

Massachusetts Department of Higher Education (DHE) Implementation Guidance Regarding Massachusetts Independent Institutions' Requirement to Post Audited Financial Reports and Summaries Pursuant to M.G.L. c. 69 § 31B(f)

An Act to Support Improved Financial Stability in Higher Education (Ch. 113 Mass. Acts 2019), signed into law on November 14, 2019, added two new affirmative reporting requirements as summarized and posted on the Department of Higher Education's Financial Assessment and Risk Monitoring [website](#) that apply to independent institutions located in Massachusetts and authorized to grant degrees. This guidance provides institutions clarification regarding the requirement to post both annual financial reports and summaries thereof in terms understandable by the general public.

M.G.L. c. 69 § 31B(f) states: "Each institution shall post on its website [1] a copy of the institution's annual financial report or statement, required pursuant to section 8F of chapter 12 and [2] a summary of the report, however termed, that is written in terms that are understandable by the general public."

To date, the DHE has recommended that an institution's summary should include key narrative *descriptions* and *explanations* of the financial statements, such as the Independent Auditor's Report and Management's Discussion and Analysis. However, in light of recent requests for additional guidance and clarification received during the 2021 FARM Annual Report cycle, the DHE is issuing guidance clarifying what a summary is, and the content institutions should cover in their summaries.

What is the summary?

The summary is just that, a summary in terms understandable by the general public (e.g., limited use of jargon, written concisely) of the institution's annual financial report and financial position. The legislature required institutions to post this summary, in addition to (i.e., cannot be supplanted by) an institution's annual financial report because annual financial reports, also known as audited financial statements or auditor's reports, are not always written in terms understandable by the general public. Therefore, a summary is necessary in order to make accessible the most important components of the annual financial report to the general public regardless of educational background or professional experience.

What should institutions include in their summaries?

For each fiscal year annual financial report that should be posted, e.g. the three most recent years' annual financial reports published since enactment of the law on November 14, 2019 (FY19, FY20 and FY21 for institutions with an FYE of 06/30), institutions should post an accompanying summary that concisely summarizes the annual financial report. The summary should summarize the institution's financial position (e.g., cash balances, capital expenditures, new debt and repayment of old debt, liquidity, investments, and change in net assets) and key sections of the annual financial report such as the Independent Auditor's Report and Management's Discussion and Analysis. The length of the summary should be brief, e.g. one to two pages; and may instead be posted on a webpage in lieu of a downloadable attachment, as long as there are summaries posted to accompany each of the posted annual financial reports.

Where can institutions find examples of financial summaries?

There are three common summary formats in use by Massachusetts institutions: [webpage summaries](#), [PDF summaries](#), and [combined summaries](#). For any other questions, please email DHE.FARMSubmissions@mass.gov.