 pandemic.

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The following summary shows major grant and contract expenses, including indirect cost charges, for the fiscal years ending June 30, 2021 and 2020 (\$ in thousands):

Agency	Grant/Contract/Program	2021	2020
University of Rhode Island	INBRE	\$ 1,088	\$ 239
RI Department of Education	Education Advocates (Surrogate Parents)	723	704
RI Department of Education	Vision Services	685	652
RI Department of Human Services	Early Intervention	657	600
US Department of Education	TRIO Upward Bound	581	697
US Department of Health and Human Services	University Center on Developmental Disabilities	416	493
RI Department of Labor and Training	RI Collaboration for Interprofessional Education & Practice (RICIEP)	354	0
RI Executive Office of Health and Human Services	Medicaid Interdepartmental Service Agreement	303	579
US Department of Education	Comprehensive Transition to Post Secondary Education for Students with Intellectual Disability	284	403
RI Behavioral Healthcare, Developmental Disabilities and Hospitals	Sheltered Workshop Conversion Institute	274	358
US Department of Education	TRIO McNair Post-Baccalaureate Achievement	250	258
US Department of Education	TRIO McNair Post-Baccalaureate Achievement	250	0
US Department of Education	Interdisciplinary Specialization in Transition	225	95
RI Department of Labor and Training	Thundermist Trauma Informed System	221	0
US Department of Health and Human Services	Behavioral Health Workforce Education & Training for Professionals & Paraprofessionals	217	257
US Department of Health and Human Services	Mental and Behavioral Health Training Grant (Opioid Workforce Expansion Program)	188	112
RI Department of Education	RI-BEST	134	103
Social Security Administration	Rhode Island College's Work Incentives Planning and Assistance Project	130	142
US Department of Energy	Investigating Ultrafast Dynamics in Solid State Photocatalytic and Photovoltaic Materials	129	179
University of Rhode Island	EPSCoR	122	84
Rhode Island Hospital	Leadership Education in Neurodevelopmental and Related Disorders Training Program	114	124
US Department of Health and Human Services	BREATH	92	118
US Department of Education	Dual Sensory Impairment	63	66

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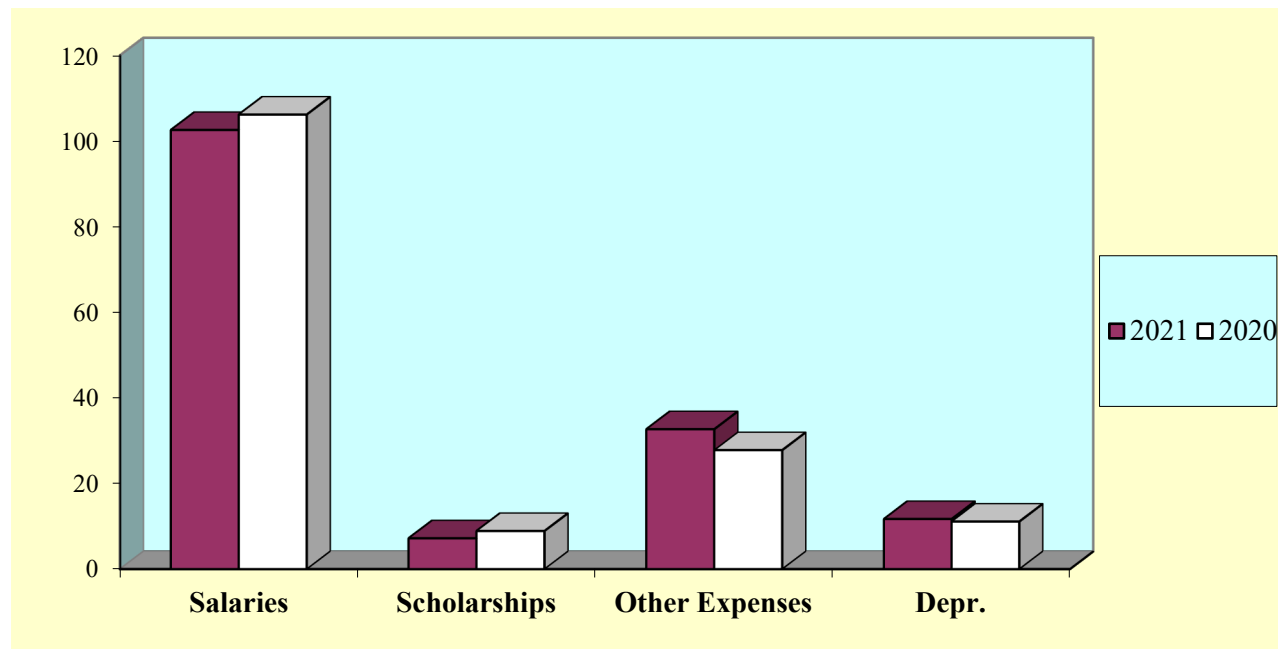
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Operating Expenses

Fiscal year 2021 operating expenses totaled \$154.2 million, an increase of \$0.1 million, or 0.1% from \$154.1 million in the prior year. Of this total, \$81.1 million, or 52.6% was used for instruction, academic support, student support and scholarships in fiscal year 2021 compared to \$85.4 million or 55% in fiscal year 2020. Depreciation and amortization expense totaled \$11.7 million and \$11.1 million in fiscal years 2021 and 2020, respectively.

The following chart provides a graphical breakdown of significant operating categories of expenses (in \$ millions) for fiscal years ending June 30, 2021 and 2020:



Nonoperating Revenues and Expenses

- Net non-operating revenues for fiscal years 2021 and 2020 were \$68.5 million and \$56.1 million, respectively, consisting of the state appropriations, gifts, and net investment earnings. These figures represent an increase of \$12.4 million over the prior year which is primarily attributed to the receipt of Higher Education Emergency Relief Funds (HEERF) under federal stimulus legislation related to the COVID-19 pandemic. In total, the college has received \$42.7 million in direct HEERF awards, which will be spent through FY 2022. These awards have been utilized to send emergency aid to students, address mitigation efforts, and increased costs as a result of the COVID-19 pandemic.

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Other

Capital appropriations of \$13.4 million and \$8.9 million in fiscal years 2021 and 2020, respectively, represent funds to renovate the Academic Buildings as well as Rhode Island Capital Plan Funds utilized by the College to construct or acquire capital assets.

Due to the nature of public higher education institutions incur a loss from operations. State appropriations to the College, reported as non-operating revenue, are the primary resource for offsetting the loss from operations.

Capital Asset and Debt Administration

Capital Plan

The College submits a five-year capital improvement plan request on an annual basis to the RI Council on Postsecondary Education. The request is reviewed and/or modified through the following governing bodies for approval as part of the State's budget development process: RI Council on Postsecondary Education, RI Board of Education, Governor, and then RI General Assembly. The plan includes proposed capital projects for asset protection, building rehabilitation, and new construction. During fiscal year 2021, the College expended \$2.5 million on Infrastructure and Asset Protection related projects, which were funded by Rhode Island Capital Fund appropriations (RICAP). The College generally has funded its capital projects through a combination of funds received from RICAP appropriations, State of RI general obligation bonds, and RI Health and Educational Building Corporation (RIHEBC) bonds. The execution of the College's capital improvement plan is contingent upon approval and sufficient funding from the State.

In November 2012, the Rhode Island voters approved the issuance of \$50 million General Obligation Bonds to renovate and modernize academic buildings at Rhode Island College including the renovation, upgrade and expansion of health and nursing facilities on the campus of Rhode Island College. The construction began in fiscal year 2015 and has continued into fiscal year 2021.

In November 2018, the Rhode Island voters approved the issuance of \$25 million General Obligation Bonds to renovate and modernize the Horace Mann building which houses the Feinstein School of Education and Human Development. Construction began in fiscal year 2021.

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Capital Assets

At June 30, 2021 the College had \$192.8 million invested in capital assets, net of accumulated depreciation compared to \$189.8 million at June 30, 2020. Included in the College's capital assets is \$14 million in construction in progress. Depreciation charges totaled \$11.7 million for the current fiscal year, increasing \$0.6 million from the prior year. Legal title to all land and real estate assets is vested in the Rhode Island Board of Education. A summary of the capital asset balances is displayed below (in millions):

	2021	2020
Land and improvements	\$ 16.3	\$ 17.2
Construction in progress	14.0	12.2
Buildings and improvements	160.0	157.5
Furniture, fixtures, and equipment	2.5	2.9
Total	\$ 192.8	\$ 189.8

Major capital additions this year included:

Horace Mann	\$10.9 million added to construction in process in fiscal year 2021
Adams Library	\$1.1 million added to construction in process in fiscal year 2021

Debt

At June 30, 2021 and 2020, the College had \$13.4 million and \$14.5 million, respectively, in debt outstanding, a net change of \$1.1 million. The table below summarizes the types of debt instruments as of June 30, 2021 and 2020 (in millions):

	2021	2020
General Obligation (Note Payable)	\$ 0.5	\$ 0.6
Premium on Bond Payable	0.6	0.8
Revenue Bonds	12.3	13.1
Total	\$ 13.4	\$ 14.5

Debt repayments made during the year were \$1.1 million.

RHODE ISLAND COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

As of June 30, 2021, the College has a \$12.9 million liability payable to the State. This obligation includes funds advanced for the construction of a new residence hall (Penfield Hall) and additional debt issued of \$7.5 million for an energy investment project. These amounts will be paid back to the State at varying interest rates ranging from 2% to 5%.

The College has no independent bonding authority. All bonds must be approved by and arranged through the Rhode Island Council on Postsecondary Education. All general obligation and revenue bond related indebtedness is reflected on the financial accounts of the entity issuing the bonds. The Board's revenue bonds and Rhode Island general obligation bonds are rated by Moody's and by Standard and Poor. More detailed information about the College's long-term liabilities is presented in Note 6 of the financial statements.

Economic Factors that will Affect the Future

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the College primarily draws students, was 5.9% in June of 2021 and 10.9% in June of 2020, according to the RI Department of Labor and Training. This change compares to 5.9% and 11.1%, respectively, on a national level.

Historically, in times of economic slowdowns, public colleges/universities have experienced increases in their enrollments as unemployed and underemployed workers seek to update and upgrade their skills. This was evident during the national economic recession of 2008 when the college saw increased enrollment. However, the State was under budget pressures as a result of the recession, which negatively impacted general revenue support for public higher education.

The chart below shows that since fiscal year 2010 the college has relied more on tuition and fees than state support for general education operations.

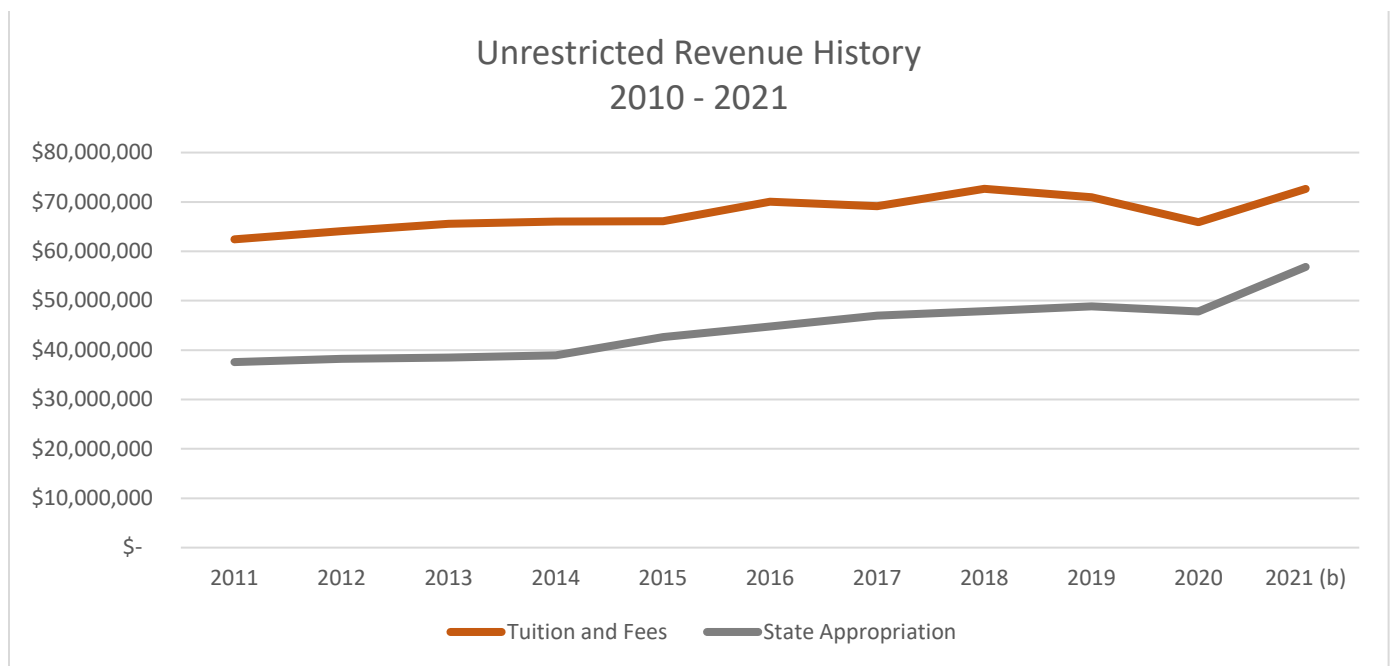
The College submitted a balanced budget to the Council on Postsecondary Education for fiscal year 2022. The 2022 budget includes State general revenue appropriation of \$58.1 million (excluding the general obligation debt service appropriation of \$6.3 million), which represents an increase of approximately \$5.9 million over fiscal year 2021.

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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2021

For fiscal year 2021, the College and the Board of Education increased tuition and mandatory fees by 5.5% for in-state students. Some mandatory fees were reduced or eliminated as a result of the remote instruction environment for students. For fiscal year 2022, the College and the Board of Education increased tuition and mandatory fees by 5.9% for in-state students.



In large part due to an increase in state funding, the College’s current financial and capital plans indicate that the infusion of additional financial resources from the foregoing BOE and management actions will enable it to maintain its present level of services. The College has also attempted to maintain affordability by limiting the size of tuition and fee increases. The College continues to rank below other New England Comprehensive Public Institutions for tuition and fees for the 2021-2022 school year.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Institution Name	2021-22 In-state Tuition & Fees
Indiana University-Southeast	\$7,827
College of Staten Island, CUNY	\$8,003
Buffalo State College	\$8,486
Edinboro University of Pennsylvania	\$10,543
Worcester State University	\$10,586
University of Southern Maine	\$10,600
Fitchburg State University	\$10,655
Rhode Island College	\$10,702
Bridgewater State University	\$10,732
Framingham State University	\$11,387
Central Connecticut State University	\$11,462
Salem State University	\$11,675
Western Connecticut State University	\$11,821
Southern Connecticut State University	\$11,882
Eastern Illinois University	\$12,490
Kean University	\$12,595
William Paterson University of New Jersey	\$14,210

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Request for Information

This financial report is designed to provide a general overview of the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Statement of Net Position

June 30, 2021

Assets and Deferred Outflows of Resources

	College	Foundation
Current Assets:		
Cash and equivalents (Note 2)	\$ 24,773,790	\$ 716,452
Net funds on deposit with primary government	620,559	-
Accounts receivable, net (Note 3)	10,639,940	15,370
Due from primary government	736,157	-
Other current assets	93,315	5,920
Current portion of pledges receivable	-	751,618
Total Current Assets	36,863,761	1,489,360
Noncurrent Assets:		
Restricted cash and equivalents (Note 2)	652,718	-
Pledges receivable	-	598,330
Investments (Note 2)	-	42,807,845
Loans receivable, net (Note 4)	843,003	-
Restricted assets	-	1,182,533
Capital assets, net of accumulated depreciation (Note 5)	192,842,662	-
Total Noncurrent Assets	194,338,383	44,588,708
Total Assets	231,202,144	46,078,068
Deferred Outflows of Resources:		
Deferred outflows related to pension (Note 7)	5,357,921	-
Deferred outflows related to OPEB (Note 8)	4,460,498	-
Total Deferred Outflows of Resources	9,818,419	-

Liabilities, Deferred Inflows of Resources and Net Position

	College	Foundation
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 9,089,051	\$ 1,131,215
Student deposits and unearned revenues	4,115,054	-
Current portion of compensated absences (Note 6)	4,137,734	-
Current portion of grant payable	-	125,000
Current portion of note and bonds payable (Note 6)	1,160,403	-
Current portion of due to State of Rhode Island (Note 6)	1,774,649	-
Current portion of annuities payable	-	6,506
Total Current Liabilities	20,276,891	1,262,721
Noncurrent Liabilities:		
Compensated absences (Note 6)	1,787,210	-
Grant payable	-	329,428
Note and bonds payable (Note 6)	12,232,495	-
Due to State of Rhode Island (Note 6)	11,156,930	-
Annuities payable	-	14,875
Grant refundable (Note 4)	1,245,064	-
Net pension liability (Note 7)	40,247,628	-
Net OPEB liability (Note 8)	17,632,867	-
Total Noncurrent Liabilities	84,302,194	344,303
Total Liabilities	104,579,085	1,607,024
Deferred Inflows of Resources:		
Deferred inflows related to pension (Note 7)	3,433,171	-
Deferred inflows related to OPEB (Note 8)	7,190,316	-
Total Deferred Inflows of Resources	10,623,487	-
Net Position:		
Net investment in capital assets	166,518,185	-
Restricted:		
Expendable (Note 10)	2,513,855	10,479,385
Nonexpendable	-	29,443,299
Unrestricted	(43,214,049)	4,548,360
Total Net Position	\$ 125,817,991	\$ 44,471,044

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

	College	Foundation
Operating Revenues:		
Tuition and fees	\$ 65,572,283	\$ -
Less: scholarship allowances	<u>(14,345,376)</u>	<u>-</u>
Net Student Fees	51,226,907	-
Federal, state, local and private grants and contracts	24,877,550	-
Auxiliary enterprises	7,896,256	-
Sales and services of educational departments	<u>2,216,938</u>	<u>-</u>
Total Operating Revenues	<u>86,217,651</u>	<u>-</u>
Operating Expenses (Note 12):		
Instruction	51,809,901	-
Research	11,239,814	-
Academic support	12,177,666	-
Student services	9,625,304	-
Scholarships and fellowships	7,475,462	909,576
Public service	693,231	-
Operation and maintenance of plant	15,771,009	-
Institutional support	22,887,255	993,888
Depreciation and amortization	11,763,741	-
Auxiliary enterprises	<u>10,802,321</u>	<u>-</u>
Total Operating Expenses	<u>154,245,704</u>	<u>1,903,464</u>
Net Operating Loss	<u>(68,028,053)</u>	<u>(1,903,464)</u>
Nonoperating Revenues (Expenses):		
State appropriations (Note 11)	52,172,385	-
Federal grants	15,360,346	-
Gifts	194,147	5,344,639
Payments between the College and Foundation	1,371,420	(1,371,420)
Investment income, net of expenses	101,739	8,518,377
Interest expense	(1,066,023)	-
Other	<u>348,274</u>	<u>315,985</u>
Net Nonoperating Revenues	<u>68,482,288</u>	<u>12,807,581</u>
Increase in Net Position Before Capital Contributions	454,235	10,904,117
Capital Contributions (Expenses):		
Capital appropriations (Note 11)	<u>13,459,475</u>	<u>-</u>
Total Increase in Net Position	13,913,710	10,904,117
Net Position, Beginning of Year	<u>111,904,281</u>	<u>33,566,927</u>
Net Position, End of Year	<u>\$ 125,817,991</u>	<u>\$ 44,471,044</u>

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Statement of Cash Flows

For the Year Ended June 30, 2021

	College
Cash Flows from Operating Activities:	
Tuition and fees	\$ 52,168,221
Federal, state, local, and private grants and contracts	24,052,439
Payments to suppliers	(30,989,267)
Payments to employees	(104,121,805)
Payments for scholarships, fellowships and sponsored programs	(7,281,345)
Collection of loans from students	417,090
Auxiliary enterprises	8,591,326
Other income receipts	<u>348,274</u>
 Net Cash Applied to Operating Activities	 <u>(56,815,067)</u>
Cash Flows from Noncapital and Related Financing Activities:	
State appropriations	52,172,385
Federal grants	9,191,397
Payments from Foundation	<u>1,371,420</u>
 Net Cash Provided by Noncapital and Related Financing Activities	 <u>62,735,202</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	13,459,475
Purchases of capital assets	(14,762,150)
Principal paid on capital debt	(2,679,524)
Interest paid on capital debt	<u>(1,186,437)</u>
 Net Cash Applied to Capital and Related Financing Activities	 <u>(5,168,636)</u>
Cash Flows from Investing Activity:	
Interest on investments	<u>101,739</u>
 Net Increase in Cash and Equivalents	 <u>853,238</u>
 Cash and Equivalents, Beginning of Year	 <u>24,573,270</u>
 Cash and Equivalents, End of Year	 <u>\$ 25,426,508</u>

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Statement of Cash Flows - Continued

For the Year Ended June 30, 2021

	<u>College</u>
Reconciliation of Net Operating Loss to Net Cash	
Applied to Operating Activities:	
Net operating loss	\$ (68,028,053)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Bad debts (net of recovery)	(156,427)
Depreciation and amortization	11,763,741
Other income	348,274
Net pension activity	76,184
Net OPEB activity	(1,326,928)
Changes in assets and liabilities:	
Accounts receivable	(116,806)
Due to/from primary government	(1,281,150)
Other current assets	4,195
Loans receivable	417,090
Accounts payable and accrued liabilities	2,363,192
Net funds on deposit with primary government	(1,584,385)
Student deposits and unearned revenues	680,129
Compensated absences	363,171
Grant refundable	<u>(337,294)</u>
Net Cash Applied to Operating Activities	<u>\$ (56,815,067)</u>

Cash Flow Information

For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30, 2021:

Cash and equivalents	\$ 24,773,790
Restricted cash and equivalents	<u>652,718</u>
	<u>\$ 25,426,508</u>

See accompanying notes to the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements

June 30, 2021

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

Organization

Rhode Island College (the “College”), founded in 1854, is a comprehensive public institution of higher education in the State of Rhode Island (the “State”) that offers undergraduate and graduate programs in the liberal arts and sciences and in a variety of professional fields. The College is supported by the State as its only comprehensive college and is part of the State’s system of public higher education. The College, a component unit of the State of Rhode Island, is governed by the Rhode Island Board of Education (the “BOE”) (successor of the Board of Higher Education effective January 1, 2013), a body politic and corporate established under Chapter 97 of Title 16 of the General Laws of Rhode Island. The BOE consists of public members appointed by the Governor.

The Rhode Island Office of the Postsecondary Commissioner, which operates under the direction of the Commissioner of Postsecondary Education, is the administrative and research arm of the BOE. The BOE is not a department of State government but an independent public corporation vested with the responsibility of providing oversight for the system of public education in Rhode Island. The public higher education system consists of three entities: the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island. Articulation agreements exist between the schools for student transfers within the system.

The Rhode Island General Assembly established the BOE effective January 1, 2013, to oversee elementary, secondary and postsecondary education for the State. In June 2014, the Rhode Island General Assembly approved the reorganization of the entire Rhode Island system of public education.

The legislation enlarged the BOE to seventeen (17) members in order for the BOE to populate two Councils: the Council for Elementary and Secondary Education and the Council for Postsecondary Education (the “Councils”). Each of the two Councils is responsible for a significant portion of the governance and regulation per RIGL 16-60-1 and 16-60-4 for Elementary/Secondary and per RIGL 16-59-1 and 16-59-4 for Postsecondary.

Effective February 1, 2020, the University of Rhode Island is no longer governed by the Rhode Island Council on Postsecondary Education and is governed by a Board of Trustees consisting of 17 members appointed by the Governor with the advice and consent of the senate.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

The board is dedicated solely to the University and exercises similar powers and authority as was exercised by the council on postsecondary education including oversight of employment, and the University's property, purchases and procurement. The University president reports to the Board of Trustees. The Rhode Island Council on Postsecondary Education continues to oversee Rhode Island College and the Community College of Rhode Island.

The mission of the BOE is to provide long-range planning, coordination and evaluation of policies and programs for the public education systems of the State and specifically:

- To develop and adopt educational, financial and operational goals for the education systems of the State that represent achievable benchmarks for a 10-year and 20-year time frame to be implemented by the two Councils and the commissioners.
- To ensure that the education systems of the State are aligned with the projected opportunities in workforce development and economic development and that the education systems are preparing students to participate in the future workforce of Rhode Island.
- To coordinate programs and courses of study and promote collaboration between and among pre-kindergarten through higher education institutions and agencies.
- To present strategic budget and finance recommendations to the Council on Elementary and Secondary Education and the Council on Postsecondary Education that are aligned with the long-range goals adopted by the BOE.

COVID-19

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

In response to the pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds (HEERF) and funds for the Strengthening Institution Program (SIP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 24, 2022, while the SIP funding must be spent by August 5, 2022.

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

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	3,721,958	3,721,958	367,109	7,811,025
CRRSAA	3,721,958	8,388,329	512,053	12,622,340
ARPA	10,655,225	10,649,831	936,949	22,242,005
Total	18,099,141	22,760,118	1,816,111	42,675,370

The College has recognized the following funds as non-operating Federal grants for the years ended June 30, 2021, and the cumulative total grants recognized.

	For the Year Ended June 30, 2021				Total HEERF Recognized			
	Strengthening				Strengthening			
	Student Aid Award	Institutional Award	Institutions Program	Total	Student Aid Award	Institutional Award	Institutions Program	Total
CARES	476,004	476,004	367,109	1,319,117	3,721,958	3,721,958	367,109	7,811,025
CRRSAA	3,708,484	6,186,965	145,780	10,041,229	3,708,484	6,398,307	145,780	10,252,571
ARPA	-	-	-	-	-	-	-	-
Total	4,184,488	6,662,969	512,889	11,360,346	7,430,442	10,120,265	512,889	18,063,596

The College also received \$4,000,000 in Coronavirus Relief Funds as a pass through from the State of Rhode Island.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with United States generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The College 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 College’s policies for defining operating activities in the statement of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the College’s operating and capital appropriations from the State of Rhode Island, net investment income, gifts, and interest expense.

The accompanying statement of revenues and expenses 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.

Rhode Island College Foundation

Rhode Island College Foundation (the “Foundation”) is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Rhode Island College Foundation’s Board of Directors is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

The Foundation is a private not-for-profit organization that reports in accordance with standards of the Financial Accounting Standards Board (“FASB”), including ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*, and ASC 958-605, *Revenue Recognition for Not-for-Profit Entities*. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

A complete copy of the financial statements for the Foundation can be obtained from the Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

Net Position

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

Net investment in capital assets: Capital assets, net of accumulated depreciation, accounts payable, accrued liabilities and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

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

Unrestricted: All other categories of net position. Unrestricted net position may be designated by the College.

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

Cash and Equivalents

The College considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the receivables portfolio, the estimated value of underlying collateral, and current economic conditions.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of the date of donation. In accordance with the BOE's capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Land improvements, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project.

However, the College has not incurred such interest costs. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 30 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

Certain College employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick days allowable in accordance with the applicable union contract or in the case of non-union personnel, according to State or College policy.

Amounts of vested and accumulated vacation and sick leave are reported as compensated absences. Amounts are determined based upon the compensation rates in effect as of the statement of net position date.

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 Employees' Retirement System ("ERS") and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Post-Employment Benefits Other than Pensions ("OPEB")

For purposes of measuring the 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 Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively the "Plans"), and the additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance

The State offers various State paid health plans to each of its participating agencies. The premiums for these plans are divided among the agencies based upon their number of eligible employees. All employees share in healthcare costs. Employee contributions range from 15% to 25% of healthcare premiums for non-classified and classified staff. Part-time employee contributions range from 20% to 35% of healthcare premiums. These costs are automatically deducted through the payroll system on a bi-weekly basis. The College pays the balance of the healthcare costs. Expenses incurred by the College to the State for 2021 health premiums were approximately \$10,410,000. Employee contributions for 2021 were approximately \$2,257,000.

Assessed Fringe Benefit Administrative Fund

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. This fund is used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused vacation and sick leave upon their termination from State service. The State funds this account by assessing a charge based on bi-weekly payrolls of all State agencies. The weighted average fringe benefit assessment rate for 2021 for non-faculty was 3.95% and 3.30% for faculty. The assessed fringe benefit cost for the College for fiscal year 2021 was approximately \$2,524,000.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Student Deposits and Unearned Revenue

Student deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as unearned revenue in the current year and as earned revenue in the following year.

Student Fees

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

Tax Status

The College is a component unit of the State of Rhode Island and is, therefore, generally exempt from 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 the 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 estimating an allowance for doubtful accounts, depreciation, and determining the net pension liability and net OPEB liability.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Risk Management

The College is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. The College is insured for general liability with limits of \$1 million per occurrence and \$3 million in the aggregate with a \$25,000 deductible as well as \$25 million of umbrella coverage. Coverage under the Medical Professional Liability Policy extends to employed health care providers, excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy for wrongful acts with limits of \$10 million per claim and \$10 million for the annual aggregate with a \$150,000 deductible. Crime coverage for College employees is carried with a limit of \$25 million with a deductible ranging from \$75,000 to \$150,000.

As an agency of the State of Rhode Island, the College participates in a group property program. In fiscal year 2021, buildings and contents were insured against fire, theft, and natural disaster with a limit of \$200 million and a \$100,000 deductible per occurrence. Included in the policy is boiler and machinery coverage with the same policy limit and deductible. A separate inland marine policy insures specifically listed high value property items such as computer equipment, valuable papers, fine arts, contractor's equipment, and miscellaneous property at various limits of insurance and deductibles.

All vehicles are owned by the State, which insures them for liability through an outside carrier. The policy is a loss retrospective program where premiums can be adjusted for claims incurred. Workers' compensation, unemployment, and employee health and life insurance claims are self-insured and managed by the State. The amounts of settlement have not exceeded insurance coverage in each of the past three years.

Adoption of New Accounting Pronouncements

The College adopted GASB Statement 84, *Fiduciary Activities*. The objective of this Statement is to establish criteria for identifying fiduciary activities. The implementation of this statement did not have a material effect on the financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

New Governmental Accounting Pronouncements

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

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

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

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

GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangement in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

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

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

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

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

Note 2 - **Cash, Equivalents and Investments**

The College's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with the Public Finance, which states that any depository institution holding public deposits shall insure or pledge eligible collateral equal to one hundred percent (100%) with any time deposit with maturities greater than sixty (60) days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, they shall insure or pledge eligible collateral equal to one hundred percent (100%) of all public deposits, regardless of maturity.

The College does not have a policy for custodial credit risk associated with deposits.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

At June 30, 2021, the College's bank balance was approximately \$19,690,000. Bank balances covered by the Federal Depository Insurance Corporation ("FDIC") at June 30, 2021 approximated \$5,530,000. In addition, approximately \$14,160,000 was collateralized with securities held by the pledging financial institution in the College's name.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

At June 30, 2021, the College had investments (cash equivalents) consisting of approximately \$6,549,000 in the Ocean State Investment Pool Trust (“OSIP”), an investment pool established by the State General Treasurer. The College’s investment accounted for 1.2% of the total investment in OSIP at June 30, 2021. Agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State may invest in OSIP. OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, to permit election to report its investments at amortized cost which approximates fair value.

The OSIP is not rated and the weighted average maturity of investments held by the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value (“NAV”) per share. Investments reported at the NAV are not subject to the leveling categorization. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue, 2nd Floor, Warwick, RI 02886.

Restricted Cash and Equivalents

At June 30, 2021, the College had restricted cash and equivalents of approximately \$653,000 representing amounts required to be set aside in accordance with the terms of certain grants and loans.

Investments of the Foundation

Foundation investments presented in the financial statements are summarized as follows at June 30, 2021:

Equities	\$ 3,413,544
Mutual funds	<u>39,394,301</u>
	<u>\$ 42,807,845</u>

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the Foundation for more information.

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Notes to the Financial Statements - Continued

June 30, 2021

Note 3 - **Accounts Receivable**

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2021:

Student receivables	\$ 2,730,864
Other receivables	1,632,329
Grants receivable	<u>7,484,674</u>
	11,847,867
Less: allowance for doubtful accounts	<u>(1,207,927)</u>
	<u>\$ 10,639,940</u>

Note 4 - **Loans Receivable and Grant Refundable**

The College participates in the Federal Perkins Loan program. The program is funded through a combination of federal and institutional resources. The portion of the program that has been funded with federal funds is ultimately refundable back to the U.S. Department of Education upon the termination of the College's participation in the program. The grant refundable is approximately \$1,245,000 at June 30, 2021.

Loans receivable include the following at June 30, 2021:

Perkins loans receivable	\$ 2,170,766
Less: allowance for doubtful accounts	<u>(1,327,763)</u>
	<u>\$ 843,003</u>

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 were eligible to receive a spring semester Perkins loan disbursement. No further extensions were granted for the program as of the date of these financial statements.

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Notes to the Financial Statements - Continued

June 30, 2021

Note 5 - **Capital Assets**

Capital assets consist of the following at June 30, 2021:

	Estimated lives (in years)	Beginning balance	Additions	Reclassifications	Ending balance
Capital assets not depreciated:					
Construction in progress	-	\$ 12,248,529	\$ 12,857,628	\$ (11,070,716)	\$ 14,035,441
Land	-	<u>2,480,968</u>	<u>-</u>	<u>-</u>	<u>2,480,968</u>
Total not depreciated		<u>14,729,497</u>	<u>12,857,628</u>	<u>(11,070,716)</u>	<u>16,516,409</u>
Capital assets depreciated:					
Land improvements	15 – 25	28,075,553	319,011	16,251	28,410,815
Buildings, including improvements	10 – 30	287,986,711	1,487,678	11,054,465	300,528,854
Furnishings and equipment	5 – 15	<u>30,379,553</u>	<u>97,833</u>	<u>-</u>	<u>30,477,386</u>
Total depreciated		<u>346,441,817</u>	<u>1,904,522</u>	<u>11,070,716</u>	<u>359,417,055</u>
Total capital assets		<u>361,171,314</u>	<u>14,762,150</u>	<u>-</u>	<u>375,933,464</u>
Less: accumulated depreciation:					
Land improvements		13,396,134	1,246,016	-	14,642,150
Buildings and improvements		130,508,709	9,985,415	-	140,494,124
Furnishings and equipment		<u>27,422,218</u>	<u>532,310</u>	<u>-</u>	<u>27,954,528</u>
Total accumulated depreciation		<u>171,327,061</u>	<u>11,763,741</u>	<u>-</u>	<u>183,090,802</u>
Capital assets, net		<u>\$ 189,844,253</u>	<u>\$ 2,998,409</u>	<u>\$ -</u>	<u>\$ 192,842,662</u>

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Notes to the Financial Statements - Continued

June 30, 2021

Note 6 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2021:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Note and bonds payable:					
Note payable	\$ 621,729	\$ -	\$ 143,021	\$ 478,708	\$ 150,994
Premium on bonds payable	753,324	-	120,444	632,880	120,444
Revenue bonds payable	<u>13,131,497</u>	<u>-</u>	<u>850,187</u>	<u>12,281,310</u>	<u>888,965</u>
Total note and bonds payable	14,506,550	-	1,113,652	13,392,898	1,160,403
Other long-term liabilities:					
Due to State of Rhode Island	14,617,895	-	1,686,316	12,931,579	1,774,649
Compensated absences	5,561,773	363,171	-	5,924,944	4,137,734
Grant refundable	1,582,358	-	337,294	1,245,064	-
Net pension liability	41,591,090	-	1,343,462	40,247,628	-
Net OPEB liability	<u>19,597,982</u>	<u>-</u>	<u>1,965,115</u>	<u>17,632,867</u>	<u>-</u>
Total long-term liabilities	<u>\$ 97,457,648</u>	<u>\$ 363,171</u>	<u>\$ 6,445,839</u>	<u>\$ 91,374,980</u>	<u>\$ 7,072,786</u>

Note and Bonds Payable

The following is a summary of the College's note and bonds payable at June 30, 2021:

Rhode Island Health and Educational Building

Corporation Higher Education Facility Revenue

Bonds, Series 2010 A. The bonds' original amount issued was \$10,280,000, carrying interest rates ranging from 2.0% to 5.0%. The bonds are due in varying annual installments from \$160,000 to \$700,000, plus interest, through September 15, 2040.

\$ 8,790,000

Rhode Island Health and Educational Building

Corporation Higher Education Facility Revenue

Bonds, Series 2013 D. The bonds' original amount issued was approximately \$4,502,000, carrying interest rates ranging from 2.0% - 5.0%. The bonds are due in varying annual installments from approximately \$401,000 to approximately \$509,000, plus interest, through September 15, 2023.

1,454,469

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Notes to the Financial Statements - Continued

June 30, 2021

Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2016 C. The bonds' original amount issued was \$2,290,000, carrying interest rates ranging from 3.0% to 5.0%. The bonds are due in varying annual installments from \$140,000 to \$205,000, plus interest, through September 15, 2030.	\$ 1,730,000
Rhode Island Health and Educational Building Corporation Higher Education Facility Revenue Bonds, Series 2013 B. The bonds' original amount issued was approximately \$1,015,000, carrying interest rates ranging from 2.0% to 3.0%. The bonds are due in varying annual installments ranging from approximately \$92,000 to approximately \$105,000, plus interest, through September 15, 2023.	306,841
United States Department of Education Note Payable utilized to renovate and restore the Sylvan R. Forman Center. The original amount issued was \$2,561,000, is payable in level semi-annual installments of approximately \$88,000, inclusive of interest at 5.5%, through February 1, 2024.	<u>478,708</u>
	<u>\$ 12,760,018</u>

The Series 2010 A bonds are collateralized by fees generated by the related facilities. The Series 2013 D and 2016 C bonds are collateralized by the revenues of the auxiliary enterprises operated under the authority of the BOE. The 2013 B bonds are collateralized by all educational and general revenues derived by the College, except auxiliary enterprise revenues. The U.S. Department of Education note payable is collateralized by the building that was renovated by the note proceeds.

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Notes to the Financial Statements - Continued

June 30, 2021

Principal and interest on note and bonds payable for the next five years and in subsequent five-year periods are as follows:

Years Ending June 30,:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,039,959	\$ 572,720	\$ 1,612,679
2023	1,082,764	526,807	1,609,571
2024	1,127,295	477,863	1,605,158
2025	480,000	441,669	921,669
2026	505,000	423,409	928,409
2027-2031	2,880,000	1,750,376	4,630,376
2032-2036	2,475,000	1,114,375	3,589,375
2037-2041	<u>3,170,000</u>	<u>412,000</u>	<u>3,582,000</u>
	<u>\$ 12,760,018</u>	<u>\$ 5,719,219</u>	<u>\$ 18,479,237</u>

Amortization of the bond premium is included with interest expense. Interest expense related to note and bonds payable for the year ended June 30, 2021 was approximately \$603,000.

Due to State of Rhode Island

The following is a summary of the College's Due to State of Rhode Island at June 30, 2021:

Certificates of participation ("COP") Energy

Conservation bonds due to the State of Rhode Island. The original amount of debt issued was \$7,465,000, carrying interest rates ranging from 2.0% to 5.0%. The bonds are due in varying annual installments from \$370,000 to \$850,000, plus interest, through June 30, 2030.

\$ 5,910,000

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Notes to the Financial Statements - Continued

June 30, 2021

General obligation bonds due to State of Rhode Island. The original amount of debt issued was \$20,000,000, carrying interest rates ranging from 3.0% to 5.0%. The bonds are due in varying annual installments from approximately \$1,136,000 to approximately \$1,500,000, plus interest, through June 30, 2026.

\$ 7,021,579

\$ 12,931,579

Principal and interest on Due to State of Rhode Island for the next five years and in subsequent five-year periods are as follows:

Years Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30.:</u>			
2022	\$ 1,774,649	\$ 542,261	\$ 2,316,910
2023	1,876,316	464,191	2,340,507
2024	1,979,649	381,383	2,361,032
2025	2,051,316	293,995	2,345,311
2026	2,149,649	198,080	2,347,729
2027-2030	<u>3,100,000</u>	<u>203,428</u>	<u>3,303,428</u>
	<u>\$ 12,931,579</u>	<u>\$ 2,083,338</u>	<u>\$ 15,014,917</u>

Interest expense related to bonds due to State of Rhode Island for the year ended June 30, 2021 was approximately \$703,000.

The State of Rhode Island has issued bonds for the development of certain College facilities. These bonds are not obligations of the College and, therefore, are not recorded as liabilities in the accompanying financial statements.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

Note 7 - **Pension**

Plan Description

Certain employees of the College participate in a cost-sharing, multiple-employer, defined benefit plan, the Employees' Retirement System Plan (the "ERS"), administered by the Employees' Retirement System of the State of Rhode Island (the "System"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivors' benefits for service-connected death and certain lump-sum death benefits. Joint and survivor benefit provision options are available to members.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

Cost-of-living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service, and service-connected disability benefits with no minimum service requirement.

Contributions

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2021, College employees, with less than 20 years of service as of July 1, 2012, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11% of their annual covered salary. The College is required to contribute at an actuarially determined rate; the rate was 27.54% of annual covered payroll for the fiscal year ended June 30, 2021. The College contributed \$3,257,544, \$3,531,336 and \$3,466,590 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2021, the College reported a liability of \$40,247,628 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to the June 30, 2020 measurement date. The College's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2020 measurement date, the College proportion was 1.77%.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

For the year ended June 30, 2021, the College recognized pension expense of \$3,333,728. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources Related to Pension

Contributions made after the measurement date	\$ 3,257,544
Changes in plan actuarial assumptions	949,692
Differences between expected and actual experience	345,983
Net difference between projected and actual earnings on pension plan investments	<u>804,702</u>
	<u><u>\$ 5,357,921</u></u>

Deferred Inflows of Resources Related to Pension

Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 2,613,581
Changes in plan actuarial assumptions	791,802
Differences between expected and actual experience	<u>27,788</u>
	<u><u>\$ 3,433,171</u></u>

Contributions of \$3,257,544 are reported as deferred outflows of resources related to pensions resulting from the College's contributions in fiscal year 2021 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending <u>June 30,</u>	
2022	\$ (301,967)
2023	(435,888)
2024	(331,077)
2025	(187,386)
2026	<u>(76,476)</u>
	<u><u>\$ (1,332,794)</u></u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

Actuarial Methods and Assumptions

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

Actuarial cost method	Entry age normal – the individual entry age actuarial cost
Amortization method	Level percent of payroll - closed
Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%

Mortality rates were variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2019 valuation rolled forward to June 30, 2020 and the calculation of the total pension liability at June 30, 2020 were consistent with the results of an actuarial experience study performed as of June 30, 2019.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 39 sources. These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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Notes to the Financial Statements - Continued

June 30, 2021

The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
GROWTH		
Global Equity		
U.S. Equity	23.00%	6.31%
International Developed Equity	12.10%	6.71%
Emerging Markets Equity	4.90%	8.69%
Sub-total	40.00%	
Private Growth		
Private Equity	11.25%	9.71%
Non-Core RE	2.25%	5.66%
Opportunistic Private Credit	1.50%	9.71%
Sub-total	15.00%	
Income		
High Yield Infrastructure	1.00%	3.88%
REITS	1.00%	5.66%
Equity Options	2.00%	6.04%
EMD (50/50 Blend)	2.00%	2.28%
Liquid Credit	2.80%	3.88%
Private Credit	3.20%	3.88%
Sub-total	12.00%	
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00%	0.10%
Systematic Trend	5.00%	3.84%
Sub-total	10.00%	
Inflation Protection		
Core Real Estate	3.60%	5.66%
Private Infrastructure	2.40%	6.06%
TIPS	2.00%	0.74%
Sub-total	8.00%	
Volatility Protection		
IG Corp Credit	3.25%	1.54%
Securitized Credit	3.25%	1.54%
Absolute Return	6.50%	3.84%
Cash	2.00%	0.10%
Sub-total	15.00%	
Total	100.00%	

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. 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 presents the net pension liability calculated using the discount rate of 7 percent as well as what the net pension 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 rate.

1.0% Decrease (6.0% Discount Rate)	Current Discount Rate (7.0%)	1.0% Increase (8.0% Discount Rate)
\$ 48,005,942	\$ 40,247,628	\$ 30,884,921

Pension Plan Fiduciary Net Position

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

Note 8 - **Other Post-Employment Benefits (OPEB)**

Plan Description

Certain employees of the College participate in one of two OPEB plans: the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP"). The plans are cost-sharing, multiple-employer, defined benefit OPEB plans included within the Rhode Island State Employees' and Electing Teachers OPEB System (the "OPEB System").

Under a cost-sharing plan, OPEB obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers' payment of its OPEB obligation to the plan. The Plans provide health care benefits to plan members.

The OPEB System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The OPEB Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB System. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The OPEB System issues a separate publicly available financial report that includes financial statements and required supplementary information for the plans. The reports may be obtained at <http://www.oag.ri.gov/reports.html>.

Membership and Benefit Provisions

The plans within the OPEB System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the OPEB System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the OPEB System, and they may be amended in the future by action of the General Assembly.

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Notes to the Financial Statements - Continued

June 30, 2021

Contributions

State Employees' OPEB Cost-Sharing Plan

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The College is required to contribute at an actuarially determined rate; the rate was 5.49% of annual covered payroll for the fiscal year ended June 30, 2021. The College contributed \$661,274, \$894,889 and \$811,891 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

Board of Education OPEB Cost-Sharing Plan

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The College is required to contribute at an actuarially determined rate; the rate was 3.23% of annual covered payroll for the fiscal year ended June 30, 2021. The College contributed \$1,254,603, \$1,721,492 and \$1,736,372 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Active employees contribute 0.9% of payroll to the OPEB plan. Retired employees have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement.

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

At June 30, 2021, the College reported a liability of \$6,407,154 and \$11,225,713 for its proportionate share of the net OPEB liabilities related to its participation in the SEP and BOEP, respectively. The net OPEB liabilities were measured as of June 30, 2020, the measurement date, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of June 30, 2019 rolled forward to the June 30, 2020 measurement date. The College's proportion of the net OPEB liabilities was based on its share of contributions to the plans for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2020 measurement date, the College's proportion was 1.78% and 31.41% for SEP and BOEP, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021

For the year ended June 30, 2021, the College recognized OPEB expense of \$190,924 and \$398,028 related to its participation in SEP and BOEP, respectively. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SEP</u>	<u>BOEP</u>	<u>Total</u>
<u>Deferred Outflows of Resources Related to OPEB</u>			
Contributions made subsequent to measurement date	\$ 661,274	\$ 1,254,603	\$ 1,915,877
Differences between expected and actual experience	-	1,304,730	1,304,730
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	161,307	161,307
Changes in assumptions	<u>292,571</u>	<u>786,013</u>	<u>1,078,584</u>
	<u>\$ 953,845</u>	<u>\$ 3,506,653</u>	<u>\$ 4,460,498</u>
<u>Deferred Inflows of Resources Related to OPEB</u>			
Difference between expected and actual experience	\$ 1,303,077	\$ 2,733,125	\$ 4,036,202
Net difference between projected and actual earnings on OPEB plan investments	273,562	822,267	1,095,829
Changes in proportion and differences between employer contributions and proportionate share of contributions	659,220	243,145	902,365
Changes in assumptions	<u>387,519</u>	<u>768,401</u>	<u>1,155,920</u>
	<u>\$ 2,623,378</u>	<u>\$ 4,566,938</u>	<u>\$ 7,190,316</u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2021

Contributions of \$1,915,877 are reported as deferred outflows of resources related to OPEB expense resulting from the College's contributions in fiscal year 2021 subsequent to the measurement date, and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending <u>June 30,</u>	<u>SEP</u>	<u>BOEP</u>	<u>Total</u>
2022	\$ (456,872)	\$ (646,960)	\$ (1,103,832)
2023	(428,617)	(568,323)	(996,940)
2024	(408,013)	(509,702)	(917,715)
2025	(383,149)	(354,399)	(737,548)
2026	(327,717)	(262,506)	(590,223)
Thereafter	<u>(326,439)</u>	<u>27,002</u>	<u>(299,437)</u>
	<u>\$ (2,330,807)</u>	<u>\$ (2,314,888)</u>	<u>\$ (4,645,695)</u>

Actuarial Methods and Assumptions

The total OPEB liability was determined using the following significant actuarial methods and assumptions:

Actuarial cost method	Entry age normal - the individual entry age actuarial cost methodology is used
Amortization method	Level percent of payroll - closed
Inflation	2.50%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Health care cost trend rate	8.25% in fiscal year 2020 decreasing annually to 3.5% in fiscal year 2033 and later

Mortality rates for male plan members were based on the RP-2014 Combined Health for Males with Blue Collar adjustments, projected with the MP-2016 ultimate rates. Mortality rates for female plan members were based on the RP-2014 Combined Healthy for Females, projected with the MP-2016 ultimate rates.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

The long-term expected rate of return best-estimate on the Plans' investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 39 nationally recognized investment consulting firms. The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following tables:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of
Domestic Equity	65.00%	6.31%
Fixed Income	35.00%	1.57%
	100.00%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plans' 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 the plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

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

The following presents the net OPEB liabilities calculated using the discount rate of 5 percent as well as what the net OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

		1.0% Decrease (4.0% Discount Rate)		Current Discount Rate (5.0%)		1.0% Increase (6.0% Discount Rate)
SEP	\$	7,912,214	\$	6,407,154	\$	5,160,647
BOEP	\$	15,278,578	\$	11,225,713	\$	7,913,826

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the net OPEB liabilities calculated using the healthcare cost trend rate of 8.25 percent and gradually decreasing to an ultimate rate of 3.5 percent, as well as what the College's net OPEB liabilities would be if they were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

		1.0% Lower		Baseline		1.0% Higher
SEP	\$	4,874,211	\$	6,407,154	\$	8,331,052
BOEP	\$	7,302,584	\$	11,225,713	\$	16,227,325

OPEB Plan Fiduciary Net Position

The OPEB System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The reports may be obtained at <http://www.oag.ri.gov/reports.html>. The reports contain detailed information about the Plans' fiduciary net position.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Note 9 - **Other Retirement Plans**

State of Rhode Island Employees' Retirement System Defined Contribution Plan

Plan Description

Certain employees participating in the defined-benefit plan (those with less than 20 years of service as of July 1, 2012), as described in Note 7, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan was established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan Contributions

Certain employees (those with less than 20 years of service as of July 1, 2012) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

<u>Years of Service</u> <u>As of July 1, 2012</u>	<u>Employer</u> <u>Contribution Rate</u>
15 - 20 Years	1.50%
10 - 15 Years	1.25%
0 - 10 Years	1.00%

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws of the State of Rhode Island, which are subject to amendment by the General Assembly.

The College contributed and recognized as pension expense approximately \$106,000 and \$118,000 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contributions for the fiscal years.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Plan Vesting and Contribution Forfeiture Provisions

The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement Benefits

Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1st of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <https://www.ersri.gov>.

Rhode Island Board of Governors for Higher Education Alternate Retirement Plan

Plan Description

Certain employees of the College (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined-contribution retirement plan, Alternate Retirement Plan, established by the Rhode Island Board of Education which is also responsible for amending it. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers' Insurance and Annuity Association ("TIAA"), the Metropolitan Life Insurance Company, or the Variable Annuity Life Insurance Company retirement plan. The BOE establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross bi-weekly earnings. These contributions may be made on a pre-tax basis.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Funding Policy

The College contributes 9% of the employees' gross biweekly earnings. Total expenditures by the College for such 403(b) annuity contracts amounted to approximately \$4,221,000 during fiscal 2021. The employee contributions amounted to approximately \$2,345,000 during the fiscal year ended June 30, 2021.

Note 10 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2021, these funds are restricted for grant programs.

Note 11 - **State Appropriations**

Direct Appropriations

Pursuant to Rhode Island General Law 16-59-9, the legislative enacted budget reflects the budget passed by the General Assembly and signed by the Governor, as well as any re-appropriations. The BOE reviews and approves the unrestricted and restricted budgets and makes recommendations to the Governor and General Assembly for revisions to the current year's budget and the ensuing year's budget for the entities it oversees. As part of the College's annual budget process for unrestricted and restricted funds, the General Assembly allocates specific amounts in the budget which are allocated for the following categories: (1) salaries and wages; (2) operating expenditures; and (3) outlays for personnel costs, utilities, repairs, capital, and student aid, as well as the overall budget allocation.

State Capital Plan Funds

The Rhode Island Capital Plan Fund ("RICAP") was modeled on a financial technique originating in the State of Delaware. In fiscal year 2021, the State reserved 3% of its general revenues to fund a Budget Reserve Fund and Cash Stabilization Fund. Once the fund reaches a maximum threshold (5% of total fiscal year financial resources), the balance is transferred to RICAP. RICAP is used for capital expenditures. The technique is a "pay-as-you-go" process that avoids increasing the State's debt burden. Higher education has received allocations through this program since fiscal 1995.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

The College's State appropriations are composed of the following for the year ended June 30, 2021:

Direct appropriations	\$ 52,172,385
State capital plan funds	2,491,481
State contributed capital	<u>10,967,994</u>
	<u>\$ 65,631,860</u>

In accordance with each fiscal year's General Assembly Budget Article 1, notwithstanding the provision of Section 35-3-15 of the general laws, all unexpended or unencumbered balances as of year-end are re-appropriated to the next fiscal year.

Note 12 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the year ended June 30, 2021:

Compensation and benefits	\$ 102,327,836
Supplies and services	32,678,665
Depreciation and amortization	11,763,741
Scholarships and fellowships	<u>7,475,462</u>
	<u>\$ 154,245,704</u>

Note 13 - **Related Parties**

Rhode Island College Student Community Government, Inc. ("SCG") is a legally separate tax-exempt entity associated with the College. SCG was established in 1972 and contains the Student Parliament, which acts as a central forum for students to bring forth and address issues and concerns affecting students at the College. The College transferred approximately \$701,000 to SCG during fiscal year 2021, representing student activity fees collected. At June 30, 2021, there were no amounts due to or from SCG. Revenues of SCG for fiscal 2021 were approximately \$713,000 and expenses were approximately \$412,000. The net position of SCG at June 30, 2021 totaled approximately \$1,042,000.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2021

Note 14 - **Pass-Through Loans**

The College distributed approximately \$25,333,000 during fiscal 2021 for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 15 - **Contingencies**

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

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

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there has been no settlements or court final decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the College.

The COVID-19 crisis has created volatility in the financial markets and disruption in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

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

Employees' Retirement System

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the net pension liability	1.77%	1.84%	1.89%	1.95%	2.00%	2.00%	2.00%
College's proportionate share of the net pension liability	\$ 40,247,628	\$ 41,591,090	\$ 42,651,346	\$ 43,865,941	\$ 42,473,879	\$ 39,783,475	\$ 35,620,863
College's covered payroll (at measurement date)	\$ 13,381,341	\$ 13,190,982	\$ 13,214,556	\$ 13,485,426	\$ 13,471,531	\$ 13,383,403	\$ 13,067,081
College's proportionate share of the net pension liability as a percentage of its covered payroll	300.77%	315.30%	322.76%	325.28%	315.29%	297.26%	272.60%
Plan fiduciary net position as a percentage of the total pension liability	52.60%	52.80%	52.53%	51.83%	51.88%	55.03%	58.58%

Notes:

1. The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.
2. This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Schedule of Pension Contributions (Unaudited)

Employees' Retirement System

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 3,257,544	\$ 3,531,336	\$ 3,466,590	\$ 3,286,460	\$ 3,417,207	\$ 3,184,670	\$ 3,122,348
Contributions in relation to the statutorily required contribution	<u>(3,257,544)</u>	<u>(3,531,336)</u>	<u>(3,466,590)</u>	<u>(3,286,460)</u>	<u>(3,417,207)</u>	<u>(3,184,670)</u>	<u>(3,122,348)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 11,828,410	\$ 13,381,341	\$ 13,190,982	\$ 13,214,556	\$ 13,485,426	\$ 13,471,531	\$ 13,383,403
Contribution as a percentage of covered payroll	27.54%	26.39%	26.28%	24.87%	25.34%	23.64%	23.33%

Notes:

1. Employers participating in the State's Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actually determined contribution rate each year.
2. This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplemental information.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Pension Required Supplementary Information (Unaudited)

Pension Schedules

Note 1 - **Factors Affecting Trends for Amounts Related to the Net Pension Liability**

Measurement Date - June 30, 2020

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

Measurement Date - June 30, 2019

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2018

There were no changes in benefits reflected in the calculation of the net pension liability as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2017

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2017 measurement date compared to the June 30, 2016 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2016

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date. Benefits were also unchanged between these measurement dates.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the Pension Required Supplementary Information (Unaudited)

Pension Schedules

Measurement Date - June 30, 2015

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date.

Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return – 7.5%, with a max of 4%) and 50% calculated using the previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. The COLA is calculated on the first \$25,855, effective, 01/01/2016, and indexed as of that date as well.
- Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to first \$25,000), two \$500 stipends, and minor adjustments.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Schedule of Proportionate Share of the Net OPEB Liability (Unaudited)

State Employees' OPEB Cost-Sharing Plan

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
College's proportion of the net OPEB liability	1.78%	1.85%	1.89%	1.95%
College's proportionate share of the net OPEB liability	\$ 6,407,154	\$ 8,080,002	\$ 9,644,702	\$ 10,135,363
College's covered payroll (at measurement date)	\$ 13,456,977	\$ 13,576,773	\$ 13,383,545	\$ 13,966,181
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.61%	59.51%	72.06%	72.57%
Plan fiduciary net position as a percentage of the total OPEB liability	42.51%	33.57%	26.25%	22.38%

Board of Education OPEB Cost-Sharing Plan

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
College's proportion of the net OPEB liability	31.41%	31.01%	31.39%	31.70%
College's proportionate share of the net OPEB liability	\$ 11,225,713	\$ 11,517,980	\$ 15,867,291	\$ 16,627,188
College's covered payroll (at measurement date)	\$ 42,193,431	\$ 39,825,046	\$ 39,521,193	\$ 39,865,659
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.61%	28.92%	40.15%	41.71%
Plan fiduciary net position as a percentage of the total OPEB liability	57.32%	51.60%	38.59%	32.05%

Notes:

1. The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.
2. This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Schedule of OPEB Contributions (Unaudited)

For the Years Ended June 30,

State Employees' OPEB Cost-Sharing Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily determined contribution	\$ 661,274	\$ 894,889	\$ 811,891	\$ 800,336
Contributions in relation to the statutorily determined contribution	<u>(661,274)</u>	<u>(894,889)</u>	<u>(811,891)</u>	<u>(800,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 12,045,064	\$ 13,456,977	\$ 13,576,773	\$ 13,383,545
Contributions as a percentage of covered payroll	5.49%	6.65%	5.98%	5.98%

Board of Education OPEB Cost-Sharing Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily determined contribution	\$ 1,254,603	\$ 1,721,492	\$ 1,736,372	\$ 1,723,124
Contributions in relation to the statutorily determined contribution	<u>(1,254,603)</u>	<u>(1,721,492)</u>	<u>(1,736,372)</u>	<u>(1,723,124)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 38,842,198	\$ 42,193,431	\$ 39,825,046	\$ 39,521,193
Contributions as a percentage of covered payroll	3.23%	4.08%	4.36%	4.36%

Notes:

1. Employers participating in the State Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2. This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the OPEB Required Supplemental Information (Unaudited)

OPEB Schedules

Note 1 - **Factors Affecting Trends for Amounts Related to the Net OPEB Liability**

The actuarial methods and assumptions used to calculate the net OPEB liability are described in Note 8 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

Measurement Date - June 30, 2020

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

Measurement Date - June 30, 2019

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in excise tax load on pre-65 liabilities from 11.0% to 9.5%.

Measurement Date - June 30, 2018

There were no changes in actuarial methods and assumptions reflected in the calculation of the net OPEB liability as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

Measurement Date - June 30, 2017

Certain actuarial assumptions for the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively referred to as the "Plans") were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island ("ERSRI") and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island)

Notes to the OPEB Required Supplemental Information (Unaudited)

OPEB Schedules

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the Plans will be subject to the excise tax in 2022.

Note 2 - **Actuarially Determined Contributions**

The annual required contributions for fiscal year 2021 were determined based on the June 30, 2019 valuation of the Plans.

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



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

The Board of Education of
State of Rhode Island
Providence, Rhode Island

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 Rhode Island College (the “College”), and its discretely presented major component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 30, 2021. Our report includes a reference to other auditors who audited the financial statements of the Rhode Island College Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor + Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 30, 2021