

SHORE EDUCATIONAL COLLABORATIVE
CHELSEA, MASSACHUSETTS
FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2025

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4-14
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	15
STATEMENT OF ACTIVITIES.....	16
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	18
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS.....	21
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS.....	22
NOTES TO BASIC FINANCIAL STATEMENTS	23-68
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	69
SCHEDULE OF CHANGES IN THE COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS - RETIREE HEALTH INSURANCE PLAN	70

TABLE OF CONTENTS (Continued)

	PAGE
SCHEDULE OF THE COLLABORATIVE’S CONTRIBUTIONS - RETIREE HEALTH INSURANCE PLAN	71
SCHEDULE OF INVESTMENT RETURNS - RETIREE HEALTH INSURANCE PLAN	72
SCHEDULE OF THE COLLABORATIVE’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MASSACHUSETTS TEACHERS’ RETIREMENT SYSTEM.....	73
SCHEDULE OF THE COLLABORATIVE’S CONTRIBUTIONS - MASSACHUSETTS TEACHERS’ RETIREMENT SYSTEM.....	74
SCHEDULE OF THE COLLABORATIVE’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MASSACHUSETTS STATE EMPLOYEES’ RETIREMENT SYSTEM.....	75
SCHEDULE OF THE COLLABORATIVE’S CONTRIBUTIONS - MASSACHUSETTS STATE EMPLOYEES’ RETIREMENT SYSTEM	76
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	77-81
OTHER INFORMATION (UNAUDITED):	
MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (DESE) REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COLLABORATIVES.....	82-84
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 <i>GOVERNMENT AUDITING STANDARDS</i>	85-86

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Shore Educational Collaborative
Chelsea, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shore Educational Collaborative ("the Collaborative"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shore Educational Collaborative as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Collaborative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Collaborative's net OPEB liability and related ratios - Retiree Health Insurance Plan, schedule of the Collaborative's contributions - Retiree Health Insurance Plan, schedule of investment returns - Retiree Health Insurance Plan, schedules of the Collaborative's proportionate share of the net pension liability for the Massachusetts Teachers' Retirement System (MTRS) and the Massachusetts State Employees' Retirement System (MSERS), and schedules of the Collaborative's contributions to the MTRS and MSERS on pages 4 through 14 and 69 through 81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Management is responsible for the other information included in this report. The other information comprises the required disclosures by the Massachusetts Department of Elementary and Secondary Education for Massachusetts Educational Collaboratives but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Collaborative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

Livingston + Haynes, P.C.

Wellesley, Massachusetts
November 12, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

(Unaudited)

Shore Educational Collaborative (the “Collaborative”) Management’s Discussion and Analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Collaborative’s financial activity, (3) identify changes in the Collaborative’s financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget) and (5) identify individual fund issues or concerns.

Since Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes, and currently known facts, please read it in conjunction with the Collaborative’s financial statements found on pages 15 to 68.

A. FINANCIAL HIGHLIGHTS

The liabilities and deferred inflows of resources of the Collaborative exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year ended June 30, 2025 by \$1,945,303 (net position). Of this amount, (\$3,853,577) represents unrestricted net position (deficit), which may be used to meet the Collaborative’s ongoing obligations to its clients and creditors.

The Collaborative’s total net position increased in the current fiscal year by \$2,011,386 because of higher enrollment and tuition rates in student services and higher enrollment and increased Medicaid rates in the adult day programs.

At the close of the fiscal year ended June 30, 2025, the Collaborative's governmental funds reported combined ending fund balances of \$6,965,009. This increased from the prior year by \$1,634,330 due to current-year activity. Approximately 61.2% of this amount (\$4,263,826) is available for spending at the Collaborative’s discretion (unassigned fund balance). This unassigned fund balance was 10.7% of total governmental fund expenditures. This represents an \$1,547,061 increase in the unassigned fund balance from the prior fiscal year.

At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$6,811,633, or approximately 17.2% of total general fund expenditures.

The Collaborative’s total outstanding long-term debt (which includes current portion) decreased by \$252,744 during the current fiscal year. This was primarily due to regularly scheduled pay downs of principal on the bond payable outstanding during the current fiscal year.

The Collaborative’s total outstanding lease liabilities (which includes current portion) increased by \$1,221,630 during the current fiscal year. This was primarily due to extending the lease in the Woburn location for another seven years.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here is intended to serve as an introduction to the Collaborative's basic financial statements. The Collaborative's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements' focus is on both the Collaborative as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the Collaborative's accountability.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Collaborative's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Collaborative's assets, liabilities and deferred inflows/outflows of resources, with the difference 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 Collaborative is improving or deteriorating.

The *statement of activities* presents information showing how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported at the time the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Collaborative that are principally supported by tuition, charges for services, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Collaborative include the adult day program, student services, professional development, Medicaid municipal billing services, and general and administrative. Presently, the Collaborative does not have any business-type activities.

The government-wide financial statements include not only the Collaborative itself (known as the primary government), but also a legally separate entity known as the Shore Educational Collaborative Foundation, Inc. ("the Foundation") for which the Collaborative is financially accountable. Financial information for the Foundation is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found immediately following this discussion and analysis on pages 15-16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Collaborative, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Collaborative can be divided into three categories - governmental funds, proprietary funds, and fiduciary funds.

B OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the Collaborative's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Collaborative's net resources available for spending at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Collaborative's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental funds financial statements can be found immediately following the government-wide financial statements on pages 17-18 of this report.

Proprietary funds. Proprietary funds account for the Collaborative's business-type activities, where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail since both apply the accrual basis of accounting. The Collaborative does not have any proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the Collaborative. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Collaborative's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 21-22 of this report.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to the basic financial statements can be found on pages 23-68 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including the budgetary comparison schedule, as well as information concerning the Collaborative's progress in funding its obligation to provide pension benefits to its employees, and information on the net other postemployment benefits liability. Required supplementary information can be found on pages 69-81 of this report.

Other Information. This report also presents other information as required by M.G.L. Chapter 43 of the Acts of 2012. Other information can be found on pages 82-84 of this report.

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of the Collaborative's financial position. In the case of the Collaborative, liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$1,945,303 at June 30, 2025.

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS (Continued)

The following is a summary of the Collaborative's net position as of June 30, 2025, compared to its net position as of June 30, 2024.

Shore Educational Collaborative Statement of Net Position June 30, 2025 and 2024		Governmental Activities	
		2025	2024
Current assets	\$ 7,931,349	\$ 6,308,310	
Noncurrent assets (excluding capital assets)	128,381	298,823	
Capital assets (net of depreciation and amortization)	<u>20,135,420</u>	<u>18,742,131</u>	
Total assets	28,195,150	25,349,264	
Total deferred outflows of resources	441,184	663,005	
Current liabilities	2,339,463	2,394,416	
Long-term debt and other noncurrent liabilities	<u>24,656,861</u>	<u>23,448,752</u>	
Total liabilities	26,996,324	25,843,168	
Total deferred inflows of resources	3,585,313	4,125,790	
Net position:			
Net investment in capital assets	1,907,131	1,482,728	
Restricted	1,143	1,143	
Unrestricted	<u>(3,853,577)</u>	<u>(5,440,560)</u>	
Total net position	<u>\$ (1,945,303)</u>	<u>\$ (3,956,689)</u>	

The Collaborative's net position of \$1,907,131 reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, furniture, equipment, leasehold improvements, vehicles, website costs, construction in process, and right-to-use lease assets), less any related outstanding debt that was used to acquire those assets that is still outstanding. The Collaborative uses these capital assets to provide a variety of services to its clients. Accordingly, these assets are not available for future spending. Although the Collaborative's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Collaborative's net position of \$1,143 represents resources that are subject to external restriction on how they may be used. All of this amount is restricted for use in the adult day program.

The remaining balance of unrestricted net position resulted in a \$3,853,577 deficit mainly related to the effect of recording other postemployment benefit liabilities through June 30, 2025. This unrestricted net position may be used to meet the Collaborative's ongoing obligations to its clients and creditors.

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS (Continued)

At the end of the current fiscal year and in the prior fiscal year, the Collaborative was only able to report positive balances in two reported categories of net position.

The Collaborative's net position increased in the current fiscal year by \$2,011,386 from the prior fiscal year. The reasons for this increase are discussed in the following section for governmental activities.

The governmental activities current assets increased by \$1,623,039 primarily due to an increase in cash and accounts receivable due to increased enrollments and billing rates in the student services and adult day program generating additional cash and receivables. Noncurrent assets decreased \$170,442 due to a decrease in the value of the derivative instrument due to expected decreases in interest rates and the derivative not providing as much protection from higher interest rates as in the prior year. Capital assets increased \$1,393,289 due to increasing the right-to-use asset due to extending the Woburn lease for another seven years as well as new capital additions for the current year. Deferred outflows of resources decreased \$221,821 due to changes in the net other postemployment benefits liability. The governmental activities total liabilities increased \$1,153,156 due to additional lease liabilities due to extending the Woburn lease for another seven years netted with pay-offs of long-term debt and lease liabilities. Deferred inflows of resources decreased \$540,477 due to changes in the net other postemployment benefits liability and the effects of the interest rate swap on the bond payable.

Governmental Activities. The key elements of the changes in the Collaborative's net position for the fiscal years ended June 30, 2025 and 2024, are as follows.

Shore Educational Collaborative
Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Program revenues:		
Charges for services	\$ 31,845,644	\$ 27,034,488
Operating grants and contributions	3,945,826	4,237,913
Capital grants and contributions	276,140	-
General revenues:		
Other income	21,518	59,516
Interest income	1,414	1,209
Overhead income	2,894,363	2,464,330
Rental income	5,157	893
Total revenues	<u>38,990,062</u>	<u>33,798,349</u>
Expenses:		
Adult day program	13,544,964	12,427,872
Student services	19,810,472	17,041,724
Professional development	448,726	499,098
Medicaid municipal billing services	167,763	165,172
General and administrative	<u>3,006,751</u>	<u>2,909,287</u>
Total expenses	<u>36,978,676</u>	<u>33,043,153</u>
Change in net position	2,011,386	755,196

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS (Continued)

Shore Educational Collaborative
Changes in Net Position (Continued)
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Net position - beginning	\$ <u>(3,956,689)</u>	<u>(4,711,885)</u>
Net position - ending	\$ <u>(1,945,303)</u>	<u>\$(3,956,689)</u>

During the current fiscal year, net position for governmental activities increased \$2,011,386 from the prior fiscal year for an ending balance of a deficit of \$1,945,303. While the current economic conditions had an impact on the Collaborative, management was able to take various actions (e.g., increasing tuition rates, delaying certain nonrecurring expenses, and reducing expenses related to non-essential ongoing programs) that neutralized some of the effect on governmental activities. Total governmental activities revenues increased \$6,191,713 or 18.3% from the prior year. The major reason for this increase was due to an increase in charges for services of \$4,811,156 or 17.8% from the prior year due to increases in tuition rates and enrollment in student services and an increase in billing and rates in the adult day program as more clients returned after the COVID-19 pandemic. In addition, the increase was also caused by an increase in capital grants and contributions of \$276,140 or 100% from the prior year due to some new grants and contributions for technology and HVAC improvements.

The Collaborative's total governmental activities expenses for the year ended June 30, 2025 increased by \$3,935,523 or 11.9% from the prior year. Four of the activities reported spending growth from the prior year, led by the student services program which accounted for \$2,768,748 or 69.5% of total spending growth. This was due to higher labor costs and increased overall costs as enrollments increased. The activity with the second largest spending growth was the adult day program which accounted for \$1,117,092 or 28.0% of total spending growth. This was also due to higher labor costs and higher overall costs as enrollment increased.

The only activity with a decrease in spending from the prior year was professional development which had a spending decrease of \$50,372 or 100% of the total spending decrease. This was due to fewer staff providing trainings during the current year.

Governmental activities increased the Collaborative's net position by \$2,011,386 during fiscal 2025. The key elements of this increase can be explained by higher tuition rates and enrollment in student services and higher enrollment and rates in the adult day program as more clients returned after the COVID-19 pandemic.

D. FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of the financial highlights of the Collaborative's funds.

Governmental funds. The focus of the Collaborative's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Collaborative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Collaborative's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Collaborative itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Collaborative's Board of Directors.

At June 30, 2025, the Collaborative's governmental funds reported combined ending fund balances of \$6,965,009, an increase of \$1,634,330 in comparison with the prior year. Approximately 61.2% of the reported combined ending fund balances (\$4,263,826) constitutes unassigned fund balance, which is available for spending at the Collaborative's discretion. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is 1) not in spendable form (\$152,233), 2) restricted due to external limitations on its use, such as by the intention of grantors, donors, or trustees (\$1,143), or 3) committed for particular purposes such as day habilitation adult program expansion, future programs, building, sick bank, the adult day program, fringe benefits, and other purposes (\$2,547,807).

The general fund is the chief operating fund of the Collaborative. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,263,826, while the total general fund balance was \$6,963,866. As a measure of the general fund's liquidity, it may be useful to compare both unassigned general fund balance and total general fund balance to total general fund expenditures and total governmental funds expenditures. Unassigned general fund balance represents 10.7% of total general fund expenditures and total governmental funds expenditures, while total general fund balance represents 17.5% of total general fund expenditures and total governmental funds expenditures.

During the current fiscal year, the fund balance of the Collaborative's general fund increased by \$1,634,330. This increase was due to higher tuition rates and enrollment in student services as well as higher enrollments and rates in the adult day program.

For the current fiscal year, total governmental funds revenues were \$38,990,062 which increased by \$5,191,713 due to increases in tuition rates and enrollment in student services and higher enrollments and rates in the adult day program. Total governmental funds expenditures were \$39,702,529 which increased by \$6,894,879 due to higher labor costs required to attract employees and an additional right-to-use lease assets expenditure due to extending the Woburn lease for another seven years.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. Thus, there was no amended budget for the fiscal year ended June 30, 2025.

E. GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Final budget compared to actual results. Budgetary revenues were \$6,241,742 lower than the actual revenues. The most significant differences between budgeted revenues and actual revenues were as follows:

<u>Revenue source</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Other income	\$ 169,000	\$ 4,248,641	\$ 4,079,641
Medicaid income	\$ 10,431,415	\$ 12,696,248	\$ 2,264,833
Educational program fees	\$ 19,261,438	\$ 18,980,632	\$ (280,806)

Other income was over budget due to the fact that the Collaborative did not budget the \$3,416,069 on-behalf payments from the Massachusetts Teachers' Retirement System and the Massachusetts State Employees' Retirement System. In addition, the Collaborative did not budget the grant revenue that was received of approximately \$332,000. Since these amounts are not known during the budget process, these amounts are not budgeted. Educational program fees decreased due to lower than expected enrollment in some student services programs at the beginning of the year and switching many of the adults to being billed under Medicaid in the adult day program. The increase in the Medicaid income was due to the adult day program enrollment returning to pre-COVID-19 levels which had not been expected as well as unexpected restructuring of billing rates and more adults being billed under Medicaid than under the Commonwealth's Department of Development Services.

Budgetary expenditures were \$7,526,826 lower than actual expenditures. The most significant differences between budgeted expenditures and actual expenditures were as follows:

<u>Expenditures</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Employee benefits	\$ 4,101,745	\$ 6,770,507	\$ (2,668,762)
Salaries	\$ 19,423,625	\$ 20,445,253	\$ (1,021,628)
Professional fees and contract services	\$ 728,578	\$ 1,112,513	\$ (383,935)
Right-to-use lease assets expenditures	\$ -	\$ 2,347,797	\$ (2,347,797)
Capital outlay	\$ 250,000	\$ 909,708	\$ (659,708)

Employee benefits were higher than budgeted due to continuing rising premium increases for health insurance and workers' compensation. In addition, the Collaborative did not budget the on-behalf payments from the Massachusetts Teachers' Retirement System and the Massachusetts State Employees' Retirement System since these amounts are not known during the budget process. Thus, employee benefits are much higher than budgeted due to excluding the on-behalf payments in the budgeted employee benefits. Salaries were higher than budgeted due to unexpected increased costs for hiring employees due to the labor shortage. Professional fees and contract services were higher due to additional contracted services that were unexpected. Right-to-use lease assets expenditures was not budgeted since it was not known at the time of the budget that the Collaborative would renew its Woburn lease for another seven years. Capital outlay was over budget due to unexpected additional fixed assets purchased due to unexpected grants received to fund those purchases.

Overall, the actual change in fund balances was \$1,061,713 higher than the budgetary change in fund balances due to the reasons explained above from having higher revenues than anticipated.

F. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Collaborative's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$20,135,420 (net of accumulated depreciation and amortization). This investment in capital assets includes land, land improvements, building, building improvements, furniture, equipment, vehicles, website costs, leasehold improvements, construction in process, and right-to-use lease assets. The total increase in the Collaborative's investment in capital assets for the current fiscal year was \$1,393,289 or 7.4%

Major capital asset events during the current fiscal year included extending the Woburn lease for an additional seven years, purchasing two vans, renovating Inspire classrooms in the 100 Revere Beach Parkway location, technology upgrades for the adult day program, and HVAC improvements.

Shore Educational Collaborative
Schedule of Capital Assets
(net of accumulated depreciation and amortization)

	<u>Governmental Activities</u>	
	2025	2024
Leasehold improvements	\$ 834,587	\$ 926,199
Land improvements	359,847	381,656
Furniture and equipment	393,925	223,828
Vehicles	199,582	166,182
Website costs	4,687	12,187
Building	3,146,924	3,297,076
Land	1,157,580	1,157,580
Right-to-use lease assets	10,400,413	9,335,379
Construction in process	19,000	-
Building improvements	<u>3,618,875</u>	<u>3,242,044</u>
 Total	 <u>\$ 20,135,420</u>	 <u>\$ 18,742,131</u>

Additional information on the Collaborative's capital assets can be found in Note J on page 44 of this report.

Long-term debt and long-term lease liabilities. At June 30, 2025, the Collaborative had total long-term debt and long-term lease liabilities outstanding of \$18,228,289. The total debt is backed by the full faith and credit of the Collaborative and for which the Collaborative is liable.

Shore Educational Collaborative
Schedule of Outstanding Long-Term Debt and Long-Term Lease Liabilities

	<u>Governmental Activities</u>	
	2025	2024
Bond payable	\$ 6,974,535	\$ 7,227,279
Lease liabilities	<u>11,253,754</u>	<u>10,032,124</u>
 Total Outstanding Long-Term Debt and Long-Term Lease Liabilities	 <u>\$ 18,228,289</u>	 <u>\$ 17,259,403</u>

F. CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term debt and long-term lease liabilities (Continued)

During the current fiscal year, the Collaborative's total long-term debt and long-term lease liabilities increased by \$968,886 or 5.6%. The reason for the increase was additional lease liabilities recorded due to extended the Woburn location lease for another seven years. This increase was netted with the normal pay-downs of both the bond payable and the lease liabilities.

Additional information on long-term debt and long-term lease liabilities can be found in Notes K and N to the financial statements on pages 45-46 and pages 56-60, respectively, of this report.

G. PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The Collaborative participates in two cost-sharing multiple-employer defined benefit plans - Massachusetts Teachers' Retirement System (MTRS) and Massachusetts State Employees' Retirement System (MSERS).

For the MTRS, the Collaborative is not required to report a liability for its proportionate share of the net pension liability due to the fact that the Collaborative does not contribute directly to MTRS and the Commonwealth of Massachusetts is responsible for the entire net pension liability associated with the Collaborative. At June 30, 2025, the proportionate share of the net pension liability associated with the Collaborative was \$19,748,604 which represented 0.08% to the total net pension liability for MTRS.

For the MSERS, the Collaborative is not required to report a liability for its proportionate share of the net pension liability due to the fact that the Commonwealth of Massachusetts is responsible for the entire net pension liability associated with the Collaborative. At June 30, 2025, the proportionate share of the net pension liability associated with the Collaborative was \$19,285,971 which represented 0.14% to the total net pension liability for MSERS.

The Collaborative also provides postemployment health benefits for certain retirees and their spouses. As of the end of the current fiscal year, there were 27 retired employees and their spouses receiving these benefits, which are currently being financed on a pay-as-you-go basis. During the fiscal year ended June 30, 2025, the Collaborative did not make any contributions to the Trust set up to set funds aside to help fund the other postemployment benefits liability. At June 30, 2025, an independent actuarial analysis determined that the Collaborative's future liability for these other postemployment benefits or net other postemployment benefits obligation was \$7,801,695. This amount was accounted for as a liability on the Collaborative's statement of net position.

Additional information on the Collaborative's pension arrangements and postemployment benefits can be found in Notes L and O on pages 46-55 and 61-67, respectively, of this report.

H. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect the Collaborative and were considered in developing the 2025-2026 fiscal year budget.

- Continuing increases in employee benefits, including health insurance.
- Implementation of salary increases in the Adult Day Program to reflect workforce demands and increasing minimum wage

H. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

- Increases to billing rates in the Student Services Program due to increased costs
- Conservative enrollment projections in both the Student Services and Adult Day Programs.
- No increases to rates to the Commonwealth of Massachusetts' Department of Developmental Services and MassHealth/Medicaid funding, while costs to deliver these services are rapidly increasing.

During the current fiscal year, the fund balance in the general fund increased by \$1,634,330 to \$6,963,866. Included in the total general fund amount are \$152,233 in prepaid expenses reported as nonspendable and \$2,547,807 in funds committed by the Board. These items are reappropriated in the 2025-2026 budget. All of these factors were considered in preparing the Collaborative's budget for the 2026 fiscal year.

Amendments are expected to be completed during the year that will be presented to the Board of Directors for approval.

I. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Shore Educational Collaborative
201 Crescent Avenue
Chelsea, Massachusetts 02150

SHORE EDUCATIONAL COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government	Component Unit
	Governmental Activities	Unit
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,365,732	\$ 62,745
Accounts receivable, less allowance for doubtful accounts of \$170,000	3,296,790	-
Due from component unit	30,000	-
Other receivables	86,594	-
Prepaid expenses	152,233	-
TOTAL CURRENT ASSETS	7,931,349	62,745
Noncurrent assets:		
Derivative instrument asset	128,381	-
Right-to-use lease assets, net	10,400,413	-
Capital assets, not being depreciated	1,176,580	-
Capital assets, net of accumulated depreciation	8,558,427	-
TOTAL NONCURRENT ASSETS	20,263,801	-
TOTAL ASSETS	28,195,150	62,745
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to net other postemployment benefits liability	441,184	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	441,184	-
LIABILITIES		
Current liabilities:		
Accounts payable	151,178	-
Accrued salaries and fringe benefits	751,266	-
Accrued expenses	63,896	-
Due to primary government	-	30,000
Current portion of lease liabilities	1,113,519	-
Current portion of long-term debt	259,604	-
TOTAL CURRENT LIABILITIES	2,339,463	30,000
Noncurrent liabilities:		
Long-term debt	6,714,931	-
Lease liabilities	10,140,235	-
Net other postemployment benefits liability	7,801,695	-
TOTAL NONCURRENT LIABILITIES	24,656,861	-
TOTAL LIABILITIES	26,996,324	30,000
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to accumulated increase in fair value of hedging derivative	128,381	-
Deferred inflows related to net other postemployment benefits liability	3,456,932	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,585,313	-
NET POSITION		
Net investment in capital assets	1,907,131	-
Restricted for:		
Giving Tree Fund	1,143	-
Unrestricted (deficit)	(3,853,577)	32,745
TOTAL NET POSITION	\$ (1,945,303)	\$ 32,745

See accompany notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Program Revenues				Net Revenue (Expense) and Change in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit	
Primary Government:						
Governmental activities:						
Adult day program	\$ 13,544,964	\$ 14,159,477	\$ 1,116,570	\$ 118,640	\$ 1,849,723	\$ -
Student services	19,810,472	17,248,418	2,609,076	157,500	204,522	-
Professional development	448,726	223,985	-	-	(224,741)	-
Medicaid municipal billing services	167,763	168,764	15,348	-	16,349	-
General and administrative	<u>3,006,751</u>	<u>45,000</u>	<u>204,832</u>	<u>-</u>	<u>(2,756,919)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	<u>\$ 36,978,676</u>	<u>\$ 31,845,644</u>	<u>\$ 3,945,826</u>	<u>\$ 276,140</u>	(911,066)	-
Component unit:						
Shore Educational Collaborative Foundation, Inc.	\$ -	\$ -	\$ -	\$ -	-	-
TOTAL COMPONENT UNIT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-
General revenues:						
Other income					21,518	-
Interest income					1,414	-
Overhead income					2,894,363	-
Rental income					<u>5,157</u>	<u>-</u>
				TOTAL GENERAL REVENUES	<u>2,922,452</u>	<u>-</u>
Change in net position					2,011,386	-
Net position - beginning of year					<u>(3,956,689)</u>	<u>32,745</u>
				NET POSITION - END OF YEAR	<u>\$ (1,945,303)</u>	<u>\$ 32,745</u>

See accompanying notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,364,589	\$ 1,143	\$ 4,365,732
Accounts receivable, less allowance for doubtful accounts of \$170,000	3,296,790	-	3,296,790
Due from Foundation	30,000	-	30,000
Other receivables	86,594	-	86,594
Prepaid expenses	152,233	-	152,233
TOTAL ASSETS	\$ 7,930,206	\$ 1,143	\$ 7,931,349
LIABILITIES			
Accounts payable	\$ 151,178	\$ -	\$ 151,178
Accrued salaries and fringe benefits	751,266	-	751,266
Accrued expenses	63,896	-	63,896
TOTAL LIABILITIES	966,340	-	966,340
FUND BALANCES			
Nonspendable:			
Prepaid expenses	152,233	-	152,233
Restricted:			
Giving Tree Fund	-	1,143	1,143
Committed:			
Dayhab adult program expansion	15,736	-	15,736
Future programs	111,687	-	111,687
Building	2,110,604	-	2,110,604
Sick bank	30,000	-	30,000
Adult day program	128,357	-	128,357
Fringe benefits	84,880	-	84,880
Other purposes	66,543	-	66,543
Unassigned	4,263,826	-	4,263,826
TOTAL FUND BALANCES	6,963,866	1,143	6,965,009
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,930,206	\$ 1,143	\$ 7,931,349

See accompanying notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Educational program fees	\$ 18,980,632	\$ -	\$ 18,980,632
Medicaid income	12,696,248	-	12,696,248
Medicaid municipal billing services	168,764	-	168,764
Administrative overhead income	2,894,363	-	2,894,363
Other income	4,248,641	-	4,248,641
Interest income	1,414	-	1,414
TOTAL REVENUES	38,990,062	-	38,990,062
EXPENDITURES			
Current:			
Salaries	20,445,253	-	20,445,253
Employee benefits	6,770,507	-	6,770,507
Payroll taxes	357,271	-	357,271
Bad debt	129,000	-	129,000
Advertising	166,890	-	166,890
Professional fees and contract services	1,112,513	-	1,112,513
Supplies	678,580	-	678,580
Telephone	85,811	-	85,811
Postage	13,027	-	13,027
Occupancy	487,760	-	487,760
Staff training	185,300	-	185,300
Rental of equipment	38,036	-	38,036
Transportation	73,948	-	73,948
Printing and publications	33,978	-	33,978
Food	175,673	-	175,673
Repairs and maintenance	375,793	-	375,793
Utilities	360,864	-	360,864
Insurance	141,842	-	141,842
Client recreation	7,673	-	7,673
Miscellaneous	50,058	-	50,058
Administrative overhead charges	2,894,363	-	2,894,363
Total current expenditures	34,584,140	-	34,584,140
Right-to-use lease assets expenditures	2,346,797	-	2,346,797
Lease financing:			
Principal	1,125,167	-	1,125,167
Interest	290,459	-	290,459
Total lease financing	1,415,626	-	1,415,626
Debt service:			
Principal	252,744	-	252,744
Interest	193,514	-	193,514
Total debt service	446,258	-	446,258
Capital outlay	909,708	-	909,708
TOTAL EXPENDITURES	39,702,529	-	39,702,529
EXCESS OF EXPENDITURES OVER REVENUES	(712,467)	-	(712,467)
OTHER FINANCING SOURCES (USES)			
Lease financing	2,346,797	-	2,346,797
TOTAL OTHER FINANCING SOURCES (USES)	2,346,797	-	2,346,797
NET CHANGE IN FUND BALANCES	1,634,330	-	1,634,330
Fund balances - beginning	5,329,536	1,143	5,330,679
FUND BALANCES - ENDING	\$ 6,963,866	\$ 1,143	\$ 6,965,009

See accompanying notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds (page 17)	\$ 6,965,009
Amounts reported for governmental activities in the statement of net position (page 15) are different because:	
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	20,135,420
Some assets and liabilities are not financial resources used in governmental activities and, therefore, are not reported in governmental funds.	128,381
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.	(3,144,129)
Long-term liabilities, such as bonds payable, lease liabilities, and net other postemployment benefits liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(26,029,984)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,945,303)</u>

See accompany notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds (page 18) \$ 1,634,330

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Governmental funds report capital outlays and right-to-use lease assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay and right-to-use lease assets expenditures exceed depreciation and amortization expense in the current period. 1,393,289

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. (968,886)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (47,347)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,011,386

See accompany notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

		<u>Other Postemployment Benefits Trust Fund</u>
ASSETS		
Investments:		
Mutual funds		\$ <u>529,553</u>
	TOTAL ASSETS	529,553
NET POSITION		
Restricted for other postemployment benefits		<u>529,553</u>
	TOTAL NET POSITION	<u>\$ 529,553</u>

See accompanying notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Other Postemployment Benefits Trust Fund</u>
ADDITIONS:	
Contributions:	
Employer contributions to the trust	\$ -
Employer contributions for other postemployment benefit payments	<u>176,859</u>
TOTAL CONTRIBUTIONS	176,859
Net investment income:	
Investment income	59,684
Less: investment expense	<u>(1,600)</u>
NET INVESTMENT INCOME	<u>58,084</u>
TOTAL ADDITIONS	234,943
DEDUCTIONS:	
Other postemployment benefits payments	<u>176,859</u>
TOTAL DEDUCTIONS	<u>176,859</u>
CHANGE IN NET POSITION	58,084
NET POSITION AT BEGINNING OF YEAR	<u>471,469</u>
NET POSITION AT END OF YEAR	<u><u>\$ 529,553</u></u>

See accompanying notes to basic financial statements.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Shore Educational Collaborative (the "Collaborative") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Collaborative are described below.

Reporting Entity

The Collaborative is an unincorporated, wholly-owned instrumentality of the Commonwealth of Massachusetts. The Collaborative was established and operates under the provisions of Massachusetts General Laws Chapter 40, Section 4E as amended by Chapter 797 of the acts of 1974 and by Chapter 43 of the Acts of 2012. The Collaborative provides a variety of educational programs and services as well as provides professional development programs, consultation and billing services for the member school districts. The member school communities of the Collaborative include: Cambridge, Chelsea, Everett, Malden, Medford, Revere, Saugus, Somerville, and Winthrop. These are all separate legal entities with their own governing bodies. Their operations are not part of the Collaborative's financial statements. The Collaborative also provides educational programs for children and adults with varying levels of disabilities. Funding for the children's programs is through school department tuition, and funding for the adult programs is through contracts with the Commonwealth of Massachusetts' Department of Developmental Services and Mass Health/Medicaid. Substantially all of the Collaborative's revenues are derived from these member communities and the Commonwealth of Massachusetts. The primary purpose of the Collaborative is to expand the quality of special education services that can be provided more effectively and efficiently by pooling the resources and students of several school districts.

The Collaborative's programs and services are primarily intended for its members; however, nonmembers may also participate on a space available basis.

Governance of the Collaborative is vested in a Board of Directors composed of one representative appointed by each member school committee. The Board of Directors appoints an Executive Director who is the chief operating officer for the Collaborative and who reports directly to the Board of Directors. The Board of Directors also appoints a Treasurer who is the chief financial officer of the Collaborative and who reports to the Board of Directors through the Executive Director.

According to the Collaborative Agreement, each member community is annually assessed a membership fee which is determined annually by the Board of Directors. The fiscal year 2025 membership fee was \$5,000 per district.

The accompanying financial statements present the operations of the Collaborative, the primary government, as well as its discretely presented component unit, a legally separate organization. The Collaborative is the sole beneficiary of the organization and will receive all funds raised by the organization. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Collaborative and the Collaborative cannot impose its will on the organization. Unless otherwise indicated, the notes to the basic financial statements pertain only to the Collaborative because certain disclosures of the component unit are not significant relative to the Collaborative.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

For financial reporting purposes, the Collaborative has included all funds, organizations, agencies, boards, commissions, and institutions. The Collaborative has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Collaborative are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Collaborative (the primary government) and its component unit. The Collaborative has one component unit that is listed below.

The primary government consists of all funds and departments which provide various services including administrative, student services, adult programs, professional development, and Medicaid municipal billing services. The Collaborative Board of Directors and Executive Director are directly responsible for these activities.

Discretely Presented Component Unit

The following component unit is discretely presented in the government-wide financial statements because of the nature and/or significance of its relationship with the Collaborative. The component unit described below is considered a major component unit.

Shore Educational Collaborative Foundation, Inc. (the "Foundation") - a non-profit organization, was established in 2004 to augment, support and advance the work of the Collaborative. The Foundation is classified as a public charity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. All activities and budgets of the Foundation are approved by the Board of Directors of the Foundation. All funds raised by the Foundation will be transferred to the Collaborative. The Foundation does not issue a separate audited financial statement.

Basis of Presentation

The Collaborative's basic financial statements include both government-wide financial statements (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental activities or business-type activities. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. Presently, the Collaborative does not have any business-type activities.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. They include all funds of the reporting entity except for fiduciary funds. All fiduciary activities are reported only in the fund financial statements. Governmental activities are primarily supported by member assessments, tuitions paid from member and nonmember districts, intergovernmental revenues (such as grants or contracts with other governmental entities) and other nonexchange transactions. The primary government is reported separately from its discretely presented component unit.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The government-wide statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation and amortization expense on the Collaborative's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation and amortization expense is allocated to functions/programs of the primary government. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Collaborative.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as the general fund in the fund financial statements.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

Fund Financial Statements

The fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The emphasis in fund financial statements is on the major funds in the governmental activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Collaborative may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

Governmental funds are identified as general, special revenue, capital projects or permanent funds based upon certain guidelines.

The following is a description of the governmental funds of the Collaborative:

General fund - is the general operating fund of the Collaborative. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects fund - is the fund that accounts for funds received from the issuance of long-term debt to be expended on various capital projects approved by the Board of Directors. Presently, the Collaborative does not have a Capital Projects Fund.

Non-major governmental funds - consist of other special revenue funds that are aggregated and presented in the non-major governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue fund - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Collaborative programs. The reporting focus is on net position and changes in net position presented in fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (retirees) and cannot be used to address activities or obligations of the Collaborative, these funds are not incorporated into the government-wide financial statements.

The following fiduciary fund types are reported by the Collaborative:

Other postemployment benefits trust fund - used to account for other postemployment benefits (OPEB), which accumulate resources to provide funding for future OPEB liabilities.

The accounting and financial reporting treatment is determined by the basis of accounting and the applicable measurement focus.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide financial statements are reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The modified accrual basis of accounting is followed by the governmental funds, proprietary funds, and fiduciary funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State general aid and other entitlements are recognized as revenue in the period the Collaborative is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Charges for services provided to other education agencies and private parties are recognized as revenue when services are provided. Amounts owed to the Collaborative for services already performed, which are not available, are recorded as receivables. Amounts received prior to the entitlement period are also recorded as unearned revenue.

Revenues susceptible to accrual include state aid, expenditure-driven programs and interest income.

Measurement Focus

Measurement focus refers to the type of resources being measured such as current financial resources or economic resources.

Government-Wide Financial Statements

On the statement of net position and statement of activities, governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The Foundation, shown as a discretely presented component unit, does not meet the definition of a governmental organization and is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Fund Financial Statements

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements, are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unearned revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions, which will not be currently liquidated using expendable available financial resources, are included as liabilities in the Collaborative's financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

When fund balance resources are available for a specific purpose in more than one classification, it is the Collaborative's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

During the fiscal year ended June 30, 2025, the following GASB pronouncements were implemented:

The GASB issued Statement No. 101, *Compensated Absences*, which was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The adoption of GASB No. 101 did not have any impact on the Collaborative's financial statements.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued and Adopted Accounting Pronouncements

The GASB issued Statement No. 102, *Certain-Risk Disclosures*, which was issued to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The adoption of GASB No. 102 did not have any impact on the Collaborative's financial statements.

Recently Issued Accounting Pronouncements

The following GASB pronouncements will be implemented in future fiscal years:

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is required to be implemented in fiscal year 2026. Management is currently evaluating the impact of the adoption of this statement on the Collaborative's financial statements.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is required to be implemented in fiscal year 2026. Management is currently evaluating the impact of the adoption of this statement on the Collaborative's financial statements.

Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit at financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value.

Fair Value Measurements

The Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Fair value standards also require the Collaborative to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with underlying funds.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 - Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and are based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Accounts Receivable

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Accounts receivable consists of member and non-member tuition receivables for tuition payments due to the Collaborative from various member communities and non-member communities as well as amounts due for services provided in the adult day program.

On a periodic basis the Collaborative evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Receivables

Other receivables consist of various federal and state grants for operating and capital purposes that are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for doubtful accounts.

Inventories

The amount of inventories is not material to the government-wide and fund financial statements of the Collaborative and, therefore, is recorded as expenditures at the time of purchase.

Unearned Revenue

Revenue is recognized when earned; however, funds received that are not earned as of year end are recorded as unearned revenue in the financial statements.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid expenses is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid expenses include prepaids as well as security deposits.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on the collective bargaining agreements, state laws, and executive policies. The Collaborative's policies allow no carryover of vacation or sick pay.

Income Tax Status

The Collaborative was established under Chapter 40 Section 4(e) under the General Laws of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, land improvements, leasehold improvements, furniture and equipment, vehicles, website costs, building, construction in process, and building improvements, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Collaborative as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets purchased, acquired or developed are carried at historical cost or estimated historical cost, if historical cost is not available. Contributed capital assets are recorded at fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. Any significant construction commitments are encumbered at year end.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities is expensed as incurred.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land and construction in process is not depreciated. The other capital assets of the Collaborative are depreciated using the straight-line method over the following estimated useful lives:

Building	39 years
Furniture and equipment	5-10 years
Land improvements	25 years
Leasehold improvements	2-15 years
Vehicles	5 years
Website costs	3 years
Building improvements	10-39 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Right-to-use Lease Assets, Net

The right-to-use lease assets are accounted for in accordance with GASB No. 87. Accordingly, the net present value of the estimated future minimum payments on the leases are reflected as right-to-use lease assets in the governmental activities statement of net position. The right-to-use lease assets is amortized on a straight-line basis over the lease periods. During the fiscal year 2025, the Collaborative recognized \$1,281,763 as amortization of the right-to-use lease assets in the accompanying governmental activities statement of activities.

In the fund financial statements, right-to-use lease assets used in governmental fund operations are accounted for as right-of-use lease assets expenditures of the governmental fund upon acquisition. Right-to-use lease assets are not capitalized and related amortization is not reported in the fund financial statements.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Collaborative reports deferred outflows of resources related to the net other postemployment benefits liability.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Collaborative has two items that qualify for reporting in this category. The Collaborative reports deferred inflows of resources related to the accumulated increase in fair value of the interest rate swap contract reported in the government-wide statement of net position. It represents the fair value of future payments that will be made on the Collaborative's behalf under the interest rate swap contract that the Collaborative has entered into. The Collaborative also reports deferred inflows of resources related to the net other postemployment benefits liability.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and due from other funds". Short-term interfund loans are reported as "interfund receivables and interfund payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and advances to other funds". Interfund receivables and interfund payables between funds within governmental activities are eliminated in the statement of net position.

Long-Term Obligations and Related Costs

In the government-wide financial statements, long-term debt, long-term lease liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Principal payments reduce the liabilities as paid. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as expenses in the periods in which they are incurred.

In the fund financial statements, the face amount of debt or leases issued and related premiums or discounts are reported as other financing sources as well as the other amounts paid to refinance bonds payable. The regular payments of principal are included as debt service expenditures or lease financing expenditures. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations and Related Costs (Continued)

The Collaborative uses derivatives to manage risks related to interest rate movements and has entered into an interest rate swap agreement to modify the interest rate on its outstanding debt (see Note N). The Collaborative measures its derivative instruments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Future changes in the fair values of the interest rate swap agreement are recorded each period and adjust the corresponding asset or liability and deferred outflow or inflow of resources as necessary.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position. Net position is comprised of the various net earnings (losses) from operating and nonoperating revenues, expenses, operating transfers, and contributed capital. Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets including restricted capital assets and the right-to-use lease assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, lease liabilities, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of the amount of net investment in capital assets.

Restricted net position consists of net position for which constraints are placed thereon by (1) external parties, such as lenders, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation, including self-imposed legal mandates. Restricted net position is based on the same criteria used to report restricted governmental fund balances.

Unrestricted net position consists of all other net positions not included in the above categories.

Net Position Flow Assumption

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used. Classifications are hierarchical and are based primarily on the extent to which the Collaborative is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Collaborative's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form - such as inventory or prepaid expenses or (b) are legally or contractually required to be maintained intact - such as a trust that must be retained in perpetuity. The Collaborative has classified prepaid expenses as being nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Collaborative has classified the Giving Tree Fund as restricted due to a donor restricting the use of these funds to the adult day program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Collaborative's Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. The Collaborative has various amounts that have been committed by the Board of Directors for various purposes.
- Assigned: This classification includes amounts that are constrained by the Collaborative's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Collaborative's Board of Directors or through the Collaborative's Board of Directors delegating this responsibility to the Collaborative's senior management through the budgetary process. The Collaborative had no assigned funds at June 30, 2025.
- Unassigned: Unassigned fund balance is the residual classification for the general fund. This classification represents the general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund Financial Statements (Continued)

Fund Balance Flow Assumptions

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts Teachers' Retirement System (MTRS) and the Massachusetts State Employees' Retirement System (MSERS) and additions to/deductions from MTRS' and MSERS' fiduciary net position have been determined on the same basis as they are reported by MTRS and MSERS. 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.

Other Postemployment Benefits

In addition to providing pension benefits (see Note L), the Collaborative provides health coverage for all employees retiring from the Collaborative after June 30, 2007. The Collaborative will contribute 50% to the cost of the coverage while the employee is responsible for the other 50%. The Collaborative recognizes its share of the cost of providing such benefits in the periods in which the related services are received by the Collaborative. For the year ended June 30, 2025, the expenditures totaled \$224,206. The Collaborative obtained this amount based on an actuarial valuation of its obligations for postemployment health benefits. The actuarial assumptions included a 5.86% rate of return on investments (net of investment expenses), an inflation rate of 2.50%, and a healthcare cost trend rate of 4.96%. The Collaborative has a separate trust to invest funds in order to fund this liability. This trust is included in the fiduciary fund financial statements. See Note O.

Allocation of Costs

Directly identifiable costs are charged to programs or general and administrative functions as applicable. Costs related to more than one function are allocated based on criteria intended to associate the cost with whichever function benefits.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between total fund balances - governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds". The details of this \$20,135,420 difference are as follows:

Leasehold improvements	\$ 1,755,409
Less: Accumulated amortization-leasehold improvements	(920,822)
Land improvements	545,223
Less: Accumulated depreciation-land improvements	(185,376)
Furniture and equipment	2,497,400
Less: Accumulated depreciation-furniture and equipment	(2,103,475)
Vehicles	314,187
Less: Accumulated amortization-vehicles	(114,605)
Website costs	22,500
Less: Accumulated amortization-website costs	(17,813)
Building	5,855,910
Less: Accumulated depreciation-building	(2,708,986)
Land	1,157,580
Construction in process	19,000
Building improvements	6,044,119
Less: Accumulated depreciation-building improvements	(2,425,244)
Right-to-use lease assets	15,500,801
Less: Accumulated amortization-right-to-use lease assets	<u>(5,100,388)</u>
Net adjustment to increase total fund balances - governmental funds to arrive at net position of governmental activities	<u>\$ 20,135,420</u>

Another element of that reconciliation explains that "some assets and liabilities are not financial resources used in governmental activities and, therefore, are not reported in governmental funds". This net adjustment to increase total fund balances - governmental funds to arrive at net position of governmental activities of \$128,381 represents the interest rate swap derivative instrument that is recorded as an asset.

Another element of that reconciliation explains that "the statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In government funds, these amounts are not reported". The details of this \$3,144,129 difference are as follows:

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position (Continued):

Deferred outflows-net other postemployment benefits liability	\$ (441,184)
Deferred inflows-net other postemployment benefits liability	3,456,932
Deferred inflows-accumulated increase in fair value of hedging derivative	<u>128,381</u>
Net adjustment to decrease total fund balances - governmental funds to arrive at net position of governmental activities	<u>\$ 3,144,129</u>

The final element of that reconciliation explains that "long-term liabilities, such as bonds payable, lease liabilities, and net other postemployment benefits liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds". The details of this \$26,029,984 difference are as follows:

Bond payable due within one year	\$ 259,604
Bond payable due in more than one year	6,714,931
Lease liabilities due within one year	1,113,519
Lease liabilities due in more than one year	10,140,235
Total other postemployment benefits liability	<u>7,801,695</u>
Net adjustment to reduce total fund balances - governmental funds to arrive at net position of governmental activities	<u>\$ 26,029,984</u>

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays and right-to-use lease assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay and right-to-use lease assets expenditures exceed depreciation and amortization expense in the current period". The details of this \$1,393,289 difference are as follows:

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities (Continued):

Capital outlay	\$ 909,708
Right-to-use lease assets expenditures	2,346,797
Depreciation and amortization expense	<u>(1,863,216)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	 <u>\$ 1,393,289</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items”. The details of this \$968,886 difference are as follows:

Principal repayments of the bond payable	\$ (252,744)
Lease financing	2,346,797
Principal repayments of the lease liabilities	<u>(1,125,167)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	 <u>\$ 968,886</u>

The final element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds”. The details of this \$47,347 difference are as follows:

Net change in deferred outflow/(inflow) of resources related to net other postemployment benefits liability	 \$ 148,214
Net change in net other postemployment benefits liability	<u>(100,867)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	 <u>\$ 47,347</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Budgetary Information

The Board follows procedures established by State statutes in establishing budget balances for governmental funds as described below:

- Budgets are prepared and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law.
- Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each functional activity (e.g. adult day program and student services) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report. This object level is the legal level of budgetary control.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services (i.e. purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.
- Because of the Collaborative's dependency on state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.
- The Collaborative's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30.

During the fiscal year ended June 30, 2025, there were no budget amendments that were required.

Excess of Appropriations over Expenditures

For the year ended June 30, 2025, expenditures in the general fund exceeded appropriations by \$7,526,826 due to not budgeting the pension costs from MTRS and MSERS, higher labor costs due to the labor shortage during the fiscal year ended June 30, 2025, and additional unexpected right-to-use lease assets expenditures due to extending the Woburn lease for another seven years which was not planned. These over expenditures were netted with the increase in revenues and other financing sources over budget and led to the overall increase in fund balances.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE D - CASH AND CASH EQUIVALENTS AND DEPOSITS

The deposits of the Collaborative consist of cash and cash equivalents and money market accounts.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned to it. The Collaborative does not have a formal deposit policy for custodial credit risk.

As of June 30, 2025, the Collaborative's bank balances were \$4,879,969 and \$4,379,969 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2025, the Foundation's bank balance was \$62,745 and \$-0- of that amount was exposed to custodial credit risk because all of it is insured by federal deposit insurance coverage.

NOTE E - ACCOUNTS RECEIVABLE

The majority of accounts receivable are due from the nine member communities and the Commonwealth of Massachusetts.

Accounts receivable as of June 30, 2025 in the Collaborative's major fund, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Percentage of Balance</u>
Accounts receivable, net:		
Member communities	\$ 674,059	20.5%
Commonwealth of Massachusetts:		
Department of Elementary and Secondary Education	12,159	0.4
Commonwealth Care	44,319	1.3
Department of Health & Human Services	2,169,920	65.8
Department of Developmental Services	<u>99,771</u>	<u>3.0</u>
Total Commonwealth of Massachusetts	2,326,169	70.5
Other	<u>466,562</u>	<u>14.2</u>
Gross accounts receivable	3,466,790	105.2
Less allowance for doubtful accounts	<u>170,000</u>	<u>5.2</u>
Total accounts receivable, net	<u>\$3,296,790</u>	<u>100.0%</u>

NOTE F - DUE FROM COMPONENT UNIT/FOUNDATION

The amount due from the Foundation of \$30,000 is considered to be fully collectible. As such, no allowance for uncollectible receivables is recorded.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE G - ACCRUED EXPENSES

The Collaborative's accrued expenses as recorded in the governmental activities statement of net position and in the governmental funds balance sheet consists of the following at June 30, 2025:

Accrued legal and audit	\$	54,000
Accrued interest		<u>9,896</u>
Total accrued expenses	\$	<u>63,896</u>

NOTE H - DEMAND LINE OF CREDIT

The Collaborative has a \$750,000 secured line of credit with a bank to finance working capital. Under the line of credit, each loan will bear interest at the bank's prime interest rate plus 1%. At June 30, 2025 the bank's prime rate was 7.0%. The line of credit is secured by a mortgage on land and building in Chelsea and secured by substantially all assets of the Collaborative. During the fiscal year ended June 30, 2025, the Collaborative did not draw on this line. The bank will review the line annually with the next review occurring on August 31, 2026.

A summary of changes of the demand line of credit consists of the following at June 30, 2025:

	Balance July 1, 2024	<u>Additions</u>	<u>Repayments</u>	Balance June 30, 2025
Demand line of credit	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

NOTE I - INVESTMENTS

The Collaborative holds investments in the OPEB Trust Fund. The Collaborative's investment policy indicates that investments held in trust will be adequately diversified and risk controls will be maintained within the subcategories agreed upon within the investment policy statement. The investments held in the trust will adhere to the prudent investor rule established in the MGL Chapter 203c.

The Collaborative holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Collaborative's mission, the Collaborative determines that the disclosures related to these investments only need to be disaggregated by major type. The Collaborative chooses a narrative format for disclosing the levels within the fair value hierarchy.

The Collaborative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE I - INVESTMENTS (Continued)

The Collaborative has contributed funds to a public employee retirement trust account with U.S. Bank National Association as trustee, on behalf of its retirees' health insurance trust fund. The trustee invests the funds in Vanguard mutual funds. As of June 30, 2025, the balance in these investments consisted of mutual funds with a fair value of \$529,553. These investments are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Investment income from the investments for the year ended June 30, 2025 was \$59,684. There were \$1,600 of investment fees charged for the year ended June 30, 2025.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Collaborative's investment policy specifies that the financial institution's financial statements will be reviewed as well as the background of the sales representation before investing with the financial institution to limit the OPEB Trust Fund's exposure to only institutions with proven financial strength, capital adequacy and overall affirmative reputation in the municipal industry.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Collaborative will manage interest rate risk by managing duration in the account. Presently, none of the Collaborative's investments are subject to interest rate risk since the OPEB Trust Fund is not invested in any fixed income securities or external pooled cash funds.

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Because obligations of the United States Government and some of its agencies are not considered to have credit risk, the Collaborative does not limit the amount it can invest in these securities.

The Collaborative has not adopted a formal policy related to credit risk.

The Collaborative's investments in mutual funds were unrated.

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the Collaborative's investment in a single issuer. The Collaborative's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Collaborative does not have a deposit policy for concentration of credit risk. The Collaborative places no limit on the amount that the Collaborative may invest in any one issuer. At June 30, 2025, no more than 5% of the Collaborative's investments were invested in any one corporate issuer.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE J - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,157,580	\$ -	\$ -	\$ 1,157,580
Construction in process	-	19,000	-	19,000
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	1,157,580	19,000	-	1,176,580
Capital assets, being depreciated:				
Leasehold improvements	1,755,409	-	-	1,755,409
Land improvements	545,223	-	-	545,223
Furniture and equipment	2,227,418	269,982	-	2,497,400
Vehicles	226,699	87,488	-	314,187
Website costs	22,500	-	-	22,500
Building	5,855,910	-	-	5,855,910
Building improvements	5,510,881	533,238	-	6,044,119
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	16,144,040	890,708	-	17,034,748
Less accumulated depreciation for:				
Leasehold improvements	(829,210)	(91,612)	-	(920,822)
Land improvements	(163,567)	(21,809)	-	(185,376)
Furniture and equipment	(2,003,590)	(99,885)	-	(2,103,475)
Vehicles	(60,517)	(54,088)	-	(114,605)
Website costs	(10,313)	(7,500)	-	(17,813)
Building	(2,558,834)	(150,152)	-	(2,708,986)
Building improvements	(2,268,837)	(156,407)	-	(2,425,244)
TOTAL ACCUMULATED DEPRECIATION	(7,894,868)	(581,453)	-	(8,476,321)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	8,249,172	309,255	-	8,558,427
Right-to-use lease assets - buildings	13,154,004	2,346,797	-	15,500,801
Less: accumulated amortization	(3,818,625)	(1,281,763)	-	(5,100,388)
TOTAL RIGHT-TO-LEASE ASSETS, NET	9,335,379	1,065,034	-	10,400,413
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 18,742,131</u>	<u>\$ 1,393,289</u>	<u>\$ -</u>	<u>\$ 20,135,420</u>

Depreciation and amortization expense was charged to functions / programs of the governmental activities of the Collaborative as follows:

Governmental activities:	
Adult day program	\$ 1,126,739
Student services	363,532
General and administrative	<u>372,945</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 1,863,216</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE K - LEASE OBLIGATIONS

The lease agreements between the Collaborative and nonrelated private parties are summarized as follows:

Describe	Date	Payment Terms	Interest Rate	Total Lease Liability	Balance June 30, 2025
Peabody Building	6/01/2020	10 years	2.647%	\$2,649,929	\$1,620,812
Woburn Building	2/04/2025	8 years	4.484%	\$4,098,007	\$2,897,042
Chelsea Building	7/30/2018	15 years	2.647%	\$8,752,865	\$6,735,900

The Collaborative leases space for its adult day program under two different leases and the Collaborative leases space under another lease for its administrative offices and its adult day program. The first lease for the adult day program was entered into on June 1, 2020 for a building in Peabody. The lease term is for 10 years until May 31, 2030. Starting June 1, 2020, the annual lease amount was \$301,182 and increases \$8,484 per year until May 31, 2030. The Collaborative is also responsible for paying all operating costs, insurance, utilities, and real estate taxes. The Collaborative has the option to extend the lease for an additional term of five years but is uncertain if it will exercise that option at the present time.

The second lease for the adult day program was entered into on January 24, 2011 for a building in Woburn. The lease term commenced on March 1, 2011 for 129 months through November 30, 2021 and then was extended on June 17, 2021 for an additional five years through November 30, 2026. Starting on December 1, 2021, the annual lease amount was \$329,984 and will increase 3% each year until November 30, 2026. Then, on February 4, 2025, the lease was extended again for an additional seven years through November 30, 2033. Starting on December 1, 2026, the lease amount will be \$410,000 and will increase 3% each year until November 30, 2033. In addition, the landlord agrees to contribute \$150,000 towards improvements at the location which will reduce the annual lease payments. The Collaborative is responsible for paying all utilities, management fees and real estate taxes.

The third lease for both its administrative offices and its adult day program was entered into on July 30, 2018 for a building in Chelsea. The lease term commenced on December 1, 2019 when the building was occupied by the Collaborative and the lease will continue through November 30, 2034. There are two successive options to extend the lease term for two additional five-year periods but the Collaborative is uncertain at this time if they will exercise those options. The annual payment for December 1, 2019 through November 30, 2020 was \$668,346. Starting December 1, 2020, the annual lease amount will increase 2% a year until November 30, 2034. The Collaborative also was issued by TD Bank a letter of credit in the amount of \$167,087 to act as a security deposit for this lease. The Collaborative amended its demand line of credit so that if the letter of credit would need to be used, the amount would be removed from the demand line of credit. The Collaborative is responsible for paying all real estate taxes, insurance, utility charges and personal property taxes as well as any other charges deemed payable by the landlord.

At the time of initial measurement, there was no interest rates specified in the lease agreements. The Collaborative used its incremental borrowing rate of 2.647%. This rate was used to discount the annual lease payments to recognize the intangible right-to-use lease assets and the lease liabilities as of July 1, 2021. In February 2025, the Collaborative used its incremental borrowing rate at that point in time of 4.484% to discount the right-to-use lease on the new Woburn extended lease.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE K - LEASE OBLIGATIONS (Continued)

Annual requirements to amortize these lease liabilities and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,113,519	\$ 335,783	\$ 1,449,302
2027	1,186,330	300,806	1,487,136
2028	1,261,770	263,323	1,525,093
2029	1,338,183	223,373	1,561,556
2030	1,386,381	180,868	1,567,249
2031-2035	<u>4,967,571</u>	<u>334,763</u>	<u>5,302,334</u>
	<u>\$11,253,754</u>	<u>\$ 1,638,916</u>	<u>\$12,892,670</u>

The total interest incurred by the Collaborative during the current fiscal year related to the lease liabilities was \$290,459. Interest expense was charged to functions/programs of the Collaborative as follows:

Governmental activities:		
Adult day program	\$	228,391
General and administrative		<u>62,068</u>
	\$	<u>290,459</u>

NOTE L - PENSION PLANS

The Collaborative participates in two cost-sharing multiple-employer defined benefit plans - Massachusetts Teachers' Retirement System (MTRS) and Massachusetts State Employees' Retirement System (MSERS).

Massachusetts Teachers' Retirement System (MTRS)

Plan description

Teaching-certified employees of the Collaborative are provided with pensions through the MTRS - a public employee retirement system (PERS) that administers a cost-sharing multiple-employer defined benefit pension plan, as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is reported as a pension trust fund in the Commonwealth of Massachusetts' Annual Comprehensive Financial Report and can be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>. Management of the MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB).

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (MTRS) (Continued)

Benefits provided

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire and receive benefit prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000, except for teachers subject to Chapter 114 of the Acts of 2000.

In addition, members who join the system on or after April 2, 2012 will have their withholding rates reduced by 6% after achieving 30 years of creditable service.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (MTRS) (Continued)

Contributions (Continued)

The Commonwealth of Massachusetts is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. The contributions made by the Commonwealth of Massachusetts are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Thus, the Collaborative is not required to make any contribution. Employees are required to contribute as detailed above. The Collaborative had no contractually required contribution to the MTRS for the fiscal year ended June 30, 2025. During the fiscal year ended June 30, 2025, the Commonwealth of Massachusetts was responsible for 100% of the Collaborative's contractually required contributions to MTRS.

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

At June 30, 2025, the Collaborative was not required to report a liability for its proportionate share of the net pension liability due to the fact that the Collaborative does not contribute directly to MTRS and the Commonwealth of Massachusetts is responsible for the entire net pension liability associated with the Collaborative.

At June 30, 2025, the proportionate share of the net pension liability associated with the Collaborative was \$19,748,604. The Collaborative's portion of the net pension liability was based on the Collaborative's proportionate share of contributions to the pension plan relative to the contributions of all MTRS participating employers.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2025, the Collaborative's proportionate share of the net pension liability represented 0.08% of the total net pension liability for MTRS which had increased 0.02% from its portion measured as of June 30, 2024.

For the fiscal year ended June 30, 2025, the Collaborative recognized pension expense of \$1,630,082 and revenue of \$1,630,082 for support provided by the Commonwealth. This amount is recorded as an operating grant and contribution and a corresponding expense on the statement of activities and as other income and a corresponding expenditure on the statement of revenues, expenditures, and changes in fund balances.

The Collaborative was not required to record any deferred inflows or deferred outflows related to MTRS due to the same reasons as listed above.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (MTRS) (Continued)

Actuarial assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024. This valuation used the following assumptions:

1. (a) 2.5% inflation rate, (b) 7.0% investment rate of return, (c) 4.76% discount rate for LDROM only, (d) 3.5% interest rate credited to the annuity savings fund, and (e) 3.0% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on group and length of service.
3. Mortality rates were as follows:
 - a. Pre-retirement - reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
 - b. Post-retirement - reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
 - c. Disability - assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
4. Experience study was performed dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 to 2020 for post-retirement mortality.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2024 are summarized in the following table:

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (MTRS) (Continued)

Actuarial assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	36.0%	4.6%
Core Fixed Income	15.0	2.1
Private Equity	16.0	7.4
Portfolio Completion Strategies	10.0	3.7
Real Estate	10.0	3.9
Value Added Fixed Income	9.0	5.1
Timberland/Natural Resources	<u>4.0</u>	4.4
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There was no change in the discount rate used from the previous fiscal year.

Sensitivity of the Collaborative's proportionate share of the net pension liability to changes in the discount rate

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2024. In particular, the table presents the Collaborative's proportionate share of the net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	<u>1% Decrease to 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase to 8.00%</u>
June 30, 2024	<u>\$ 25,527,231</u>	<u>\$ 19,748,604</u>	<u>\$ 14,860,251</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts Teachers' Retirement System (MTRS) (Continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Commonwealth of Massachusetts' financial report.

Payables to the Pension Plan

At June 30, 2025, the Collaborative reported a payable to the MTRS of \$89,390 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MTRS. This amount is included in accrued salaries and fringe benefits on the statement of net position and governmental funds balance sheet.

Massachusetts State Employees' Retirement System (MSERS)

Plan description

Non-teaching-certified employees of the Collaborative are provided with pensions through the MSERS - a PERS that administers a cost-sharing multiple-employer defined benefit pension plan, as defined by GASB Statement No. 67. The MSERS is reported as a pension trust fund in the Commonwealth of Massachusetts' Annual Comprehensive Financial Report and can be obtained by visiting <https://www.macomptroller.org/gasb-68-reports/>. Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB).

Benefits provided

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

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

SHORE EDUCATIONAL COLLABORATIVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts State Employees' Retirement System (MSERS) (Continued)

Benefits provided (Continued)

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teacher hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

Per Chapter 32 of the MGL, contribution requirements of the active employees and participating entities are established and may be amended by the Legislature. Employees are required to contribute as detailed above. The Collaborative contributes an amount equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the Collaborative is only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and is not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaborative. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation (similar to the MTRS).

The following is a listing of the last four years of contributions to MSERS by the Collaborative:

2025	\$ 711,328
2024	583,010
2023	485,743
2022	411,266

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts State Employees' Retirement System (MSERS) (Continued)

Contributions (Continued)

The Collaborative had no additional contractually required contribution to the MSERS for the fiscal year ended June 30, 2025. The Commonwealth of Massachusetts was responsible for any remaining contractually required contributions to MSERS during the fiscal year ended June 30, 2025.

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

At June 30, 2025, the Collaborative was not required to report a liability for its proportionate share of the net pension liability due to the fact that the Commonwealth of Massachusetts is responsible for the entire net pension liability associated with the Collaborative.

At June 30, 2025, the proportionate share of the net pension liability associated with the Collaborative was \$19,285,971. The Collaborative's portion of the net pension liability was based on the Collaborative's proportionate share of employer and nonemployer allocations to the pension plan relative to the employer and nonemployer contributions of all MSERS participating entities.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2025, the Collaborative's proportionate share of the net pension liability represented 0.14% of the total net pension liability for MSERS which had increased 0.01% from its portion measured as of June 30, 2024.

For the fiscal year ended June 30, 2025, the Collaborative recognized pension expense of \$1,990,819 and revenue of \$1,990,819 for support provided by the Commonwealth. This amount is recorded as an operating grant and contribution and a corresponding expense on the statement of activities and as other income and a corresponding expenditure on the statement of revenues, expenditures, and changes in fund balances.

The Collaborative was not required to record any deferred inflows or deferred outflows related to MSERS due to the same reasons as listed above.

Actuarial assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024. This valuation used the following assumptions:

1. (a) 2.5% inflation rate, (b) 7.0% investment rate of return, (c) 4.76% discount rate for LDRM only, (d) 3.5% interest rate credited to the annuity savings fund, and (e) 3.0% cost of living increase on the first \$13,000 of allowance each year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts State Employees' Retirement System (MSERS) (Continued)

Actuarial assumptions (Continued)

3. Mortality rates were as follows:
 - a. Pre-retirement mortality reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2021 and set forward 1 year for females.
 - b. Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2021 and set forward 1 year for females.
 - c. For disabled retirees, mortality rate reflects the post-retirement mortality described above, set forward 1 year.

4. Experience studies were performed dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

Investment assets of the MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	36.0%	4.6%
Core Fixed Income	15.0	2.1
Private Equity	16.0	7.4
Portfolio Completion Strategies	10.0	3.7
Real Estate	10.0	3.9
Value Added Fixed Income	9.0	5.1
Timberland/Natural Resources	<u>4.0</u>	4.4
Total	<u>100.0%</u>	

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE L - PENSION PLANS (Continued)

Massachusetts State Employees' Retirement System (MSERS) (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There was no change in the discount rate used from the previous fiscal year.

Sensitivity of the Collaborative's proportionate share of the net pension liability to changes in the discount rate

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2024. In particular, the table presents the Collaborative's proportionate share of the net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease to 6.00%	Current Discount Rate 7.00%	1% Increase to 8.00%
June 30, 2024	<u>\$ 27,094,296</u>	<u>\$ 19,285,971</u>	<u>\$12,680,142</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Commonwealth of Massachusetts' financial report.

Payables to the Pension Plan

At June 30, 2025, the Collaborative reported payables to the MSERS of \$23,836 for legally required employer contributions and \$37,892 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MSERS. These amounts are included in accrued salaries and fringe benefits on the statement of net position and governmental funds balance sheet.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE M - DISCRETELY PRESENTED COMPONENT UNIT

In fiscal year 2004, a not-for-profit organization, Shore Educational Collaborative Foundation, Inc. ("the Foundation"), was established. The Foundation has been included as a component unit on the statement of net position and the statement of activities. According to Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives, the Foundation does not qualify as a related party as defined by the law and, therefore, any transactions between the Foundation and the Collaborative do not constitute related party transactions.

At June 30, 2025, the Collaborative has a receivable from the Foundation for \$30,000, which was used as start-up funds for the Foundation.

NOTE N - LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities reported in the statement of net position at June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Bond payable:					
Refinanced building and land acquisition	\$ 7,227,279	\$ -	\$ 252,744	\$ 6,974,535	\$ 259,604
Lease liabilities	10,032,124	2,346,797	1,125,167	11,253,754	1,113,519
Net other postemployment benefits liability	<u>7,606,134</u>	<u>989,518</u>	<u>793,957</u>	<u>7,801,695</u>	<u>-</u>
Total	<u>\$24,865,537</u>	<u>\$ 3,336,315</u>	<u>\$ 2,171,868</u>	<u>\$26,029,984</u>	<u>\$ 1,373,123</u>

Repayment of principal and interest maturities on the bonds payable and lease liabilities are principally made from education program fees and Medicaid income. The net other postemployment benefits liability is generally liquidated by the general fund.

See Note K for information on the lease liabilities, Note O for information on the net other postemployment benefits liability, and see below for information on the bond payable.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE N - LONG-TERM LIABILITIES (Continued)

Bond Payable - Refinanced Building and Land Acquisition

On November 4, 2016 the Collaborative entered into an agreement to participate in the Massachusetts Development Finance Agency Revenue Bonds Series 2016A to refinance its previous outstanding bonds. The Collaborative's bond components from this new bond totaled \$9,350,000. Until June 11, 2023, interest on the bond was payable and commenced on November 4, 2016 and on the eleventh day of each month thereafter, at a rate of the sum of 1.395% plus 0.6975 times one-month LIBOR. The initial rate was 1.8%. Due to the ending of LIBOR as of June 2023, the Collaborative signed an amended agreement with TD Bank to use SOFR instead of LIBOR. As of June 11, 2023, the interest on the bond is payable on the eleventh day of each month thereafter, at a rate of 1.4335% plus 0.6975 times one-month SOFR. The maturity date is February 9, 2047. The Collaborative entered into an interest rate swap agreement with TD Bank to effect a fixed interest rate on the bond of 2.647% for the outstanding principal balance. See below for more information on the interest rate swap. Principal payments on the bond are payable in monthly installments and commenced on November 11, 2016 and on the eleventh day of every month thereafter.

The refinanced building and land acquisition bond described above is secured by a first mortgage on land and building in Chelsea and secured by substantially all assets of the Collaborative. In addition, the Collaborative has assigned the right, title, and interest in any leases and rents on the property to the bond holders. The bond described above is subject to covenants that restrict the Collaborative's ability to incur additional debt or pledge or lien or dispose of any of its assets.

Interest Rate Swap - Refinanced Building and Land Acquisition

Objective of the Interest Rate Swap

As a means to lower its borrowing costs and increase its savings, when compared against fixed rate bonds at the time of issuance in November 2016, the Collaborative entered into an ISDA interest rate swap contract in connection with its refinanced building and land acquisition bond payable with TD Bank for an initial notional amount of \$339,064. The intention of the swap was to effectively change the Collaborative's variable interest rate on the bond to a synthetic fixed rate of 2.647%. The interest rate swap is considered a hedging derivative instrument and is classified as a cash flow hedge.

Terms

The refinanced building and land acquisition bond payable matures on February 9, 2047, and the related swap agreement matures on November 11, 2026. The swap's initial notional amount of \$339,064 matched the \$9,350,000 variable-rate bond on an amortizing schedule less the notional amounts already covered by previous expired interest rate swaps. The swap was entered into at the same time the bond was issued (November 2016). As the other interest rate swaps matured, the notional amount that those interest swaps covered was added to the notional amount outstanding under this swap. Thus, starting in fiscal year 2017, the notional amount of the swap increased as the other swaps expired so that the entire amount of the outstanding principal at any time is covered. Consequently, the principal amount of the associated debt will continue to decline.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE N - LONG-TERM LIABILITIES (Continued)

Bond Payable - Refinanced Building and Land Acquisition (Continued)

Interest Rate Swap - Refinanced Building and Land Acquisition (Continued)

Terms (Continued)

Under the swap agreement, the Collaborative pays a fixed interest rate of 2.647% to TD Bank. TD Bank then makes payments as directed in the amended bond payable agreement at the floating rate of 0.6975% of the one-month SOFR plus 1.4335%. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the bond payable. Payments under the swap agreement will be reflected as adjustments to interest expense in the statement of activities and as adjustments to debt service in the statement of revenues, expenditures and changes in fund balance. At June 30, 2025, the swap agreement has a notional amount of \$6,974,535 and the net amount received on the interest rate swap during the fiscal year ended June 30, 2025 was \$146,986.

In accordance with the swap agreement and on a monthly basis, interest expense is calculated based on the option rate selected and the fixed rate. If the interest expense calculated is greater based on the option rate, TD Bank pays the difference to the Collaborative. However, if the interest expense calculated is greater based on the fixed rate, the Collaborative pays the difference to TD Bank. Depending on the fluctuations in SOFR, the Collaborative's interest rate exposure and its related impact on interest expense and net cash flow may increase or decrease. The Collaborative is exposed to credit loss in the event of nonperformance by the lending institution; however, nonperformance is not anticipated.

Fair Value

The swap had a positive fair value of \$128,381 as of June 30, 2025, representing a change in fair value of \$170,442 from June 30, 2024. The swap's fair value is reported as derivative instrument asset in the statement of net position. The fair value of the swap was offset by a deferred inflow of resources of the same amount on the statement of net position. The change in fair value of \$170,442 reduced the deferred inflows related to the accumulated increase in fair value of hedging derivative on the statement of net position as well as reducing the derivative instrument asset. Fair values were based on mark-to-market valuations as of the fiscal year end that were established by market quotations from TD Bank representing estimates of the amounts that would be paid for replacement transactions. This estimates the net present value of the expected cash flows between the parties to the swap agreement, using relevant mid-market data inputs based on the assumption of no unusual market conditions or forced liquidation and does not include an assessment of nonperformance risk. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

The swap's fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the Collaborative's variable-rate bond adjusts to changing interest rates, the bond does not have a corresponding fair value increase or decrease. This swap is classified in Level 3 of the fair value hierarchy.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE N - LONG-TERM LIABILITIES (Continued)

Bond Payable - Refinanced Building and Land Acquisition (Continued)

Interest Rate Swap - Refinanced Building and Land Acquisition (Continued)

Interest Rate and Credit Risk

The fair value of the interest rate swap is highly sensitive to interest rate changes and, as a result, the Collaborative is exposed to interest rate risk. As of June 30, 2025, the Collaborative was exposed to credit risk because the interest rate swap had a positive fair value. TD Bank was rated A+ by Standard & Poor's and A2 by Moody's Investors Service as of June 30, 2025.

Basis Risk

As noted above, the swap exposes the Collaborative to basis risk should the rate on the bond increase to above the 0.6975% of the one-month SOFR plus 1.4335%, thus increasing the synthetic rate of the bond. If a change occurs that results in the rate on the bond to be below the 0.6975% of the one-month SOFR plus 1.4335%, then the synthetic rate on the bond will decrease.

Termination Risk

The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision". The Collaborative or TD Bank may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the bond would no longer carry a synthetic interest rate. Also if, at the time of termination, the swap has a negative fair value, the Collaborative would be liable to TD Bank for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, TD Bank would be liable to the Collaborative for a payment equal to the swap's fair value.

Swap Payments and Associated Debt

Using rates as of June 30, 2025, debt service requirements of the variable-rate bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE N - LONG-TERM LIABILITIES (Continued)

Bond Payable - Refinanced Building and Land Acquisition (Continued)

Swap Payments and Associated Debt (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	<u>Total</u>
2026	\$ 259,604	\$ 307,438	\$ (125,951)	\$ 441,091
2027	266,648	317,383	(51,063)	532,968
2028	273,880	319,579	-	593,459
2029	281,312	305,567	-	586,879
2030	288,948	291,174	-	580,122
2031-2035	1,566,664	1,225,937	-	2,792,601
2036-2040	1,791,028	802,825	-	2,593,853
2041-2045	2,047,565	319,112	-	2,366,677
2046-2050	<u>198,886</u>	<u>2,729</u>	<u>-</u>	<u>201,615</u>
	<u>\$ 6,974,535</u>	<u>\$ 3,891,744</u>	<u>\$ (177,014)</u>	<u>\$10,689,265</u>

The total interest incurred by the Collaborative during the current fiscal year related to the bond payable was \$193,514. Interest expense was charged to functions/programs of the Collaborative as follows:

Governmental activities:	
Student services	<u>\$ 193,514</u>

The following is a summary of debt service requirements to maturity for the bond payable detailed above and the lease liabilities in Note K:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	<u>Total</u>
2026	\$ 1,373,123	\$ 643,221	\$ (125,951)	\$ 1,890,393
2027	1,452,978	618,189	(51,063)	2,020,104
2028	1,535,650	582,902	-	2,118,552
2029	1,619,495	528,940	-	2,148,435
2030	1,675,329	472,042	-	2,147,371
2031-2035	6,534,235	1,560,700	-	8,094,935
2036-2040	1,791,028	802,825	-	2,593,853
2041-2045	2,047,565	319,112	-	2,366,677
2046-2050	<u>198,886</u>	<u>2,729</u>	<u>-</u>	<u>201,615</u>
	<u>\$18,228,289</u>	<u>\$ 5,530,660</u>	<u>\$ (177,014)</u>	<u>\$23,581,935</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS

The Collaborative provides other postemployment benefits (“OPEB”) for its employees through a single-employer, defined benefit OPEB plan which is administered by the Collaborative. The Collaborative follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The Collaborative has also established a trust that follows the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* that is intended to set funds aside for future retiree health insurance. The trust does not issue a separate, publicly available financial report and its financial activities are reported in the fiduciary financial statements.

Plan Description

The Collaborative’s Retiree Health Insurance Plan (the “Plan”) provides postemployment health care benefits to eligible retired Collaborative employees through the Collaborative's group health insurance plans, which cover both active and retired members. Medical insurance is offered through Harvard Pilgrim Health Care and dental insurance is offered through Blue Cross Blue Shield of Massachusetts. Employees as well as their spouses are covered by the Plan. The employee must retire directly from the Collaborative with an immediate pension payable from one of the two public retirement systems as described in Note L. The employee also must have had at least ten years of cumulative service with the Collaborative and the last five years must be consecutive work at the Collaborative. In addition, the employee must have been covered under one of the Collaborative’s health insurance plans for one year.

The Plan is a single-employer defined benefit OPEB plan administered by the Collaborative. The Collaborative has the authority to establish and amend the Plan’s benefit terms and financing requirements.

Funding Policy

The contribution requirements of Plan members and the Collaborative are established and may be amended by the Collaborative's Board of Directors. The Plan provides medical and dental insurance coverage for retirees and their spouses. The Collaborative's required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 50% of the cost of the medical and dental insurance premiums and the employee is responsible for the other 50%. Life insurance is not offered under the Plan. The cost of administering the Plan is paid by the Collaborative. For the year ended June 30, 2025, the Collaborative contributed \$176,859 towards these benefits.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish a postemployment benefits trust fund and to enable the Collaborative to begin pre-funding its other postemployment benefits (OPEB) liability. During the year ended June 30, 2025, the Collaborative did not make any contributions to pre-fund future OPEB liabilities to the Other Postemployment Benefits Trust Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2025, the balance of the fund totaled \$529,553.

Plan members contribute nothing while active.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Policy

The Collaborative has not established a formal investment policy. As of June 30, 2025, all of the Collaborative's plan investments were in Vanguard mutual funds through Public Agency Retirement Services, the trust administrator. The annual money-weighted rate of return as of the actuarial valuation date of June 30, 2025 was 12.32%.

Measurement Date

GASB Statement No. 75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023, which was updated to June 30, 2025.

Plan Membership

The following is the Plan's membership at June 30, 2025:

Active members	278
Inactive employees or beneficiaries currently receiving benefits	<u>27</u>
Total	<u>305</u>

Components of Net OPEB Liability

The components of the net OPEB liability of the Collaborative at June 30, 2025 were as follows:

Total OPEB liability	\$	8,331,248
Less: OPEB Plan's fiduciary net position		<u>(529,553)</u>
Net OPEB liability	\$	<u>7,801,695</u>

The OPEB Plan's fiduciary net position as a percentage of the total OPEB liability	6.36%
---	-------

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods, including the measurement date that was updated to June 30, 2025:

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Significant Actuarial Methods and Assumptions (Continued)

Valuation date	Actuarially Determined Contribution was calculated as of July 1, 2023
Actuarial cost method:	Individual Entry Age Normal
Asset valuation method:	Market value of assets as of the measurement date of June 30, 2025
Investment rate of return:	5.86%, net of OPEB Plan investment expense, including inflation
Discount rate:	5.02%, net of OPEB plan investment expense, including inflation
Inflation rate:	2.50% as of June 30, 2025 and for future periods
Salary increases:	3.00% annually as of June 30, 2025 and for future periods
Municipal bond rate:	4.81% as of June 30, 2025 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Mortality rates:	
Pre-Retirement Mortality:	<u>General:</u> RP-2014 Mortality table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females <u>Teachers:</u> RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-Retirement Mortality:	<u>General:</u> RP-2014 Mortality table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females <u>Teachers:</u> RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled Mortality:	<u>General:</u> RP-2014 Mortality table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year <u>Teachers:</u> RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Significant Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 12.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 3.73% is added to the expected inflation of 2.50% less investment expense of 0.37% to produce the long-term expected nominal rate of return of 5.86%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2025 as summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	37.1%	4.52%
Domestic Equity - Small/Mid Cap	0.0	5.06
International Equity - Developed Market	15.9	5.08
International Equity - Emerging Market	0.0	5.80
Domestic Fixed Income	39.0	2.44
International Fixed Income	0.0	2.13
Alternatives	0.0	6.09
Real Estate	8.0	3.73
Cash and cash equivalents	<u>0.0</u>	0.00
Total	<u>100.0%</u>	

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.02% as of June 30, 2025 and 4.56% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Collaborative's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover until Fiscal Year 2045 and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 - Year High Grade Index (SAPIHG), which was 4.81% as of June 30, 2025. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>OPEB</u>	<u>Fiduciary</u>	<u>OPEB</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balances at June 30, 2024	\$ 8,077,603	\$ 471,469	\$ 7,606,134
Changes for the year:			
Service cost	597,902	-	597,902
Interest	391,616	-	391,616
Differences between actual and expected experience	(559,014)	-	(559,014)
Net investment income	-	58,084	(58,084)
Employer contributions to Trust	-	176,859	(176,859)
Benefit payments withdrawn from Trust	-	(176,859)	176,859
Benefit payments excluding implicit cost	(127,208)	-	(127,208)
Implicit cost amount	<u>(49,651)</u>	<u>-</u>	<u>(49,651)</u>
Net change	<u>253,645</u>	<u>58,084</u>	<u>195,561</u>
Balances at June 30, 2025	<u>\$ 8,331,248</u>	<u>\$ 529,553</u>	<u>\$ 7,801,695</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following presents the net OPEB liability of the Collaborative, calculated using the discount rate of 5.02%, as well as what the Collaborative's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.02%) or 1-percentage point higher (6.02%) than the current discount rate:

	<u>1% Decrease to 4.02%</u>	<u>Current Discount Rate 5.02%</u>	<u>1% Increase to 6.02%</u>
Net OPEB liability	\$ <u>9,321,187</u>	\$ <u>7,801,695</u>	\$ <u>6,607,571</u>

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

The following presents the net OPEB liability of the Collaborative, calculated using the current healthcare cost trend rate of 4.96%, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower (3.96%) or 1-percentage point higher (5.96%) than the current healthcare cost trend rates:

	<u>1% Decrease to 3.96%</u>	<u>Current Trend Rate 4.96%</u>	<u>1% Increase to 5.96%</u>
Net OPEB liability	\$ <u>6,425,510</u>	\$ <u>7,801,695</u>	\$ <u>9,597,366</u>

Changes in Assumptions

The discount rate increased from 4.56% to 5.02%. The healthcare cost trend rate was changed from 5.00% to 4.96%.

Changes in Plan Provisions

There were no changes in Plan provisions from June 30, 2024 to June 30, 2025.

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

For the year ended June 30, 2025, the Collaborative recognized OPEB expense of \$224,206, which was determined as follows:

Service cost	\$ 597,902
Interest	391,616
Deferred inflows from Plan experience	(694,695)
Deferred outflows from changes of assumptions	(33,342)
Projected earnings on OPEB Plan investments	(29,205)
Deferred inflows from earnings on Plan investments	<u>(8,070)</u>
OPEB expense	<u>\$ 224,206</u>

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2025, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between actual and expected experience	\$ -	\$ (2,936,484)	\$(2,936,484)
Changes of assumptions	423,767	(479,155)	(55,388)
Net difference between projected and actual earnings on OPEB plan investments	<u>17,417</u>	<u>(41,293)</u>	<u>(23,876)</u>
Total	<u>\$ 441,184</u>	<u>\$(3,456,932)</u>	<u>\$(3,015,748)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ (628,267)
2027	(639,959)
2028	(743,397)
2029	(465,023)
2030	(459,242)
Thereafter	<u>(79,860)</u>
Net decrease in OPEB expense	<u>\$ (3,015,748)</u>

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2025

NOTE P - CONCENTRATIONS

At June 30, 2025, approximately 43% of the Collaborative's employees work under collective bargaining agreements. Of these employees, 52% are represented by unions whose existing agreements will expire on August 31, 2028. Of these employees, 48% are represented by unions whose existing agreements will expire on June 30, 2028. The Collaborative's other employees are not represented by a union.

NOTE Q - RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Collaborative participates in premium-based health care plans for its employees and retirees.

NOTE R - CONTINGENCIES

Presently the Collaborative has a case pending before the Massachusetts Commission Against Discrimination. It arises from alleged employment-related discrimination. The Collaborative has a number of defenses and the matter is expected to be resolved and disposed of soon. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2025 cannot be ascertained, the Collaborative's management believes any resulting liability should not materially affect the financial position at June 30, 2025.

NOTE S - SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Collaborative through November 12, 2025, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SHORE EDUCATIONAL COLLABORATIVE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
Revenues:				
Educational program fees	\$ 19,261,438	\$ 19,261,438	\$ 18,980,632	\$ (280,806)
Medicaid income	10,431,415	10,431,415	12,696,248	2,264,833
Medicaid municipal billing services	182,000	182,000	168,764	(13,236)
Administrative overhead income	2,704,467	2,704,467	2,894,363	189,896
Other income	169,000	169,000	4,248,641	4,079,641
Interest income	-	-	1,414	1,414
TOTAL REVENUES	32,748,320	32,748,320	38,990,062	6,241,742
Expenditures:				
Current:				
Salaries	19,423,625	19,423,625	20,445,253	(1,021,628)
Employee benefits	4,101,745	4,101,745	6,770,507	(2,668,762)
Payroll taxes	338,851	338,851	357,271	(18,420)
Bad debt	-	-	129,000	(129,000)
Advertising	67,200	67,200	166,890	(99,690)
Professional fees and contract services	728,578	728,578	1,112,513	(383,935)
Supplies	502,402	502,402	678,580	(176,178)
Telephone	70,002	70,002	85,811	(15,809)
Postage	14,050	14,050	13,027	1,023
Occupancy	582,114	582,114	487,760	94,354
Staff training	109,100	109,100	185,300	(76,200)
Rental of equipment	-	-	38,036	(38,036)
Transportation	119,750	119,750	73,948	45,802
Printing and publications	32,550	32,550	33,978	(1,428)
Food	175,293	175,293	175,673	(380)
Repairs and maintenance	351,499	351,499	375,793	(24,294)
Utilities	383,001	383,001	360,864	22,137
Insurance	179,996	179,996	141,842	38,154
Client recreation	17,500	17,500	7,673	9,827
Miscellaneous	45,000	45,000	50,058	(5,058)
Administrative overhead charges	2,704,467	2,704,467	2,894,363	(189,896)
Total current expenditures	29,946,723	29,946,723	34,584,140	(4,637,417)
Right-to-use lease assets expenditures	-	-	2,346,797	(2,346,797)
Lease financing:				
Principal	1,125,167	1,125,167	1,125,167	-
Interest	290,459	290,459	290,459	-
Total lease financing	1,415,626	1,415,626	1,415,626	-
Debt service:				
Principal	252,744	252,744	252,744	-
Interest	310,610	310,610	193,514	117,096
Total debt service	563,354	563,354	446,258	117,096
Capital outlay	250,000	250,000	909,708	(659,708)
TOTAL EXPENDITURES	32,175,703	32,175,703	39,702,529	(7,526,826)
EXCESS OF EXPENDITURES OVER REVENUES	572,617	572,617	(712,467)	(1,285,084)
OTHER FINANCING SOURCES (USES)				
Lease financing	-	-	2,346,797	2,346,797
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,346,797	2,346,797
NET CHANGE IN FUND BALANCES	572,617	572,617	1,634,330	1,061,713
Fund balances - beginning	5,329,536	5,329,536	5,329,536	-
FUND BALANCES - ENDING	\$ 5,902,153	\$ 5,902,153	\$ 6,963,866	\$ 1,061,713

See accompanying notes to Required Supplementary Information.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF CHANGES IN THE COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH INSURANCE PLAN
(Unaudited)

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability									
Service cost	\$ 597,902	\$ 464,425	\$ 445,865	\$ 712,147	\$ 603,174	\$ 569,313	\$ 571,369	\$ 599,923	\$ 569,144
Interest on total OPEB liability, service cost, and benefit payments	391,616	476,226	444,730	330,504	327,956	300,938	296,457	197,161	232,985
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Changes of assumptions	(559,014)	37,133	-	433,926	739,452	-	(884,860)	-	-
Differences between expected and actual experience	-	(2,692,826)	-	(2,350,390)	-	(40,070)	220,358	-	(163,469)
Benefit payments excluding implicit cost	(127,208)	(179,322)	(159,573)	(121,293)	(102,198)	(82,184)	(64,449)	(72,561)	(63,535)
Implicit cost amount	(49,651)	(54,484)	(52,831)	(42,662)	-	-	-	-	-
Net change in total OPEB liability	253,645	(1,948,848)	678,191	(1,037,768)	1,568,384	747,997	138,875	724,523	575,125
Total OPEB liability - beginning	<u>8,077,603</u>	<u>10,026,451</u>	<u>9,348,260</u>	<u>10,386,028</u>	<u>8,817,644</u>	<u>8,069,647</u>	<u>7,930,772</u>	<u>7,206,249</u>	<u>6,631,124</u>
Total OPEB liability - ending (a)	<u>\$ 8,331,248</u>	<u>\$ 8,077,603</u>	<u>\$ 10,026,451</u>	<u>\$ 9,348,260</u>	<u>\$ 10,386,028</u>	<u>\$ 8,817,644</u>	<u>\$ 8,069,647</u>	<u>\$ 7,930,772</u>	<u>\$ 7,206,249</u>
Plan fiduciary net position									
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 250,000	\$ -	\$ -
Employer contributions for OPEB payments	176,859	233,806	212,404	163,955	102,198	82,184	64,449	72,561	63,535
Net investment income (loss)	58,084	49,586	32,187	(60,767)	85,856	14,581	26	-	-
Benefit payments	(176,859)	(233,806)	(212,404)	(163,955)	(102,198)	(82,184)	(64,449)	(72,561)	(63,535)
Administrative expense	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	58,084	49,586	32,187	(60,767)	85,856	114,581	250,026	-	-
Plan fiduciary net position - beginning	<u>471,469</u>	<u>421,883</u>	<u>389,696</u>	<u>450,463</u>	<u>364,607</u>	<u>250,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 529,553</u>	<u>\$ 471,469</u>	<u>\$ 421,883</u>	<u>\$ 389,696</u>	<u>\$ 450,463</u>	<u>\$ 364,607</u>	<u>\$ 250,026</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 7,801,695</u>	<u>\$ 7,606,134</u>	<u>\$ 9,604,568</u>	<u>\$ 8,958,564</u>	<u>\$ 9,935,565</u>	<u>\$ 8,453,037</u>	<u>\$ 7,819,621</u>	<u>\$ 7,930,772</u>	<u>\$ 7,206,249</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.36%	5.84%	4.21%	4.17%	4.34%	4.13%	3.10%	0.00%	0.00%
Covered-employee payroll	\$ 17,776,142	\$ 17,258,390	\$ 12,993,390	\$ 12,614,942	\$ 15,109,025	\$ 14,668,956	\$ 12,895,120	\$ 12,169,336	\$ 11,814,889
Net OPEB liability as a percentage of covered-employee payroll	43.89%	44.07%	73.92%	71.02%	65.76%	57.63%	60.64%	65.17%	60.99%

Notes to Schedule:

Also, see Note O to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
RETIREE HEALTH INSURANCE PLAN
(Unaudited)

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 937,725	\$ 777,057	\$ 842,155	\$ 1,081,783	\$ 934,360	\$ 1,013,374	\$ 982,155	\$ 967,611	\$ 907,487
Contributions in relation to the actuarially determined contribution	<u>176,859</u>	<u>233,806</u>	<u>212,404</u>	<u>163,955</u>	<u>102,198</u>	<u>182,184</u>	<u>314,449</u>	<u>72,561</u>	<u>63,535</u>
Contribution deficiency	<u>\$ 760,866</u>	<u>\$ 543,251</u>	<u>\$ 629,751</u>	<u>\$ 917,828</u>	<u>\$ 832,162</u>	<u>\$ 831,190</u>	<u>\$ 667,706</u>	<u>\$ 895,050</u>	<u>\$ 843,952</u>
Covered-employee payroll	\$ 17,776,142	\$ 17,258,390	\$ 12,993,390	\$ 12,614,942	\$ 15,109,025	\$ 14,668,956	\$ 12,895,120	\$ 12,169,336	\$ 11,814,889
Contributions as a percentage of covered-employee payroll	0.99%	1.35%	1.63%	1.30%	0.68%	1.24%	2.44%	0.60%	0.54%

Notes to Schedule:

Also, see Note O to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

SHORE EDUCATIONAL COLLABORATIVE
 SCHEDULE OF INVESTMENT RETURNS
 RETIREE HEALTH INSURANCE PLAN
 (Unaudited)

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	12.32%	11.75%	8.26%	(13.49%)	23.55%	5.01%	0.25%	N/A	N/A

Notes to Schedule:

Also, see Note O to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM
(Unaudited)

	Reporting Fiscal Year (Measurement Date)									
	June 30, 2025 (June 30, 2024)	June 30, 2024 (June 30, 2023)	June 30, 2023 (June 30, 2022)	June 30, 2022 (June 30, 2021)	June 30, 2021 (June 30, 2020)	June 30, 2020 (June 30, 2019)	June 30, 2019 (June 30, 2018)	June 30, 2018 (June 30, 2017)	June 30, 2017 (June 30, 2016)	June 30, 2016 (June 30, 2015)
Collaborative's proportion of the net pension liability	0.077884%	0.063570%	0.057923%	0.062986%	0.073450%	0.063133%	0.062837%	0.061102%	0.055610%	0.057397%
Collaborative's proportionate share of the net pension liability	\$ 19,748,604	\$ 16,712,749	\$ 14,995,247	\$ 14,302,229	\$ 20,966,292	\$ 15,918,451	\$ 14,899,536	\$ 13,983,324	\$ 12,442,400	\$ 11,760,499
Collaborative's covered-employee payroll	\$ 6,918,555	\$ 5,509,863	\$ 4,774,158	\$ 4,722,034	\$ 5,565,513	\$ 4,595,132	\$ 4,521,753	\$ 4,310,631	\$ 3,740,937	\$ 3,730,046
Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	285.44%	303.32%	314.09%	302.88%	376.72%	346.42%	329.51%	324.39%	332.60%	315.29%
Plan fiduciary net position as a percentage of total pension liability	61.45%	58.48%	57.75%	62.03%	50.67%	53.95%	54.84%	54.25%	52.73%	55.38%

Notes to Schedule:

Also, see Note L to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM
(Unaudited)

	Reporting Fiscal Year (Measurement Date)									
	June 30, 2025 (June 30, 2024)	June 30, 2024 (June 30, 2023)	June 30, 2023 (June 30, 2022)	June 30, 2022 (June 30, 2021)	June 30, 2021 (June 30, 2020)	June 30, 2020 (June 30, 2019)	June 30, 2019 (June 30, 2018)	June 30, 2018 (June 30, 2017)	June 30, 2017 (June 30, 2016)	June 30, 2016 (June 30, 2015)
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 6,918,555	\$ 5,509,863	\$ 4,774,158	\$ 4,722,034	\$ 5,565,513	\$ 4,595,132	\$ 4,521,753	\$ 4,310,631	\$ 3,740,937	\$ 3,730,046
Contribution as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Also, see Note L to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years.

Contributions

No contribution is required for MTRS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
(Unaudited)

	Reporting Fiscal Year (Measurement Date)									
	June 30, 2025 (June 30, 2024)	June 30, 2024 (June 30, 2023)	June 30, 2023 (June 30, 2022)	June 30, 2022 (June 30, 2021)	June 30, 2021 (June 30, 2020)	June 30, 2020 (June 30, 2019)	June 30, 2019 (June 30, 2018)	June 30, 2018 (June 30, 2017)	June 30, 2017 (June 30, 2016)	June 30, 2016 (June 30, 2015)
Collaborative's proportion of the net pension liability	0.13654%	0.13009%	0.10832%	0.09831%	0.13278%	0.13087%	0.12661%	0.12422%	0.12767%	0.13236%
Collaborative's proportionate share of the net pension liability	\$ 19,285,971	\$ 19,055,045	\$ 15,067,599	\$ 10,259,871	\$ 22,782,752	\$ 19,151,292	\$ 16,749,967	\$ 15,931,468	\$ 17,604,901	\$ 15,066,520
Collaborative's covered-employee payroll	\$ 9,562,104	\$ 8,147,529	\$ 6,800,427	\$ 5,736,231	\$ 7,809,874	\$ 7,797,392	\$ 7,278,066	\$ 7,093,116	\$ 7,111,381	\$ 7,203,966
Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.69%	233.88%	221.57%	178.86%	291.72%	245.61%	230.14%	224.60%	247.56%	209.14%
Plan fiduciary net position as a percentage of total pension liability	72.90%	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%

Notes to Schedule:

Also, see Note L to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years.

SHORE EDUCATIONAL COLLABORATIVE
SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
(Unaudited)

	Reporting Fiscal Year (Measurement Date)									
	June 30, 2025 (June 30, 2024)	June 30, 2024 (June 30, 2023)	June 30, 2023 (June 30, 2022)	June 30, 2022 (June 30, 2021)	June 30, 2021 (June 30, 2020)	June 30, 2020 (June 30, 2019)	June 30, 2019 (June 30, 2018)	June 30, 2018 (June 30, 2017)	June 30, 2017 (June 30, 2016)	June 30, 2016 (June 30, 2015)
Contractually required contribution	\$ 583,010	\$ 485,743	\$ 411,266	\$ 353,538	\$ 496,545	\$ 473,504	\$ 447,179	\$ 398,493	\$ 400,266	\$ 402,050
Contributions in relation to the contractually required contribution	<u>583,010</u>	<u>485,743</u>	<u>411,266</u>	<u>353,538</u>	<u>496,545</u>	<u>473,504</u>	<u>447,179</u>	<u>398,493</u>	<u>400,266</u>	<u>402,050</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 9,562,104	\$ 8,147,529	\$ 6,800,427	\$ 5,736,231	\$ 7,809,874	\$ 7,797,392	\$ 7,278,066	\$ 7,093,116	\$ 7,111,381	\$ 7,203,966
Contribution as a percentage of covered-employee payroll	6.10%	5.96%	6.05%	6.16%	6.36%	6.07%	6.14%	5.62%	5.63%	5.58%

Notes to Schedule:

Also, see Note L to the financial statements.

Schedule Presentation

This schedule is intended to present information for 10 years.

Contributions

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)
JUNE 30, 2025

NOTE A - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The Collaborative adopts a balanced budget that is approved by the Collaborative's Board of Directors. The Director of Finance presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line items, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carryforwards are included as part of the subsequent year's original budget.

The Collaborative adopts an annual budget for the general fund in conformity with the guidelines described above. All divisions submit requests for budgets to the Director of Finance so that a budget may be prepared. The budget is prepared by fund, function, and program type, and includes information on the prior and current year budgets.

The Director of Finance has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the program level.

B. Excess of expenditures over appropriations

For the year ended June 30, 2025, budgeted appropriations exceeded budgeted expenditures by \$572,617. For the year ended June 30, 2025, actual revenues exceeded actual expenditures by \$1,634,330. Thus, the actual net change in fund balances exceeded the budgeted net change in fund balances by \$1,061,713.

C. Reconciliation of net change in fund balances - general fund to net change in fund balances - budgetary basis

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from accounting principles generally accepted in the United State of America (GAAP) basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2025, is presented below:

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
(Unaudited)
JUNE 30, 2025

NOTE A - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Reconciliation of net change in fund balances - general fund to net change in fund balances - budgetary basis (Continued)

Net change in fund balances - general fund - GAAP basis	\$ 1,634,330
Debt service difference	(117,096)
Capital outlay difference	659,708
Right-to-use assets expenditures	2,346,797
Other financing sources: lease financing	(2,346,797)
Recognition of revenue for on-behalf payments	(3,620,901)
Recognition of expenditures for on-behalf payments	3,620,901
Revenue excess	(2,620,841)
Current expenditures excess	<u>1,016,516</u>
Net change in fund balances - general fund - budgetary basis	<u>\$ 572,617</u>

NOTE B - PENSION PLANS

A. Schedules of the Collaborative's Proportionate Share of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Collaborative which create two special funding situations.

- The Massachusetts Teachers' Retirement System (MTRS) schedule discloses the Collaborative's proportion of the Commonwealth's net pension liability; the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the Collaborative's covered-employee payroll; the Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll; and the Plan's fiduciary net position as a percentage of the total pension liability.

- The Massachusetts State Employees' Retirement System (MSERS) schedule discloses the Collaborative's proportion of the Commonwealth's net pension liability; the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the Collaborative's covered-employee payroll; the Collaborative's proportionate share of the net pension liability as a percentage of its covered-employee payroll; and the Plan's fiduciary net position as a percentage of the total pension liability.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
(Unaudited)
JUNE 30, 2025

NOTE B - PENSION PLANS (Continued)

B. Schedule of Collaborative's Contributions

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. For the MSERS, collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. For MTRS, collaboratives are not required to make any contributions.

C. Changes of Benefit Terms

The MTRS and the MSERS had no changes in benefit terms since the previous valuation.

D. Changes in Assumptions

The MTRS and MSERS had no changes in assumptions since the previous valuation.

NOTE C - OPEB PLAN

The Collaborative administers a single-employer defined benefit healthcare plan (the "Other Postemployment Benefits Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Collaborative's health insurance plan, which covers both active and retired members.

A. Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios

The Schedule of Changes in the Collaborative's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net OPEB liability as a percentage of covered-employee payroll.

SHORE EDUCATIONAL COLLABORATIVE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
(Unaudited)
JUNE 30, 2025

NOTE C - OPEB PLAN (Continued)

B. Schedule of the Collaborative's Contributions

The Schedule of the Collaborative's Contributions includes the Collaborative's actuarially determined contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Collaborative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll.

C. Actuarial Assumptions

Valuation date:	Actuarially Determined Contribution was calculated as of July 1, 2023
Actuarial cost method:	Individual Entry Age Normal
Asset valuation method:	Market value of assets as of the measurement date of June 30, 2025
Investment rate of return:	5.86%, net of OPEB Plan investment expense, including inflation
Discount rate:	5.02%, net of OPEB plan investment expense, including inflation
Inflation rate:	2.50% as of June 30, 2025 and for future periods
Salary increases:	3.00% annually as of June 30, 2025 and for future periods
Municipal bond rate:	4.81% as of June 30, 2025 (S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Mortality rates:	
Pre-Retirement Mortality:	<u>General:</u> RP-2014 Mortality table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females <u>Teachers:</u> RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-Retirement Mortality:	<u>General:</u> RP-2014 Mortality table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females <u>Teachers:</u> RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females

OTHER INFORMATION

SHORE EDUCATIONAL COLLABORATIVE
 MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND
 SECONDARY EDUCATION (DESE) REQUIRED DISCLOSURES FOR
 MASSACHUSETTS EDUCATIONAL COLLABORATIVES
 (Unaudited)
 JUNE 30, 2025

The following information is provided to conform with the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives. This law was adopted in March of 2012 and constitutes a comprehensive amendment of Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of educational collaboratives in Massachusetts.

The Names, Duties, and Total Compensation of the Five Most Highly Compensated Employees

The following were the five highest paid employees at the Collaborative during the year ended June 30, 2025:

<u>Employee</u>	<u>Duties</u>	<u>Total Compensation</u>
Kristin Shaver	Executive Director	\$193,889
Catherine MacNeil	Director of Educational Services	\$158,437
Lisa Hunt	Educational Coordinator	\$150,749
Judith Lynch	Director of Therapeutic Services	\$142,317
Neal Klayman	Program Director	\$137,726

Transactions Between the Collaborative and Any Related For-Profit or Non-Profit Organization

The Collaborative does not have any related for-profit or non-profit organizations that qualify under the statute as related parties and therefore there are no transactions to report.

The Amounts Expended on Services for Individuals with Disabilities, 22 Years of Age or Older

The amounts expended on services for individuals with disabilities, age 22 and older for the fiscal year ended June 30, 2025 were \$13,544,964.

The Amounts Expended on Administration and Overhead

The amounts expended on administration and overhead for the fiscal year ended June 30, 2025 were \$3,006,751.

Any Accounts Held by the Collaborative that May be Spent at the Discretion of Another Person or Entity

At June 30, 2025, the Collaborative does not hold any accounts that may be spent at the discretion of another person or entity. The Collaborative did establish an OPEB Trust Fund that is under the direction of the OPEB Board of Trustees.

SHORE EDUCATIONAL COLLABORATIVE
MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND
SECONDARY EDUCATION (DESE) REQUIRED DISCLOSURES FOR
MASSACHUSETTS EDUCATIONAL COLLABORATIVES
(CONTINUED)
(Unaudited)
JUNE 30, 2025

Transactions or Contracts Related to the Purchase, Sale, Rental or Lease of Real Property

The Collaborative owns the building that holds its location in Chelsea. The purchase of this building was financed through a bond from the Massachusetts Development Finance Agency. See Note N for more information on this bond and Note J for details of the building cost.

The Collaborative leases space for its adult day program in Woburn and Peabody. The Collaborative also leases space for its administrative offices and its adult day program in Chelsea through another lease. See Note K for information on these leases.

The Collaborative's Capital Plan

During the fiscal year ended June 30, 2025, the Collaborative's capital plan included continued purchases of technology for the student services and adult day programs as well as vans for the adult day program.

The other capital projects that are planned for future fiscal years include the following:

- Envelope repair of the Chelsea location for approximately \$660,250
- Improvements to the outside of the Chelsea property for approximately \$75,000; design, build, and install outdoor play area of the Chelsea location for approximately \$225,000
- HVAC maintenance, repair and replacement at the Chelsea location of \$25,000
- Replace fences for approximately \$35,000; repair, replace and install parking lot lighting for approximately \$5,000 and general repair/replacement projects on the HVAC, roof, and windows at the leased Chelsea location for approximately \$20,000
- Replacement of five 80-gallon water heaters at the Chelsea location for approximately \$15,000
- Upgrade the interior lighting of the Peabody location for approximately \$40,000
- General repair/replacement projects on the HVAC, roof, and windows at the Peabody location for approximately \$20,000
- Replace carpet in the administrative offices at the Woburn location with tile for approximately \$30,000

SHORE EDUCATIONAL COLLABORATIVE
 MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND
 SECONDARY EDUCATION (DESE) REQUIRED DISCLOSURES FOR
 MASSACHUSETTS EDUCATIONAL COLLABORATIVES
 (CONTINUED)
 (Unaudited)
 JUNE 30, 2025

The Collaborative’s Capital Plan (Continued)

- Paint interior of the Woburn location for approximately \$30,000
- Replace the HVAC system at the Woburn location for approximately \$75,000
- General repair/replacement projects on the HVAC, roof, and windows at the Woburn location for approximately \$20,000

Cumulative Surplus Calculation – FY25

Certified cumulative surplus is defined as the amount of the general fund surplus in the Collaborative’s accounts, as certified through an independent audit. Cumulative surplus is derived from the Collaborative’s unexpended general funds over a number of fiscal years. General funds are, for the most part, the funds that a collaborative receives from school districts for tuitions, dues, fees for service, surcharges, and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose.

The Board of Directors voted to approve and retain \$4,263,826 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative’s accounts as of June 30, 2025. This amount does not exceed the limit of 25% of general fund expenditures for the year as shown in the following:

		<u>Pages in Financial Statements</u>
(A) Surplus as of June 30, 2024	\$ 2,716,765	PY
(Breakdown of use of 2024 surplus)		
(B) 1. Used to support the FY25 budget	\$ (87,269)	
2. Issued as credits to member districts	-	
3. Issued as checks to member districts	-	
4. Deposited to a restricted account	<u>-</u>	
Board voted uses of surplus funds during FY25	(87,269)	
(C) Unexpended FY25 General Funds	<u>1,634,330</u>	18
(D) Cumulative Surplus as of 6/30/25	<u>\$ 4,263,826</u>	17
(E) FY25 Total General Fund Expenditures	\$ 39,702,529	18
(F) Cumulative Surplus Percentage	10.74%	84

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

To the Board of Directors
Shore Educational Collaborative
Chelsea, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shore Educational Collaborative ("the Collaborative") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated November 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Collaborative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Livingston + Haynes, P.C.

Wellesley, Massachusetts
November 12, 2025

November 12, 2025

To the Board of Directors
Shore Educational Collaborative

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Shore Educational Collaborative (“the Collaborative”) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Collaborative are described in Note A to the financial statements. During the fiscal year ended June 30, 2025, the Collaborative adopted the following Governmental Accounting Standards Board (“GASB”) pronouncements:

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The adoption of GASB No. 101 did not have any impact on the Collaborative’s financial statements.

GASB Statement No. 102, *Certain-Risk Disclosures*. This statement was issued to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The adoption of GASB No. 102 did not have any impact on the Collaborative’s financial statements.

No other new accounting policies were adopted and the application of other existing policies was not changed during fiscal 2025. We noted no transactions entered into by the Collaborative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Collaborative's financial statements were:

Management's estimate of the allowance for doubtful accounts for accounts receivable which is based on historical loss levels and an analysis of the collectability of individual accounts.

Management's estimate of the depreciable lives and estimated residual value of the capital assets is based on historical usage of the capital assets and an analysis of their remaining usability.

Management's estimate of the liability of other postemployment benefits is based on an actuarial valuation of its obligation which included actuarial assumptions of a discount rate, healthcare trend rates, general inflation rate, annual compensation increases, municipal bond rate, and mortality rates.

Management's estimate of the fair value of the cash flow hedge related to the interest rate swap on a bond payable is based on a market-to-market valuation which estimates the net present value of the expected cash flows between the parties to the swap agreement, using relevant mid-market data inputs based on the assumption of no unusual market conditions or forced liquidation and does not include an assessment of nonperformance risk.

Management's allocation of costs to programs and general and administrative expenses.

Management's estimate of pension on-behalf payments is based on the audited pension plan financial statements issued by the retirement systems for the Massachusetts Teachers' Retirement Plan and the Massachusetts State Employees' Retirement Plan.

Management's estimate of the right-to-use lease assets and lease liabilities which is based on the net present value of the estimated future minimum payments on the leases using the Collaborative's incremental borrowing rate.

We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the bond payable in Note N to the financial statements due to the materiality of the bond payable.

The disclosure of the lease liabilities in Note K to the financial statements due to the materiality of the lease liabilities.

The disclosure of the other postemployment benefits liability in Note O to the financial statements due to the materiality of the unfunded other postemployment benefits liability.

The disclosure of the Collaborative's proportionate share of the net pension liability for the Massachusetts Teachers' Retirement Plan and the Massachusetts State Employees' Retirement Plan in Note L to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Collaborative's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Collaborative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Collaborative's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison information, schedule of the changes in the Collaborative's net OPEB liability and related ratios for the Retiree Health Insurance Plan, schedule of the Collaborative's contributions to the Retiree Health Insurance Plan, Schedule of investment returns for the Retiree Health Insurance Plan, schedules of the Collaborative's proportionate share of the net pension liability for the Massachusetts Teachers' Retirement System (MTRS) and the Massachusetts State Employees' Retirement System (MSERS) and schedules of the Collaborative's contributions to the MTRS and MSERS, which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the required disclosures by the Massachusetts Department of Elementary and Secondary Education for Massachusetts Educational Collaboratives, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other

Presently the Collaborative does not have a custodial credit risk policy. It is recommended that this policy be put in place.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Collaborative and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Livingston & Haynes, P.C.

Livingston & Haynes, P.C.