

Institutions of Higher Education Audit Guidance Fiscal Year 2025

Instructions for completing the required deliverables

Executive Summary

This guide complements the Governmental Accounting Standards Board (GASB) Statement 35 Implementation Guide which is documented in various other policies and procedures. This guide relates to the preparation of the Commonwealth's Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2025 (FY25).

Notes for FY25 reporting:

1. Financial Statements must be completed and submitted on time for the FY25 audit. Please include all proper disclosures in the notes to the basic financial statements, as described on pages 10 – 11 of the audit guidance. FINAL Financial Statements are due by **Friday October 31, 2025**, to the Office of the Comptroller (CTR) at the dedicated email address:
hi-ed.fs.reporting@mass.gov.
2. All Institutions of Higher Education (HE) schedules will be completed and submitted through Workiva (Wdesk). An introductory guide of Wdesk is attached with this memo as Attachment D. Current Wdesk access is set to be the same preparer(s) as last year. For any Wdesk security access change, add or remove, please send an email to hi-ed.fs.reporting@mass.gov.
 - a. HE Sch. - Contact Survey – This is to inquire about the point of contact for your institution. The completed contact survey is due by **Friday August 15, 2025**.
 - b. HE Sch. - Financial Statements & Footnotes – This worksheet is to compile the financial data and information contained in your institution's Financial Statements. The completed worksheet is due by **Friday October 31, 2025**.
3. The report title and the Independent Auditors' Report **MUST** clearly indicate that your institution is an agency or department of the Commonwealth. Sample language in the Independent Auditors' Report is as follows:
 - We have audited the accompanying financial statements of the business-type activities and the discretely component unit of the Institution, (An Agency or Department) of the Commonwealth of Massachusetts as of and for the years ended June 30, 20xx and 20xx (if comparative data is presented).

Additionally, the Independent Auditors' Report may include the following departmental paragraph:

- Emphasis of Matter

The financial statements of the Institution are intended to present the financial position, and the changes in financial position and cash flows that are attributable to the transactions of the Institution. They do not purport to, and do not, present fairly the financial position of the

Commonwealth of Massachusetts as of June 30, 20XX and 20XX, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The paragraph above further clarifies that the HI-ED is a department of the Commonwealth. Please discuss this language with your auditors.

The Summary of Significant Accounting Policies presented in the notes to the financial statements may also present language indicating the institution is an agency or department of the Commonwealth of Massachusetts. Sample language is as follows:

- The Institution is a department (or agency) of the Commonwealth of Massachusetts.

4. Below are a few **important** Wdesk reporting/presentation changes that requires your attention:

a) **UPDATES FOR FY25 HIED SCHEDULES:**

- i. If a HIED Schedule tab includes a Math Check, those have been updated to show the difference between the two amounts being compared. For example, the Statement of Net Position tab now shows the amount for ‘Total Assets and Deferred Outflows’ and the amount for ‘Total Liabilities, Deferred Inflows, and Net Position’, then a variance line that should be \$0 when both amounts equal each other.
 - ii. The Beginning Net Position tabs for both Institution and Foundation have been updated to reflect GASB 100 categories of restatement to beginning net position.
 - iii. Tab 1 Misc. Info has updated wording and format for clarification of each part. There is also a new part to address the new GASB Statement No. 102.
 - iv. Tab 2 Cash & Investments has the last part for reporting investment maturities and ratings to include a section for equity/other investment types.
 - v. Tab 5 Inv. In Cap Asset has been revised to reflect the new format suggested by GFOA. Some of the amounts used in the Net Investment in Capital Assets (NICA) are prepopulated from the Statement of Net Position, while others require your input. In addition, tab 5a GFOA information has been consolidated into the revised tab 5. Please consult with your auditor if you have any questions about the NICA calculation.
 - vi. Tab 6 Long Term Liabilities includes a reconciliation of the workers’ compensation amount to the support documentation sent by CTR. Please be sure to enter in your method used to record workers compensation in cell U14 (e.g Undiscounted Low, Undiscounted 4% Low, etc...).
- b) For each worksheet in Wdesk, standard contact information is linked to the HE contact info on the first few rows. Enter the information on the HE contact tab and all of the remaining worksheets will populate with the same information.
- c) Each spreadsheet has your three-letter department code which is used to populate prior year amounts for your reference.
- d) The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position have separate presentations for the Institution and Foundation information. The Statement of Cash Flows only presents the Institution’s information.

- e) Formulas, prior year amounts, \$ and % variances are locked to prevent editing and are highlighted in on each worksheet.
- f) Various math checks within and between the individual worksheets are provided to ensure the statements tie. Any “TRY AGAIN” errors MUST be resolved prior to submission. If you believe all amounts have been properly entered and you are still receiving a “TRY AGAIN” error, please contact **Brian Johnson, Tamia Buckingham** or **Pauline Lieu** for assistance.
- g) Amounts combined in a single line item for report presentation purposes in the Commonwealth’s ACFR are broken down on the individual worksheets in HE schedules. For example, cash held by State Treasurer is included in cash and cash equivalents amount. In the HE schedules (Statement of Net Position, Statement of Revenues, Expenses and Changes in the Net Position, Statement of Cash Flows) - worksheets, on the right-hand side columns, consolidation calculations are shown when individual lines are combined for report purposes. Additional line items have also been added for any new items which were not reported previously, these lines are labeled “OPEN”.
- h) The tab titled “Tab 2A GASB72” is used to assist in the preparation of the GASB 72, *Fair Value Measurement and Application* footnote. For your reference, prior year amounts and classifications have been provided to assist in the preparation of the FY25 schedule. A check total reconciles the total investments as reported on the Statement of Net Position to the footnote. Any differences must be either resolved or appropriately explained. An example of an acceptable reconciling item would be money market mutual funds classified as cash and cash equivalents on the Statement of Net Position, but presented as investments for GASB 72 purposes.

Colleges should consult with their auditors regarding the classification of investments for GASB 72 footnote purposes.

- i) Depreciation expense and amortization expense on the Statement of Cash Flows MUST tie to depreciation expense and amortization expense reported on the Statement of Revenues, Expenses and Changes in Net Position.
 - j) Environmental remediation liability is separated into long and short-term portions. If your institution has identified a polluted or contaminated site, you are required to calculate a remediation liability as of June 30, 2025 based on probability and cost scenario.
5. Depreciation and amortization expenses should be presented separately on the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.
 6. GASB 68 (pension) and GASB 75 (OPEB) requires all participating entities in a multiple employer cost-sharing defined benefit pension plan or OPEB plan, to record their proportionate share of the plan’s Net Pension and Net OPEB liabilities along with the related deferrals and expenses (pension and OPEB). In addition, entities are required to make certain footnote and RSI disclosures. Individual allocations will be provided in the form of an audit report signed by CliftonLarsonAllen, LLP (CLA) with accompanying schedules that contains each institution’s proportionate share of the liabilities, deferrals and expenses. (Please note tab 9 for additional information request for footnotes)

In mid-September, our office will also provide the FY25 fringe benefit amounts charged to each school for retirement and GIC charges, which each Institution will need to confirm and record as an additional deferred outflow of resources related to pension and OPEB.

Tab 9 in the HE worksheet is used to reconcile the amounts reported in your financials and the amounts CTR has provided to your institution. Any amounts that do not reconcile from the financials to the CTR amounts will need to be explained.

We HIGHLY encourage the institutions to consult with their independent auditors in implementing the standards noted above.

Considerations

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, requires private foundations related to HI-ED and other related entities (hereafter referred to as “Component Units”) of the HI-ED to be reported in the audited financial statements of the Institutions. **To facilitate this reporting, these entities’ audited financial statements are recommended to be submitted on a timely basis to the Institution, (typically one month prior to October 31, 2025, the due date for the HI-ED’s completed audited financial statements to be received at the Office of the Comptroller (CTR)). Completed audits are defined as audits in final form, represented to CTR as ready for acceptance by or accepted by the Board of Trustees of the Institution.**

OTHER FY25 GUIDANCE

Reporting Requirements

CTR prepares the ACFR annually. Governmental reporting standards require all HI-ED financial statements be included as part of the Higher Education presentation. Due to the tight timetable for completing the ACFR, a pdf draft copy of your financial statements should be made available once completed and emailed to hi-ed.fs.reporting@mass.gov.

The final audited financial statements, along with the completion of the HE Schedules in Wdesk are due **Friday, October 31, 2025**. Please send a pdf copy to hi-ed.fs.reporting@mass.gov; **hard copy reports are not necessary**.

Independence Letter

The audited financial statements for all Institution's must be transmitted to CTR with an ***Independence Letter (Attachment B)***. It is necessary for your auditors to confirm their independence directly to the Commonwealth's Independent Auditors (currently CliftonLarsonAllen, LLP (CLA)) in regard to your financial statements. This requirement is **MANDATORY** and any lack of response may result in a modification of the Commonwealth's ACFR audit opinion. As the Foundations of the Institution are also audited, these component units must also transmit their audits to the HI-ED's auditor containing a similar letter. The letter which the Institutions need to transmit to CLA (and the component units need to transmit to the Institutions) can be found at the end of this document (see Attachment B). **The audit firm's most recent peer review report must also accompany each independence letter, which MUST be sent directly to CLA and email a copy to hi-ed.fs.reporting@mass.gov.**

Audit Opinion

The audit opinion for all years will reference the work of the auditor of the HI-ED and the level of reliance on that work. Finally, the audit opinion must reference *Government Auditing Standards*.

Any modification or potential modification of the HI-ED's audit opinion must be communicated to CTR in a timely manner as we will need to assess the impact on the Commonwealth's financial statements and the audit opinion.

The financial statements should include all of the HI-ED's activities, which include all appropriated and non-appropriated activity and any component unit(s) of the HI-ED, as measured and reported in conformity with Generally Accepted Accounting Principles (GAAP).

Additional Guidance for Reporting

For Institutions receiving federal funding:

- Reporting requirements state that entities receiving federal funding must be audited in accordance with Generally Accepted Governmental Auditing Standards (GAGAS). The audit opinion of these entities should read:

“We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.”

- Institutions included in the Commonwealth’s ACFR are responsible for engaging auditors to conduct an audit in accordance with the Uniform Guidance as well as the financial statement audit. Each HI-ED is also responsible for filing the Uniform Guidance reports – both with the Federal Audit Clearinghouse (with the assistance of your auditor) and the [Federal Student Aid eZ - Audit web site](#).

For the Massachusetts State College Building Authority (MSCBA), activity between the MSCBA and various State Universities pertaining to capital projects on State-owned property should be **eliminated** from the financial statements. This is to prevent double counting, as the MSCBA and State Universities are presented together in the Commonwealth’s ACFR. The MSCBA HE Schedules worksheet has dedicated elimination columns for the Statement of Net Position, Statement of Activities, and Statement of Cash Flows.

For the State Universities, your financial statements should reflect payments to the MSCBA in the appropriate expenditure category. In some cases, this may be reported in auxiliary enterprises. Please review this with your auditor.

Employee deferred compensation plan assets will be carried by the Commonwealth as an Expendable Trust fund item. Individual Institutions should not carry the assets on their financial statements.

The following items **must be included** in the Institution’s financial statements (reported on HE Schedules):

- **Accounts payable** – the portion of this liability to be paid from state appropriations should be offset by an asset labeled "Cash held by Treasurer" which, for reporting purposes, is combined in the cash and cash equivalents line on the Statement of Net Position.
- **Compensated absences** – the HI-ED must accrue the vacation and sick leave buyback liability related to all employees, i.e., employees paid from appropriated and non-appropriated funds without regard to the future funding mechanism. This liability should be calculated in accordance with [GASB Statement No. 101 – Compensated Absences](#). Please consult and review with your auditor to ensure compliance with this new GASB statement in FY2025.

HR/CMS includes all HI-ED and is the official record of the Commonwealth with regard to payroll. Compensated absences are reported from this system on the report HMBEN008 on MobiusView. Please note that the lines in the liability section of the Statement of Net Position for compensated absences should show compensated absences only and agree to the amounts in the long-term liabilities footnote for compensated absences. The current liabilities amount should agree to the current portion and the noncurrent liabilities amount should agree to the long-term portion in the footnote. These lines should **NOT** include workers’ compensation.

- **Fringe benefit expenditures** – the HI-ED must record expenditures for the cost of fringe benefits. For employees paid from non-appropriated funds, fringe benefits have already been charged against these funds at the approved fringe benefit rate.

- **Liability for workers' compensation** – the HI-ED must record this amount, which is derived from reports prepared based on information available from the Human Resources Division. This information (based on an Actuarial Report) is disseminated to Institutions in early September by CTR. Please note, there should be separate lines in the liability section of the Statement of Net Position for accrued workers' compensation and they should agree to the amounts in the long-term liabilities footnote for workers' compensation.
- **Depreciation and amortization** – the HI-ED must report these activities as two separate amounts on the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

Footnote Disclosures from Your Component Units

[GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments](#) and Statement No. 14, as amended by Statements No. 39, 61, and 80 require that an overview of the Institution should distinguish between the HI-ED and the component unit(s). For each major component unit, the nature and amount of significant transactions with the HI-ED should be disclosed, along with any other transactions between component units.

Applicable GASB Standards

The financial statements must be prepared in accordance with GAAP as promulgated by GASB. All relevant standards must be followed.

The HI-EDs and their related Foundations are STRONGLY urged to consult with your auditors regarding the implementation of the following statements and their effect on your financial statements.

The following standards have been issued as of the date of posting and will be implemented in the following fiscal years:

Statement	Title	FY of Implementation
101	<u>Compensated Absences</u>	2025
102	<u>Certain Risk Disclosures</u>	2025
IG 2023-1	<u>Implementation Guidance Update – 2023-1</u>	2025
IG 2025-1	<u>Implementation Guidance Update – 2025-1, Question 4.16</u>	2025
103	<u>Financial Reporting Model Improvements</u>	2026
104	<u>Disclosure of Certain Capital Assets</u>	2026
IG 2025-1	<u>Implementation Guidance Update – 2025-1, Questions 4.1 thru 4.15, 5.1, and 5.2</u>	2026

Note for GASB 103 – the Commonwealth is not early implementing this standard, which means your institution should not implement the standard until FY2026. According to IG 2025-1 Question 4.16, component units of a primary government should be consistent with the primary government's implementation of GASB 103.

OTHER GUIDANCE

Receivable Recognition and Reconciliation

For detailed guidance, please refer to the Comptroller's policy on [Receivable Reporting](#) (please contact Cathy Hunter at cathy.hunter@mass.gov with any issues accessing PowerDMS).

Summary Receivable Reporting

Departments with approved, delegated billing and accounts receivable systems are required to utilize the Massachusetts Management Accounting and Reporting System (MMARS) to maintain one summary receivable that accurately represents the net value of the earned revenue/accounts receivable by revenue source code, across fiscal years. Departments are required to maintain their approved delegated accounts receivable systems at a sufficient level of detail to verify the accuracy of summary reporting.

Mid-Year Summary Aging Receivable Report

Departments are required to prepare and transmit a mid-year Summary Aging Receivable Report which details the age of all receivables contained in the MMARS summary receivable by revenue source code. This report will be utilized by CTR's Non-Tax Revenue Team for its semi-annual reporting activity and to ensure that departments are maintaining their internal revenue/receivable recording and accounting systems at the required level of detail.

Reconciliation of the Institution's Financial Statements to the MMARS Appropriated Fund Activity

In order to prepare the HI-EDs' audited financial statements, the Institutions must combine internal activity (non-appropriated Fund 0900, Fund 0901 and Fund 0902) with the activity posted to MMARS (appropriated) and controlled by CTR. CTR then compiles all audited financial statements for the ACFR. An important part of this process is to have the same activity reported consistently between HI-ED. The HI-EDs are not separate legal entities and are presented as enterprise funds/business-type activities on an aggregate basis by system in the Commonwealth's ACFR.

Refer to **Attachment C** *Reconciliation of Financial Statements to MMARS*. The Commonwealth will present the HI-ED's State Appropriations as follows:

- Expenditures from net state appropriations and other state appropriated revenue will be reclassified to transfers out of the governmental funds and will be shown as a transfer into the Institution's fund.

Institution financial statements should present tuition revenue and state appropriations in total.

Note 1: For the fiscal year, review the BQ82 and BQ89 screens in MMARS, which lists your Institution's revenues and expenditures, respectively. Please note that all revenue (RT) and expenditures (TV) are expected to be posted in MMARS by end of Period 13 (**August 31, 2025**). You should cross-reference MMARS data with your on-campus data and you should trace the revenue/expenditures into your accounting records. Define where these revenues and expenditures are recorded (see Attachment C).

Note 2: [Section 15C of Chapter 15A of the Massachusetts General Laws](#) requires Commonwealth Institutions to report the activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, MMARS.

All HI-EDs should include this information as a footnote disclosure, so the Commonwealth can make the necessary adjustments to its financial statements.

Capital Assets on MMARS

The HI-ED must have an auditable capital asset system available for inspection by your own independent auditors, the State Auditor's Office and/or CTR. At a minimum, the system must track additions, betterments, changes and disposals, with gains and losses thereon. Institutions must follow other guidance related to capital assets issued by CTR.

Via the independent audits and the related footnote disclosure, Institutions are representing that they comply with these practices (see Comptroller's website [Capital Assets - Acquisition Policy](#) for guidance, please contact Cathy Hunter cathy.hunter@mass.gov with any issues accessing PowerDMS).

Instructions for facilities to be constructed by, or in conjunction with, the Division of Capital Asset Management and Maintenance (DCAMM)

Long-term construction in progress (CIP) will be audited at the Commonwealth, however if DCAMM constructs a project on your entity's behalf, the CIP should be reported on your entity's financial statements.

- *Institution Projects where DCAMM delegates Authority:*
If an Institution is delegated authority by DCAMM to construct a project, DCAMM and the Executive Office for Administration and Finance (A&F) will create a major program and appropriations on MMARS for this construction for the purpose of controlling allotments and spending. However, the setup of this program will not create a capital asset in MMARS. It is up to the Institution to record this CIP activity as it is spending these funds. The audit of this activity will also be done at the Institution level.
- *Projects greater than \$1 Million:*
If an Institution is approved for a project that is GREATER than \$1 million, DCAMM and A&F will create a major program in MMARS.

Annually, on or about July 31st, DCAMM will certify to each Institution the amount of CIP by project to help facilitate the audit of CIP. Upon completion of the project, DCAMM will send a final certification letter to the Institution, which will include a "use and occupancy" date. This date should be used by the Institutions as the in-service date of the asset. The asset will now be considered depreciable.

The amount recorded as depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows MUST agree to the current year depreciation expense as reported in your capital asset footnote.

Impairment of Capital or Other Assets and Insurance Recoveries

In accordance with [GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*](#), the Commonwealth is required to evaluate prominent events or changes in circumstances affecting capital or other assets to determine whether impairment has occurred.

In the case of theft, fire, flood, obsolescence or another event regarding the usefulness of an asset, be it capital or non-capital, departments need to evaluate the usefulness or availability of that asset in the future. This may require outside assistance from an appraiser and/or CTR to determine significance and applicability. Impairment must be conspicuous – e.g., known to the Commonwealth that a material event has occurred.

All impaired assets if significant (greater than \$100,000 in value) need to be reported to Financial Reporting in CTR within seven (7) days of event occurrence. For all unaccounted variances, losses, shortages or thefts of funds or property, the rules established under [Chapter 647 of the Acts of 1989](#) apply. CTR's Financial Reporting Team will work with you to determine if impairment exists and if there is an event that needs to be recorded in MMARS.

Other Footnote Disclosure Requirements of an Institution of Higher Education

Please remember that the financial statements must, at a minimum, include the following footnote disclosures:

- Summary of Significant Accounting Policies

With respect to the Foundations (component units of the HI-ED), the Summary of Significant Accounting Policies should include:

- A description of the component unit
- The relationship between the component unit and the HI-ED
- The criteria for inclusion of the component unit in the financial statements of the HI-ED
- How the separately audited financial statements may be obtained. This is a general reference to the Chief Financial Officer of the HI-ED.

If there are different fiscal year ends for the component unit and the HI-ED, a reconciliation of significant transactions between the component unit and the HI-ED needs to be included for the period between the component unit's year-end and June 30th.

Other footnotes for the HI-ED should include:

- Cash, cash equivalents and investments, including GASB 72, *Fair Value Measurement Disclosures*
- Receivables
- Capital assets
- Advance refunding and short and long-term debt
- [GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Liabilities*](#)
- [GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*](#)

- [GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*](#)
- [GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*](#)
- [GASB Statement No. 59, *Financial Instruments Omnibus*](#)
- [GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*](#)
- [GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Other Than Pensions*](#)
- [GASB Statement No. 83, *Certain Asset Retirement Obligations*](#)
- [GASB Statement No. 87, *Leases*](#)
- [GASB Statement No. 91, *Conduit Debt*](#)
- [GASB Statement No. 93, *Replacement of LIBOR*](#)
- [GASB Statement No. 94, *Public-Private and Public -Public Partnerships and Availability Payment Arrangements*](#)
- [GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*](#)
- [GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*](#)
- [GASB Statement No. 101, *Compensated Absences*](#)
- [GASB Statement No. 102, *Certain Risk Disclosures*](#)
- MMARS Reconciliation (see Attachment C)
- Related party disclosures
- Subsequent events
- Commitments and contingencies - this should include lawsuits pending against the HI-ED and a disclosure of each lawsuit's possibility of success categorized as probable or reasonably possible. Lawsuits categorized as remote can be ignored. The estimated costs of lawsuits deemed probable must be accrued as a liability.

NOTE: Only an approved Special Assistant Attorney General (from AGO) can represent the Institution in litigation. All litigation or potential litigation matters must be noted in the annual legal letter from the AGO.

- MassDevelopment Agreements
Agreements within MassDevelopment will be treated as a lease purchase of capital assets. In other words, the asset and the liability for the payment should be recorded as a capital asset and a capital lease payable. Fees pledged to support principal and interest payments should also be recorded.

Information Sources:

- Legal Authority:
 - [M.G.L. C.7A](#)
 - [M.G.L. C.29](#)
 - [U.S. Government Accountability Office](#)
 - [Governmental Accounting Standards Board Statements](#)
 - [Audit Standards Board Statements on Auditing Standards](#)
- Additional Links:
 - Solution Desk - comptroller.info@mass.gov
 - [ServiceNow Portal](#)
 - [Comptroller Website](#)