

**BOARD OF TRUSTEES
MEETING MINUTES**

April 10, 2019

CONSENT AGENDA APPROVED MINUTES:

Board of Trustees: February 13, 2019 (posted separately)

Board of Trustees Executive Session: February 13, 2019 (approved & redacted)

Finance & Facilities - Business Intelligence: February 13, 2019

Risk Management & Audit: March 27, 2019

Risk Management & Audit Executive Session: March 27, 2019

Academic Affairs & Student Life: March 27, 2019

Institutional Advancement, Marketing & Communications: March 27, 2019

Finance & Facilities: March 27, 2019

Executive: March 27, 2019

BOARD OF TRUSTEES
April 10, 2019

PRESENT: Trustees Mattera (chair), Butts, Chisholm (phone), Contreras, DeSimone, Katzman, Lutts, Murphy, Russell and Wilkens. Also present and participating at the meeting were President Keenan and Board Secretary Montague.

ABSENT: None

The provisions of General Laws, Chapter 30A, having been complied with and a quorum of the Board being present, the Board of Trustees of Salem State University held a regular meeting in the Forten conference room (Meier 316), North Campus, Salem State University, Lafayette Street, Salem, Massachusetts, on April 10, 2019, with Paul Mattera, Chair, presiding.

Note - In accordance with the Open Meeting Law all meeting votes are by roll call when there is remote participation.

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I. CALL TO ORDER - Chair Mattera called the meeting to order at 5:04 pm. The Chair announced that all votes would be taken via roll call in accordance with the Open Meeting Law.

II. CONSENT AGENDA - Chair Mattera read the items contained on the Consent Agenda and asked for any objections or modifications to the minutes. Hearing none, he called for a motion to approve the minutes and upon a motion duly made by Trustee Lutts and seconded by Trustee DeSimone upon a roll call vote it was unanimously

VOTED: To approve the Consent Agenda of April 10, 2019 (CA-18-03).

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Murphy, Russell, Wilkens and Mattera (chair)

Voting in the negative: None

Absent: None

* * *

III. COMMITTEE ACTIONS

Finance and Facilities: Trustee Katzman introduced the first motion regarding the delegation of approval of the university’s dining contract. Trustee Lutts made the motion, which was seconded by Trustee Butts and upon a roll call vote it was unanimously

VOTED: The Board of Trustees delegates approval to execute the new dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees (FF-18-05).

Consent Agenda

Finance & Facilities:

Delegation of Dining Contract Approval

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm,
Contreras, DeSimone, Katzman, Lutts,
Murphy, Russell, Wilkens and Mattera (chair)

Voting in the negative: None
Absent: None

Trustee Katzman then moved on to the next matter of business which was the graduate and continuing education fees for FY20. He reminded the members that at the last Finance and Facilities Committee meeting the Committee was asked to bring to the Board an alternate fee that would increase revenues. Katzman read two motions which were offered by Trustee Lutts and seconded by Trustee DeSimone. Upon a roll call vote it was unanimously

VOTED: The Board of Trustees of Salem State University hereby approves the following rates for graduate and continuing education tuition and/or fees for the category of students as shown on Exhibit I (FF-18-06).

VOTED: The Board of Trustees of Salem State University hereby approves the following additional rates for graduate tuition and/or fees for the category of students as shown on Appendix A (FF-18-07).

The new rates shall become effective for the fall term of the 2019-20 Fiscal Year and summer 2020

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm,
Contreras, DeSimone, Katzman, Lutts,
Murphy, Russell, Wilkens and Mattera (chair)

Voting in the negative: None
Absent: None

* * *

IV. REPORT OF THE PRESIDENT – President Keenan reported on several matters:

- The MSCA contract has been ratified. The president thanked MSCA President Gubbins and Vice President Burchsted for their work on the contract, as well as Provost Silva for his efforts.
- Thanked Executive Vice President James for the success of Accepted Students Day.
- Noted that at the recent Trustees Conference the BHE shared its new tableau and we are working to have a demonstration here at Salem State
- Recently met with Congressman Neal to discuss the infrastructure bill
- Speaker Series with Sam Kennedy of the Red Sox will take place shortly.
- On April 22nd Elliot Katzman will interview Bill Cummings at the Agganis Forum.
- Commencement will take place on May 16th and 18th our keynote speakers are Tarana Burke of the #metoo Movement, Essex County District Attorney Blodgett and Boston Police Commissioner Gross.

Graduate
and CE fees
FY20

Additional
rate for
graduate
tuition
and/or fees
for OT
(MS)

Report of
the president

* * *

V. REPORT OF THE CHAIR - Chair Mattera said that he would use his time to encourage the trustees to attend commencement. He then yielded time to Trustee Lutts. Lutts shared that he had recently attended a LEAP for Education event and that Provost Silva is the president of the organization. Lutts praised the provost for his great work with the organization.

Report of the chair

* * *

VI. OLD BUSINESS:

Trustee Murphy provided a presentation “Strategy – The Key to Survival in Competitive Times”. Trustee Murphy opened up the conversation with a presentation on strategy and lay of the land of higher education and its changing demographics, cost and value. She discussed strategic planning (“what” versus strategy “how”). Competitive strategy and choosing not to do things. Shared low cost education value proposition (refer to PPT). An exercise and discussion followed. Chair Mattera encouraged Trustee Murphy’s committee to continue with the exercise. Trustee Lutts suggested that the university’s business intelligence (BI) would also inform the process.

Old business

VII. NEW BUSINESS:

Nominating Committee – Chair Mattera offered that as chair he must appoint a Nominating Committee and appointed Trustees Katzman (chair), Zahlaway Belsito and Russell. Mattera suggested the committee work with Secretary Montague to set –up their committee meetings in compliance with the bylaws.

New business

Discussion of Meier Hall Labs – President Keenan announced that there would be a brief tour of the Meier Hall classrooms and labs. Dean Gasparich introduced faculty members Ryan Fisher (Biology), Brad Hubeny (Geology), and Ron MacTaylor (Chemistry/Physiology) who would lead the tour and discuss the building and labs.

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VIII. OPEN FORUM -

Chair Mattera announced the open forum portion of the meeting and asked for any comments or discussion. Chair Mattera hearing no additional comments closed the forum at 6:35 pm.

Open forum

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IX. ADJOURNMENT

Adjournment

There being no further business to come before the Board and on a motion made by Trustee DeSimone and seconded by Trustee Russell, it was unanimously:

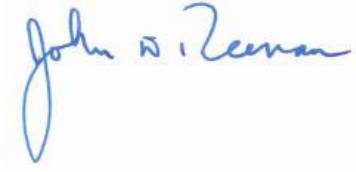
VOTED: to adjourn the meeting at 6:36 pm

Voting in the affirmative: Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Murphy, Russell, Wilkens and Mattera (chair)

Voting in the negative:
Absent:

None
None

Respectfully submitted,



John Keenan
President



Lynne Montague
Secretary to the Board of Trustees

Meeting of the Board of Trustees

April 10, 2019 at 5pm

Agenda page 2

***Forten conference room, Meier 316 (please note alternate location)
Salem State University, Salem, Massachusetts

Consent Agenda

Approval of the following Meeting Minutes and Committee Reports:

Board of Trustees: February 13, 2019

Board of Trustees Executive Session: February 13, 2019 (redacted)

Finance & Facilities - Business Intelligence: February 13, 2019

Risk Management & Audit: March 27, 2019

Risk Management & Audit Executive Session: March 27, 2019

Academic Affairs & Student Life: March 27, 2019

Institutional Advancement, Marketing & Communications: March 27, 2019

Finance & Facilities: March 27, 2019

Executive: March 27, 2019

REQUEST FOR TRUSTEE ACTION

Date: March 12, 2019

To: Board of Trustees

From: Karen P. House, Vice President for Finance and Facilities

Subject: Delegation of approval to execute new dining contract to the vice president for finance and facilities

Requested Action: Approval

Salem State University (University/SSU) retained Porter Khouw Consulting, Inc. (PKC), an independent foodservice management consulting and design firm, to assess our existing dining program and to develop, facilitate, and manage the RFP process for a new dining contract (see <https://www.porterkhouwconsulting.com/>) The University's primary objective is to increase the level of satisfaction and value for students, thereby contributing to their desire to live on campus. A more contemporary dining program has been designed which includes expanded hours of access, emphasis on menu variety, quality, nutrition, and cultural preferences, and refurbishment of key dining venues to provide enhanced opportunities for community engagement. We expect the new program to improve the satisfaction of faculty and staff as well. Further background information is in the attached slides.

Ordinarily, execution of contracts over \$500,000 is authorized via the listing in the annual budget package. Due to timing issues as Chartwells prepares to end its existing contractual relationship with Salem State, the university needs to execute the contract during May and therefore requests delegation of authority to do so.

A Request for Proposals (RFP) was issued Feb. 28, 2019. Six firms were represented at the bidder's conference and site tour held on March 6. Proposals are due March 29. Finalists will be interviewed in April. Negotiation and contract award are expected by mid-May.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding delegation of approval to execute a new 10 year dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees. The value of this contract is approximately \$7.5-\$8 million per year, paid predominantly by student board fees.

Recommended motion

The Board of Trustees delegates approval to execute the new dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees.

Committee Assigned: Finance and Facilities

Committee Action: Approved

Date of Action: March 27, 2019

Trustee Action: Approved

Trustee Approval Date: April 10, 2019

Effective Date: April 10, 2019

Signed: _____

June M. [Signature]

Title: Secretary of the Board of Trustees

Date: _____

April 10, 2019



REQUEST FOR TRUSTEE ACTION

Date: April 8, 2019
To: Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: Graduate and Continuing Education Tuition and Fees for FY 2020
Requested Action: Approval

Rationale: The Board of Trustees must approve the tuition and fees for graduate and continuing education students for FY 2020, including the academic year 2019-20 and the summer of 2020 to provide proper notice to students, assist with billing processes, and enable calculation of revenues to fund the university's operations. In presenting the attached recommended rates, the following important factors were considered.

Graduate Tuition and Fees

- The attached document shows the distribution of all programs across the three price groups. Also attached are competitor prices for the current year.
 - Price Group 2: Nursing MSN moved from Price Group 3
 - Price Group 2: Graduate Certificate for Nursing Education moved from Price Group 3
- The recommended course fee increases for Price Groups 1, 2, and 3 of 2.5%, 4%, and 12%, generate actual all-in cost increases to students of 2%, 3%, and 8% respectively. In-state graduate students in a Price Group 2 course will be charged \$470 per credit while out-of-state graduate students will pay \$560 per credit.
- For graduate students enrolled in Occupational Therapy programs in Price Group 3, Appendix A shows a proposed course fee of \$350.00 per student per session that is in addition to the proposed Price Group 3 course fee percent increase. The increase in course fees would result in an increase in \$28K in the first year. Given the popularity of the program and market rate analysis, it is believed that this additional course fee would not adversely affect enrollment.

Salem State University
 FY 2020 Group 3 Occupational Therapy Fee
 Graduate

Proposed \$350.00 Per Student Per Session Graduate - Price Group 3 Course Fee	Forecast FY 2019	Proposed Budget FY 2020	With OT Fee Budget FY 2020	Proposed vs With OT Fee Variance Amount	Proposed vs With OT Fee Variance Percent
Price Group 3 Course Fee					
Summer II	\$107,626	\$135,980	\$135,980	\$0	0.0%
Fall	566,010	652,381	660,431	8,050	1.2%
Spring/Winter	552,390	641,194	651,344	10,150	1.6%
Summer I	213,008	238,578	248,728	10,150	4.3%
Total Price Group 3 Course Fee	\$1,439,034	\$1,668,133	\$1,696,483	\$28,350	1.7%

Note: assumes 23 students in the Fall and 28 students in both the Spring/Winter and Summer I sessions will be affected.

Continuing Education Tuition and Fees

- Continuing education fees are recommended to increase by 3% to \$403.25 for in-state students and increase 2% to \$573.25 per credit hour for out-of-state students.
- For summer 2020, we recommend a 4% course fee increase, which generates an all-in fee increase of 3% for Massachusetts residents, to \$336.05 per credit, and 2% for non-residents, to \$471.05 per credit. Rates for summer, an optional term, remain more affordable than academic year rates.

Revenue for the university

- The university needs to generate increased revenue where it reasonably can. The presented rate increases are intended to do so.
- The Capital Improvement Fee supports facility related expenses. The rates include an \$.80 increase, to \$16.55 per credit hour.
- An SGA fee increase is not recommended for FY 2020.

Competitor Price Comparison - AY 2019

Continuing Education		
Rank	Institution	Current per Credit
1	Worcester State	\$281.50
2	Southern NH University	\$320.00
3	Umass Lowell	\$340.00
4	Endicott College	\$370.00
5	Framingham State	\$375.00
6	Merrimack College	\$375.00
7	Salem State*	\$403.25
8	Bridgewater State	\$428.00
9	Cambridge College	\$433.00
10	Springfield College	\$472.00
11	Lesley University	\$555.00
12	Umass Boston	\$590.50
13	Boston University	\$680.00
14	Suffolk University	\$1,100.00
15	Boston College	\$1,200.00
16	Simmons College	\$1,240.00

Competitor Price Comparison - AY 2019

Graduate		
Rank	Institution	Current per Credit
1	Worcester State	\$322.00
2	Framingham State	\$418.33 *
3	Bridgewater State	\$460.00
4	Salem State*	\$475.25 **
5	Cambridge College	\$554.00 ***
6	Endicott College	\$569.00 ****
7	Southern NH University	\$627.00 *****
8	Umass Boston	\$671.70
9	Umass Lowell	\$836.65
10	Boston University	\$1,000.00
11	Merrimack College	\$1,060.00
12	Lesley University	\$1,100.00
13	Simmons College	\$1,100.00 *****
14	Springfield College	\$1,200.00
15	Boston College	\$1,232.00
16	Suffolk University	\$1,466.00

*\$485 per credit for MBA and Nursing

**Average of all Price Groups

***MBA \$636

****MBA \$739

*****on campus day \$700

*****MBA \$1,445

RECOMMENDED MOTIONS

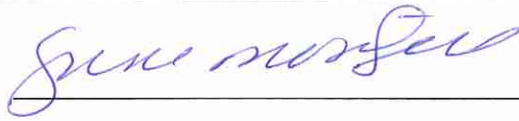
1. The Board of Trustees of Salem State University hereby approves the following rates for graduate and continuing education tuition and/or fees for the category of students as shown on Exhibit I. FF-18-06.1
2. The Board of Trustees of Salem State University hereby approves the following additional rates for graduate tuition and/or fees for the category of students as shown on Appendix A. FF-18.06.2

The new rates shall become effective for the fall term of the 2019-20 Fiscal Year and summer 2020.

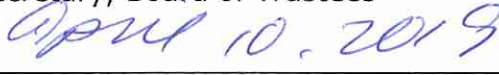
Trustee Action: Approved

Trustee Approval Date: April 10, 2019

Effective Date: April 10, 2019

Signed: 

Title: Secretary, Board of Trustees

Date: 



Salem State University
FY 2020 Tuition and Fees
Graduate

	Current AY 2019 and Summer 2019	Proposed AY 2020 and Summer 2020	Overall \$ Change	Overall % Change
GRADUATE				
Price Group 1 2.5% Course Fee increase				
Massachusetts Residents				
Per Credit	\$417.70	\$425.05	\$7.35	2%
Per Course (3 credits)	\$1,253.10	\$1,275.15	\$22.05	2%
Out of State Residents				
Per Credit	\$507.70	\$515.05	\$7.35	1%
Per Course (3 credits)	\$1,523.10	\$1,545.15	\$22.05	1%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%
Price Group 2 4% Course Fee increase				
Massachusetts Residents				
Per Credit	\$457.10	\$470.00	\$12.90	3%
Per Course (3 credits)	\$1,371.30	\$1,410.00	\$38.70	3%
Out of State Residents				
Per Credit	\$547.10	\$560.00	\$12.90	2%
Per Course (3 credits)	\$1,641.30	\$1,680.00	\$38.70	2%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%
Price Group 3 12% Course Fee increase				
Massachusetts Residents				
Per Credit	\$489.80	\$530.70	\$40.90	8%
Per Course (3 credits)	\$1,469.40	\$1,592.10	\$122.70	8%
Out of State Residents				
Per Credit	\$579.80	\$620.70	\$40.90	7%
Per Course (3 credits)	\$1,739.40	\$1,862.10	\$122.70	7%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%

Note: The rates above include Tuition, Course Fee, and Capital Improvement Fee.

Program	Program
Price Group 1	Price Group 2
Master's Programs	Master's Programs
English (MA)	Behavior Analysis (MS)
History (MA)	Counseling (MS)
Education - Master's Programs	Criminal Justice (MS)
Art (MAT)	Geo-Information Science (MS)
Chemistry (MAT)	Industrial/Organizational Psychology (MS)
Early Childhood Education (MEd)	Mathematics (MS)
Elementary Education (MEd)	Nursing (MSN)
English (MA/MAT)	Social Work (MSW)
English (MAT)	Education - Master's Programs
English to Speakers of Other Languages (ESOL) (MAT)	Higher Education in Student Affairs (MEd)
History (MAT)	School Counseling (MEd)
Leadership in Physical Education & Movement Studies (MEd)	Education - Licensure Only Programs
Library Media Studies (MEd)	School Adjustment Counselor (Initial Licensure Only)
Mathematics (MAT)	School Counseling
Middle School Education (MED)	Graduate Certificate Programs
Middle School Math (MAT)	Applied Behavior Analysis
Physical Education (MAT)	Clinical Trial Management
Reading (MEd)	Computer Science
Secondary Education (MED)	Counseling
Spanish (MAT)	Geo-Information Science
Special Education (MEd)	Nursing Education
Education - Licensure Only Programs	Sport Development and Management
Early Childhood Education	Price Group 3
Elementary Education	Master's Programs
English to Speakers of Other Languages (ESOL)	Accounting (MS)
Mathematics	Business Administration (MBA)
Middle School Education (Initial Licensure Only)	Occupational Therapy – Direct Entry (MS)
Reading	Occupational Therapy (MS)
Special Education	Graduate Certificate Programs
Graduate Certificate Programs	Business
Autism Spectrum Disorders	Financial Planning
Digital Studies	
Global Policy Analysis	
Holocaust and Genocide Studies	
Public History	
Public Policy and Administration	
Strategic Communications	
Teaching English to Speakers of Other Languages	
Writing and Rhetoric Studies	
Teacher Leadership	
Certificate of Advanced Graduate Study (CAGS)	
Educational Leadership	

Course Fee Schedule - \$350.00 per Student per Session

For graduate students enrolled in Occupational Therapy programs in Price Group 3, the list below shows the programs that would be affected with a proposed course fee of \$350.00 per student per session that is in addition to the proposed Price Group 3 course fee percent increase.

Price Group 3

Master's Programs

Occupational Therapy – Direct Entry (MS)

Occupational Therapy (MS)



SALEM STATE UNIVERSITY

BOARD OF TRUSTEES RETREAT PRESENTATION – DECEMBER 8, 2017

KATHLEEN A. MURPHY, PHD

Strategy – The Key to Survival in Competitive Times

DRIVING FORCES

DEMOGRAPHICS

COST

VALUE

DEFINITIONS

**Strategic
Planning =
*WHAT***

**Strategy =
*HOW***

IDEAS FOR COMPETITIVE ADVANTAGE

- **Michael Porter—“how to” of strategic positioning.**
- **Pick some characteristic or, even better, multiple interlocking characteristics that make you unique and cannot be easily copied.**
 - **e.g., Southwest Airlines**

COMPETITIVE ADVANTAGE (CONT.)

- **Competitive strategy “is about being different—it means deliberately choosing a different set of activities to deliver a unique mix of value.”**
- **Idea is to build “fit”—a series of interlocking activities to get the strongest competitive advantage; cannot be easily copied.**
- **Also means consciously choosing not to do certain things.**
- **Have to make tough choices—cannot straddle two positions. Neither will work.**

PORTER QUOTE

“Companies imitate one another in a type of herd behavior, each assuming rivals know something they do not.”

Porter calls this competitive convergence

WHAT STRATEGY IS NOT

- **Operational effectiveness – quality, productivity, speed, financial outcomes, etc. Necessary but not sufficient.**
- **Porter calls the pursuit of operational effectiveness “seductive” because it is concrete and actionable (think benchmarking, efficiency, cost reductions).**
- **Competitive strategy means being different – it means deliberately choosing a different set of interlocking activities to deliver a unique mix of value.**
- **Hardest part is choosing what “not to do;” making the necessary trade-offs.**

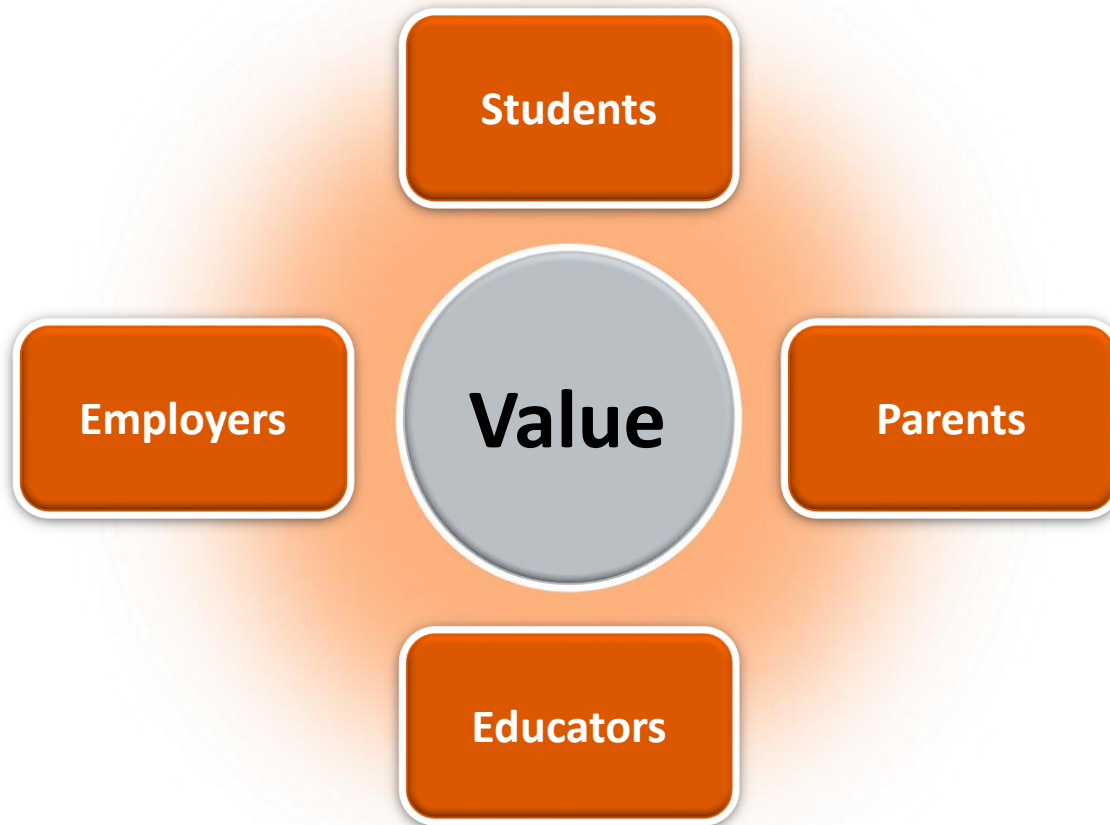
INTERLOCKING ACTIVITIES

- **Most effective strategies combine activities.**
- **Activities “fit” and reinforce each other.**
- **Competitive advantage comes from the entire system of activities.**
- **Much harder for a competitor to match multiple, interlocked activities and do them all well.**
- **Strong as strongest link.**

CHI STRATEGY – INTERLOCKING, REINFORCING ACTIVITIES



MUST CONSIDER VALUE



Different Things to Different People

DO WE HAVE TO MAKE TRADE-OFFS?

- **Do we have to choose between low cost and high quality?**
Edward Demming—father of quality- said there is no trade off- done right, the highest quality should also be the lowest cost
- **Blue ocean theory- “make new market”- other choices become irrelevant**

Red Ocean

Head to head
competition for
shrinking profits in a
bloody “red ocean”

Blue Ocean

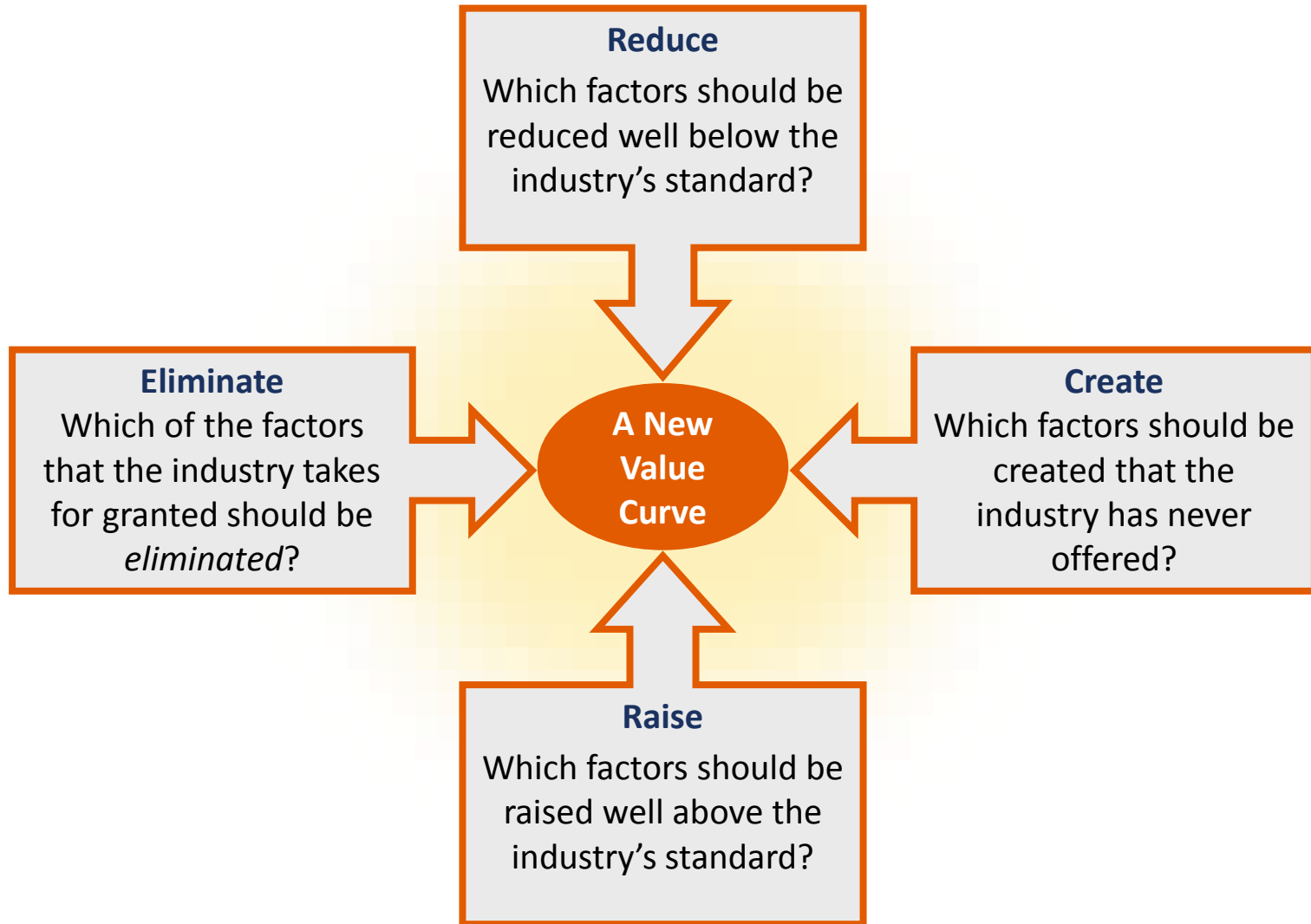
Focus on value
innovation makes the
competition irrelevant
and opens up new,
uncontested market
space

RECONSTRUCTIONIST VIEW OF STRATEGY

Red Ocean	Blue Ocean
Compete in existing market space.	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value-cost trade-off.	Break the value-cost trade-off.
Align the whole system of a firm's activities with its strategic choice of differentiation <u>or</u> low cost.	Align the whole system of a firm's activities in pursuit of differentiation <u>and</u> low cost.

Source: Blue Ocean Strategy, W. Chan Kim and Renee Mauborgne, Harvard Business School Press, 2005.

FOUR ACTIONS FRAMEWORK

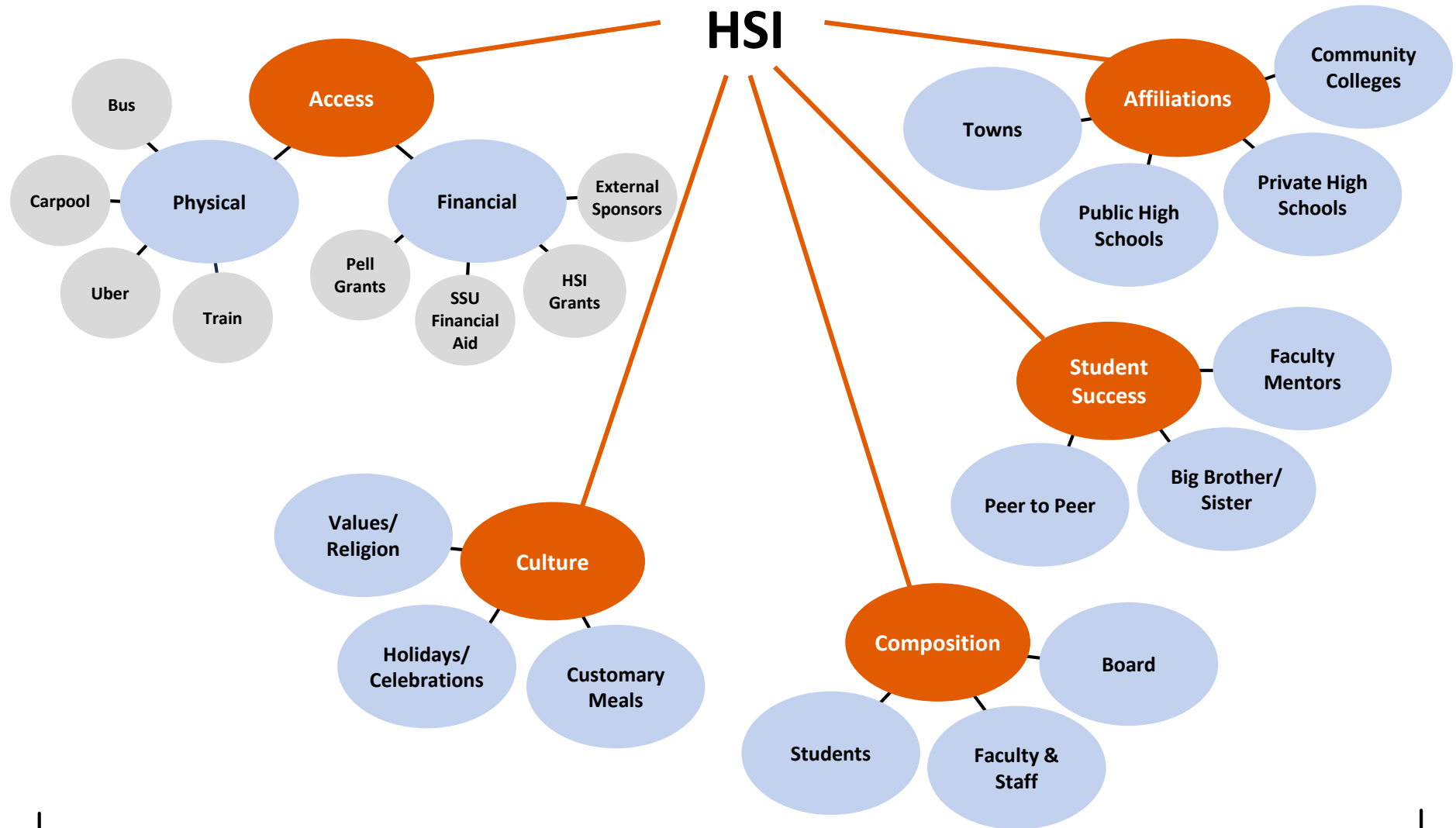


Source: Blue Ocean Strategy, W. Chan Kim and Renee Mauborgne, Harvard Business School Press, 2005.

APPLICATION OF THESE CONCEPTS FOR SSU?

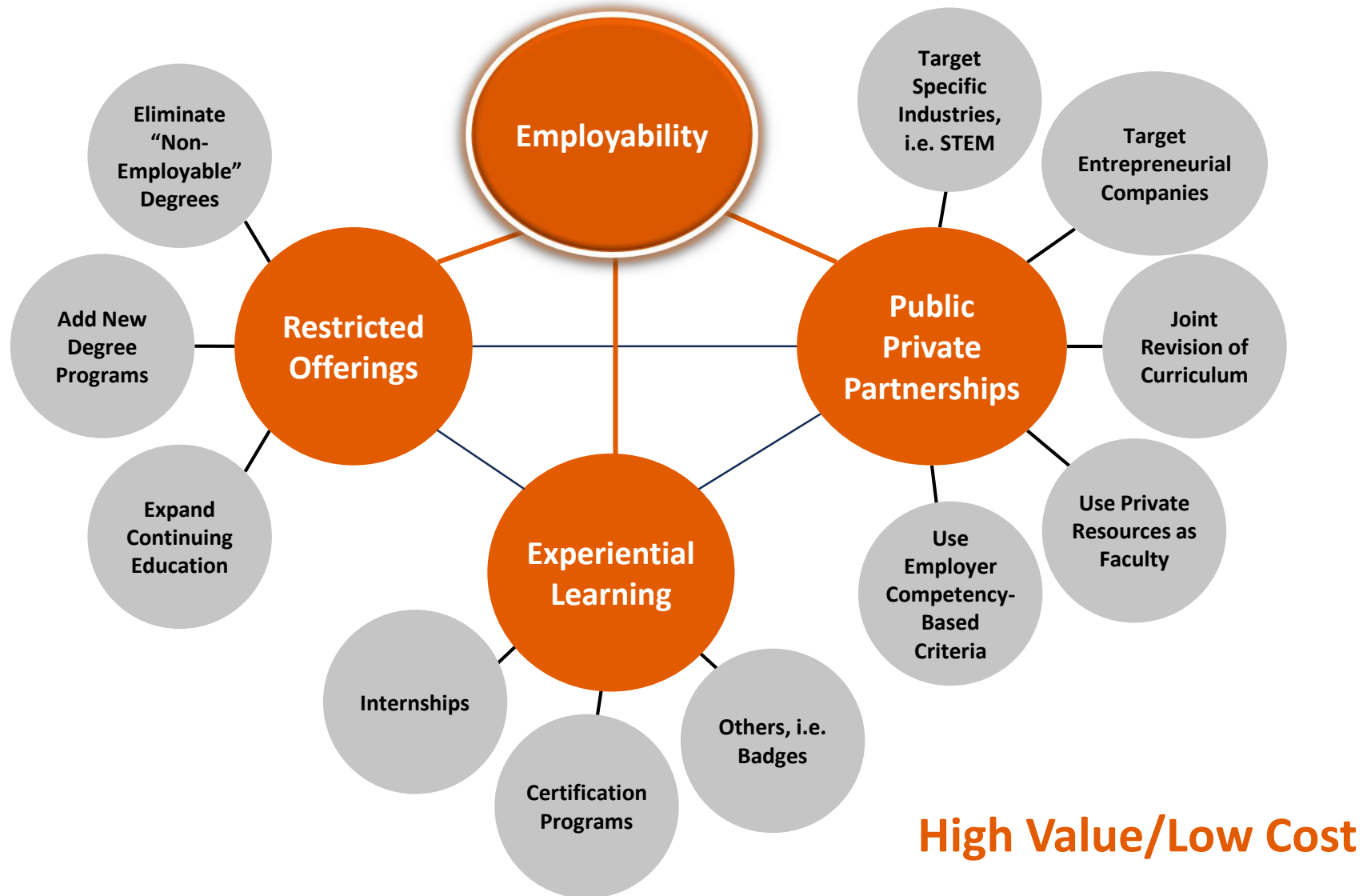
- **Two examples**
 - **Simple**
 - **Complex**

HISPANIC SERVING INSTITUTION (HSI) VALUE PROPOSITION (SIMPLE)



Ongoing Measurement & Adaptation

"PRAGMATIC" VALUE PROPOSITION – COMPLEX



VALUE PROPOSITION – BECOME ADDITIVE OVER TIME...

- **Remember Chi? (Knowledge, Results, Risk)**
- **Why not combine multiple strategies for SSU? Choose among these or others TBD:**
 - HIS (demographics)
 - Low cost for low income students
 - At-Risk guarantee for student loans (public discussions)
 - Outcomes based- ROI, employability, starting salary, employer ratings
- **(Multiple) strategies added over time- strengthens competitive position- as good as the strongest link....**

OUR BIGGEST CHALLENGE ...

**Choosing and implementing our
unique strategy.**

BOARD OF TRUSTEES

February 13, 2019

PRESENT: Trustees Mattera (chair), Zahlaway-Belsito, Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell and Wilkens. Also participating at the meeting were President Keenan and Board Secretary Montague.

ABSENT: Murphy

The provisions of General Laws, Chapter 30A, having been complied with and a quorum of the Board being present, the Board of Trustees of Salem State University held a regular meeting in Marsh Hall, Room 210, Central Campus, Loring Avenue, Salem, Massachusetts, on February 13, 2019 with Paul Mattera, Chair, presiding.

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I. CALL TO ORDER - Chair Mattera called the meeting to order at 5:07 pm. The Chair announced that the night’s meeting would be truncated as the Board had a planned meeting with students at 6:30 pm. In addition, the Board anticipated an Executive Session for the purpose of discussing an individual’s medical condition.

Call to Order

II. CONSENT AGENDA - Chair Mattera read the items contained on the Consent Agenda and asked for any objections or modifications, hearing none he asked if there was a motion. Trustee Chisholm duly offered a motion to approve which was seconded by Trustee Lutts, and it was unanimously

Consent Agenda

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VOTED: To approve the Consent Agenda of (CA-18-02).

Committee Actions

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III. COMMITTEE ACTIONS –

Finance & Facilities:

410 Lafayette St

Finance & Facilities - Trustee Katzman reminded the trustees that there was discussion of a motion at the committee’s last meeting and at Chair Mattera’s request a draft motion. Trustee Katzman read the motion, Trustee Russell offered the motion which was seconded by Trustee Butts and unanimously

VOTED: The Board of Trustees approves the following actions with regard to the property located at 410 Lafayette Street: 1. Modification of the lease between the Salem State University Assistance Corporation and Salem State University if needed to facilitate a sale; 2. Directive to the Salem State University Assistance Corporation to sell the property if said sale price is fiscally prudent based on a realtor’s assessment of market value, subject to approval by Salem State University of the offering and final sale price; 3. Directive to the Salem State University Assistance Corporation that proceeds

from the sale be used to offset any costs related to the sale, with the remainder to be deposited to the university's fund for facility projects. The university's president and vice president for finance and facilities are authorized to do all things and take all actions deemed necessary or desirable to carry into effect the matters hereby authorized. (FF-18-05)

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Risk Management & Audit: Trustee Lutts introduced the next matter of business which was the Equal Opportunity, Diversity and Affirmative Action Plan. He reminded the board of the changes made, Trustee Belsito Zahlaway offered the motion which was seconded by Trustee Contreras and it was unanimously

Risk Management & Audit:

Equal Opportunity, Diversity & Affirmative Action Plan

VOTED: The Board of Trustees hereby approves the Equal Opportunity, Diversity and Affirmative Action Plan dated September 18, 2018, as amended. (RMA-18-01)

* * *

Executive: Chair Mattera introduced the next matter of business which was the appointments to the Board of Directors of the Salem State University Assistance Corporation (SSUAC) and then turned the matter over to President Keenan. The president provided an overview of the SSUAC and highly recommended both Gordon Hall and Helen Corbett for reappointment.

Executive:

*SSUAC Board appointments
Gordon Hall – chair
Helen Corbett*

Trustee DeSimone offered the motions which was seconded by Trustee Katzman and it was unanimously

VOTED: The Board of Trustees of Salem State University hereby makes the following appointment to the Board of Directors of the Salem State University Assistance Corporation: Gordon Hall as chair for a three year term renewable to commence March 1, 2019. (EX-18-03)

The Board of Trustees of Salem State University hereby makes the following appointment to the Board of Directors of the Salem State University Assistance Corporation: Helen Corbett for a three year term renewable to commence March 1, 2019.(EX-18-04)

* * *

IV. REPORT OF THE PRESIDENT – President Keenan shared a number of updates with the Board:

Report of the President

-Students from Salem State University's Theatre and Speech Communication Department enjoyed unprecedented success at this year's regional Kennedy Center American College Theatre Festival (KCACTF), which took place in Hyannis from Jan. 29 through Feb. 3.

-The university achieved "Carbon 200 Free" status! President Keenan thanked the students and Professors Healey, Young and Hayes for their excellent work on the issue. Chair Mattera expressed the board's gratitude to Trustees Lutts and Katzman for their extensive work on the matter

-The preschool has been closed. Our data analysis was critical in helping to make what was a difficult but necessary decision.

-Trustee Butts reported on a recent meeting with the President and CEO of MassBio Robert Coughlin. The meeting was a win-win and should be beneficial for partnership, workforce development, entrepreneurial opportunities and internships for the university.
-Trustee Belsito Zahlaway shared that she was honored to receive the MLK Leadership Award – alumnus category. Trustee Belsito Zahlaway shared how she personally had to seek postpartum health care and then worked on legislation to provide mandatory funding for postpartum depression. Trustee Belsito thanked Interim Chief Diversity Officer Comage, President Keenan and Assistant Director of Alumni Relations Mitchell.
-Trustee Wilkens reported on Congressman Moulton’s recent Town Hall on campus. It was a very successful event and was well attended by students - and press. Moulton suggested that he may be up for a presidential run in 2020.

* * *

V. REPORT OF THE CHAIR - Chair Mattera deferred his time to the next agenda item regarding the campaign.

* * *

VI. OLD BUSINESS – None

VII. NEW BUSINESS: Assistant Vice President Crouse announced that the university is very pleased to have selected Marts & Lundy as its consultant after a very rigorous and inclusive process. She thanked Trustees Chisholm and Contreras for their participation and leadership. Crouse then turned the meeting over to Marts and Lundy Principals Richard Ammon and Kathy Howrigan (phone) so they could provide the board with their recommendations. Ammon greeted the board and explained that while data is very important to Marts and Lundy, tonight’s discussion would cover a variety of topics including the various types of campaigns, benefits of a campaign, its stages, the campaign objectives and campaign capacity. Ammon also detailed the roles of the Board of Trustees and the Foundation Board in the campaign (see attachment). A brief discussion followed the presentation. Chair Mattera thanked Marts & Lundy for the thorough briefing.

* * *

VIII. OPEN FORUM - Chair Mattera announced the open forum portion of the meeting at 6:24 pm and asked for any comments or discussion. Hearing no comments Chair Mattera closed the forum at 6:25 pm.

* * *

IX. ADJOURNMENT - There being no further business to come before the Board and on a motion made by Trustee Chisholm and seconded by Trustee DeSimone, it was unanimously:

VOTED: to adjourn the meeting at 6:45 pm

Report of the Chair

Old Business

New Business

Open Forum

Adjournment

Respectfully submitted,

A handwritten signature in blue ink that reads "John W. Keenan". The signature is written in a cursive style with a large initial 'J'.

John Keenan
President

A handwritten signature in black ink that reads "Lynne Montague". The signature is written in a cursive style.

Lynne Montague
Secretary to the Board of Trustees

 REQUEST FOR TRUSTEE ACTION

Date: February 5, 2019
To: Board of Trustees
From: Karen P. House, Vice President for Finance and Facilities
Subject: Sale of 410 Lafayette Street
Requested Action: Approval

MOTION

The Board of Trustees approves the following actions with regard to the property located at 410 Lafayette Street: 1. Modification of the lease between the Salem State University Assistance Corporation and Salem State University if needed to facilitate a sale; 2. Directive to the Salem State University Assistance Corporation to sell the property if said sale price is fiscally prudent based on a realtor's assessment of market value, subject to approval by Salem State University of the offering and final sale price; 3. Directive to the Salem State University Assistance Corporation that proceeds from the sale be used to offset any costs related to the sale, with the remainder to be deposited to the university's fund for facility projects. The university's president and vice president for finance and facilities are authorized to do all things and take all actions deemed necessary or desirable to carry into effect the matters hereby authorized.

Trustee Action:

Trustee Approval Date:

Effective Date:

APPROVED

FEB 13 2019

Board of Trustees
Salem State University

Signed:

Title: Secretary of the Board of Trustees

Date:

REQUEST FOR TRUSTEE ACTION

Date: January 7, 2019
To: Board of Trustees
From: Rita Colucci, Esq., General Counsel
Subject: Equal Opportunity, Diversity and Affirmative Action Plan
Requested Action: Approval

This motion seeks Board approval to accept changes to Salem State's Equal Opportunity, Diversity and Affirmative Action Plan pursuant to new federal guidance.

Background

Salem State University has shared an Equal Opportunity, Diversity and Affirmative Action Policy (hereinafter "EOP"), approved by the Board of Higher Education, with the other eight (8) state universities/colleges for at least the past 30 years. In 2015, the EOP underwent substantial changes, specifically with regard to its policy and complaint processes related to sexual misconduct and Title IX of the Education Amendments of 1972. These changes were implemented after the U.S. Department of Education (hereinafter "DOE") released guidance, in both 2011 and 2014, on how schools should respond to complaints of sexual misconduct. While the guidance was not technically "law," it was enforced by the USDOE as a federal mandate.

In 2017, the U.S. Department of Education withdrew the 2011 and 2014 guidance, and referred institutions back to the original law, its regulations, and guidance issued in 2001 and reaffirmed in 2006. This led the state universities to make changes to the EOP. The BHE approved the changes on September 28, 2018. The revised EOP is now before this board for approval.

Changes to the EOP

The changes to the policy are summarized as follows:

1. The Policy Statement on Non-Discrimination has been moved to page 2 for emphasis and to make it easier to locate.
2. In the Definitions, section the following changes were made:
 - The Plan's restrictions on informal resolution or mediation in sexual violence, domestic violence, dating violence or stalking cases have been

removed. The Plan addresses the applicability of those resolution processes in such situations within the text of the Complaint Investigation and Resolution Procedures.

- The "Timeframes" and general overview of the investigation process has been changed to conform to the current guidance (the 60-day timeframe for investigations, however, remains).
 - The role of the Advisor has been clarified: (1) only parties (not witnesses) are entitled to advisors; and (2) union members who are respondents may elect to have a union representative present at meetings which the union member reasonably believes may result in discipline, but the union member may not have both a union representative *and* an advisor.
3. In the Sexual Violence Policy section, the following changes were made
- Where applicable, references to "victim" have been changed to the more neutral "complainant." However, the plan also makes it clear that all investigations will be conducted using a "trauma- informed approach" to support complainants, while ensuring that appropriate support and due process protections are provided to all parties.
 - For domestic and/or dating violence, there is clarification that a finding is typically based on the totality of the circumstances, and that a single occurrence of behavior may not necessarily lead to a finding of domestic and/or dating violence.
 - The contacts for the Victim Advocate/Assistance Office for each county have been added.
 - The "Interim Measures" section has been changed to reflect the current OCR guidance.
 - The "Parties Rights" section has been altered to reflect the changes in the current OCR guidance concerning the sharing of the investigation report prior to submission for administrative review. It has also been changed to clarify that parties do not have the right to see all "documents" pertaining to an investigation, but rather the evidence used in making the determination of a policy violation.
4. A Policy Against Discrimination in Employment Based on Pregnancy and Pregnancy Related Conditions has been added to comply with the requirements of the Massachusetts Pregnant Workers Fairness Act.
5. The following amendments were made to the Complaint Investigation and Resolution Procedures:
- The prohibition against use of the Informal Process for complaints under the Sexual Violence Policy has been removed pursuant to current OCR guidance.
 - A subsection on counterclaims has been added to address a procedural gap (and consequent due process concerns) in the

Formal Investigation Process.

- Pursuant to current OCR guidance, the Formal Investigation Process now includes a step at which the parties are entitled to review the draft investigation report prior to its submission for administrative review.
- The time period for filing an appeal has increased from 5 to 10 days to better afford the parties more time to consider their options and review the investigation materials in advance of filing their appeal.
- The following provision has been added to take into account situations in which the University, upon review, discovers an error or problem in the procedure, determination of responsibility, sanction, or other investigation or appeal-related process:

"Under limited, exceptional circumstances, and in compliance with the principles of due process, the University reserves the right to correct, amend, supplement or modify a finding, conclusion or sanction to ensure that an investigation has been prompt, fair, impartial and thorough."

- Regarding sanctions, a provision has been included to clarify that additional disciplinary action shall be taken against an employee or student who violates a sanction(s) imposed under the Plan (subject to all provisions of applicable collective bargaining agreements, personnel policies or code of conduct).
6. A Position Description for a dedicated EO Investigator has been added, establishing standard credentials and qualifications, and also creating helpful guidance when hiring outside investigators.

MOTION

The Risk Management and Audit Committee recommends that the Board of Trustees approve the following motion regarding Salem State's Equal Opportunity, Diversity and Affirmative Action Plan (hereinafter "EOP"), attached.

Recommended motion

The Board of Trustees hereby approves the Equal Opportunity, Diversity and Affirmative Action Plan dated September 18, 2018, as amended.

Committee Assigned: Risk Management and Audit

Committee Action: Approved

Date of Action: January 30, 2019

Trustee Action:

Trustee Approval Date:



Effective Date: _____

Signed: Yvonne M. Wong

Title: Secretary of the Board of Trustees

Date: 2/13/2013



Campaigns 101

Kathy Howrigan
Senior Consultant & Principal

Richard A. Ammons
Senior Consultant & Principal

Definition of a Campaign

A campaign is defined as a fundraising program with a specific goal for identified objectives conducted within a specific timeframe.

The University campaign is:

- Special (over and above ongoing fundraising)
- Highly intensive (requiring more time, energy and resources than ongoing fundraising)
- Multi-year (usually, depending on goals)
- Strategic (Funding goals framed by vision)

Benefits of a Campaign

- Provides a structure for fundraising
- Provides a “sense of urgency”
- Provides opportunities for engagement to a group of valued volunteers
- Positions Salem State soundly in the market
- Provides endless opportunities to talk about Salem State’s vision

Types of Campaigns

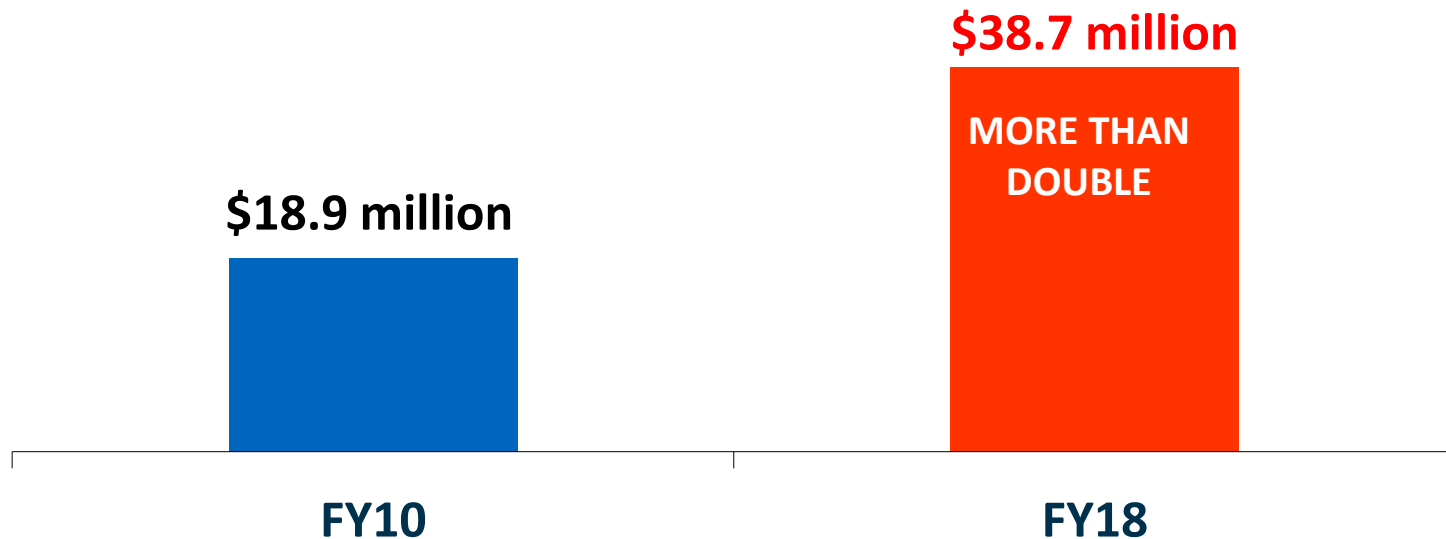
- Capital
- Endowment
- Operating support
- Comprehensive

Impact of 10,000 Reasons Campaign

Campaign for Salem State University – Before and After



Salem State University Foundation, Inc.
Total Asset Value Growth

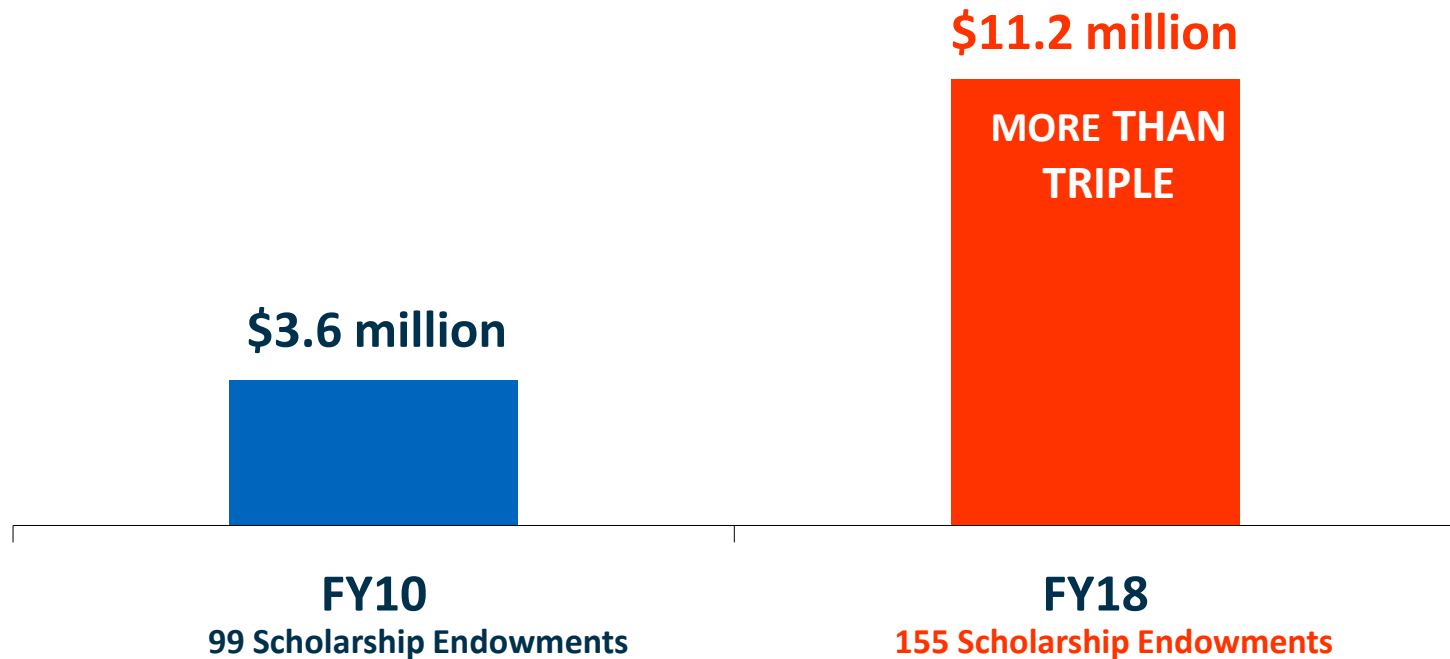


Campaign for Salem State University



The Campaign for SALEM STATE UNIVERSITY

Salem State University Foundation, Inc. Scholarship Endowment Market Value Growth

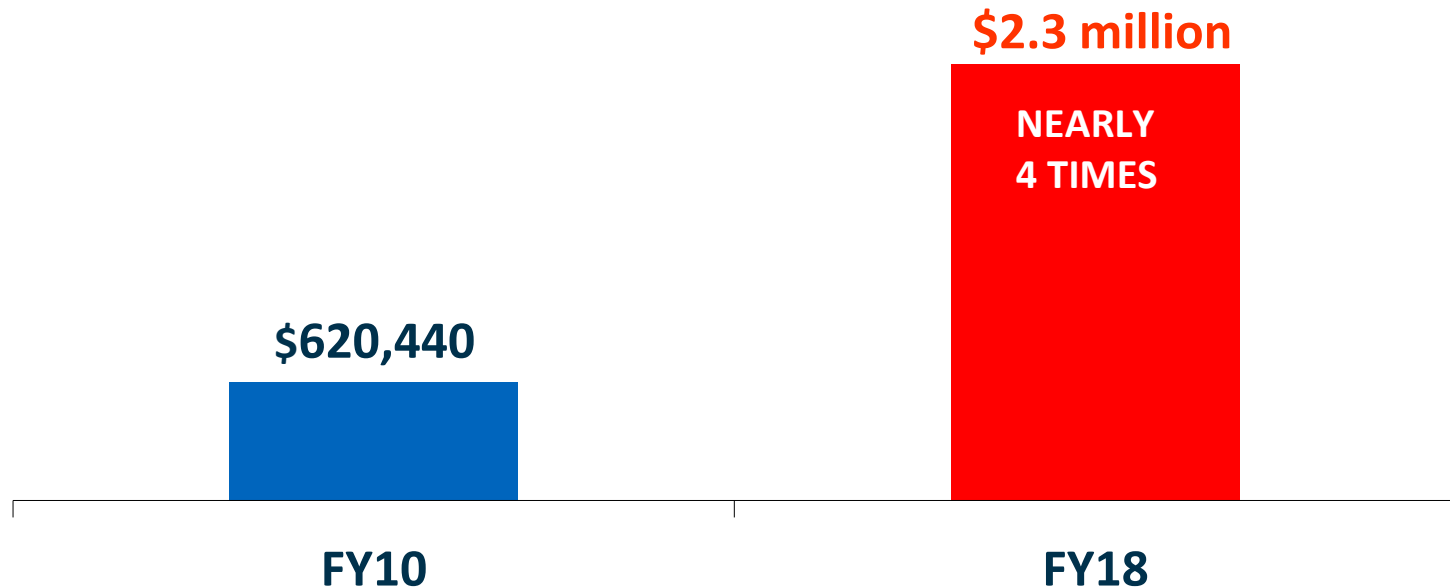


Campaign for Salem State University



The Campaign for SALEM STATE UNIVERSITY

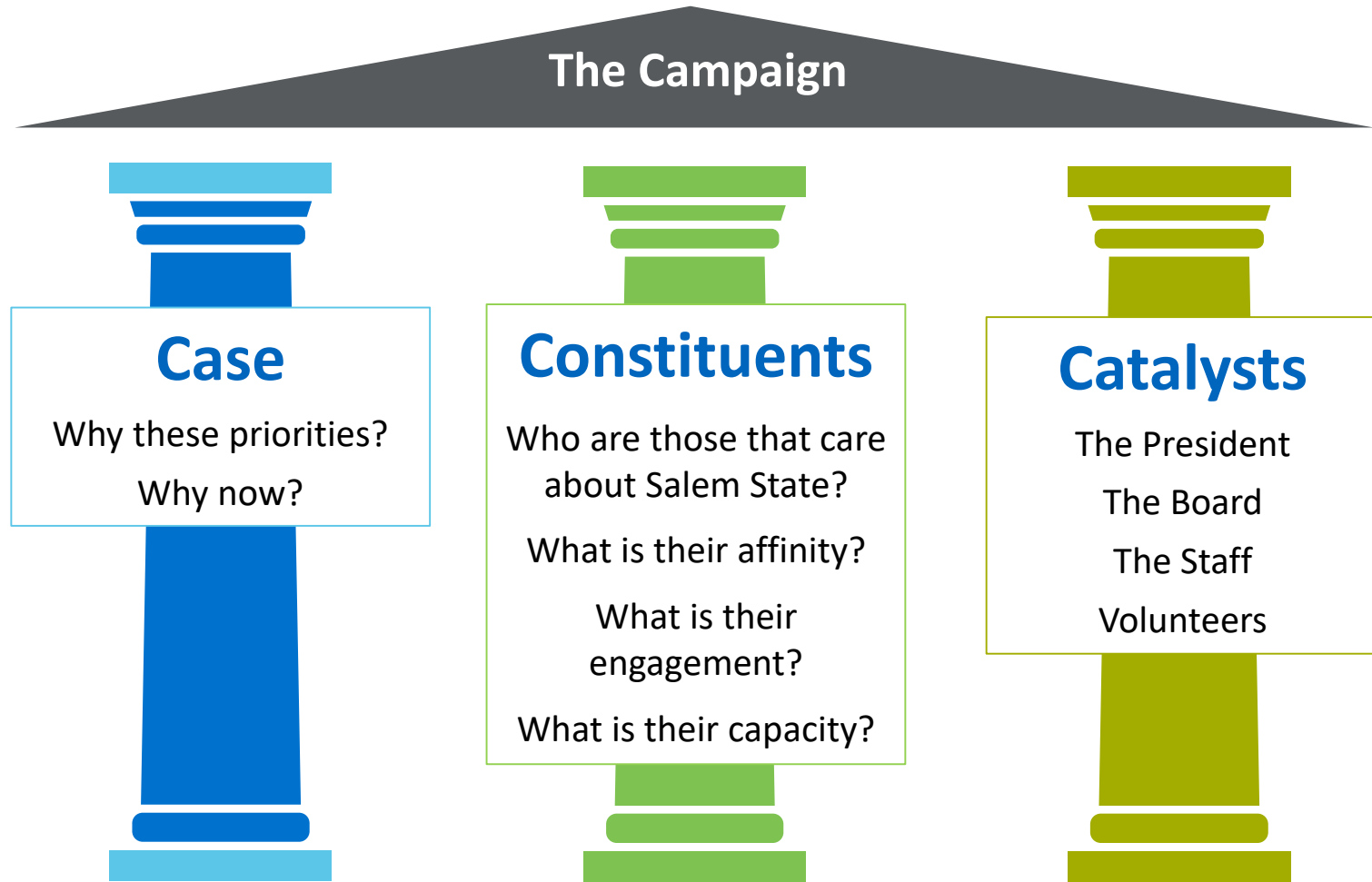
Salem State University Foundation, Inc. Cash Transferred to University



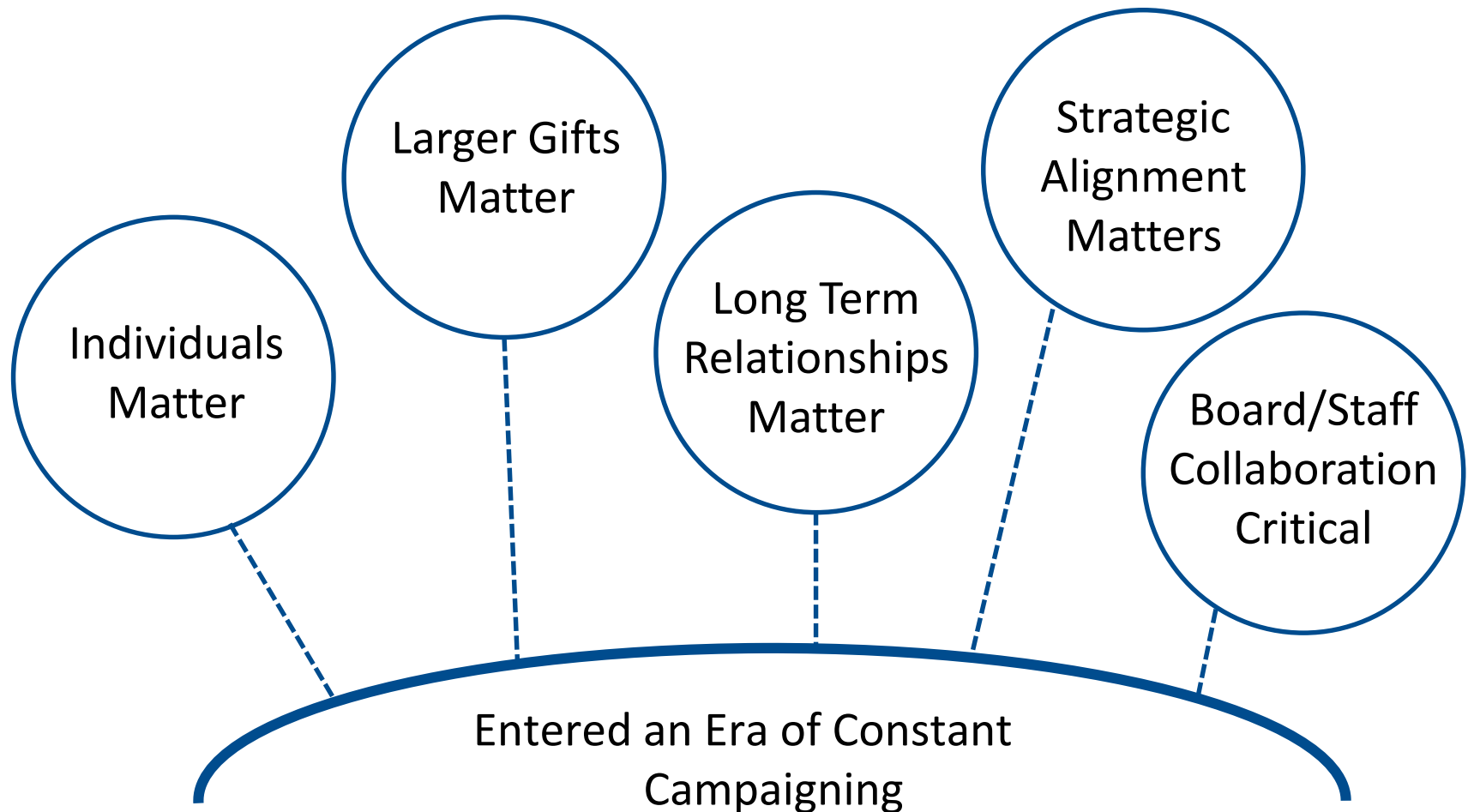
Phases of a Campaign

- Phase 1 – Pre-Planning
- Phase 2 – Silent Phase Leadership or Nucleus
- Phase 3 – Public or Community
- Phase 4 – Post-campaign assessment

3 Pillars to Campaign Success

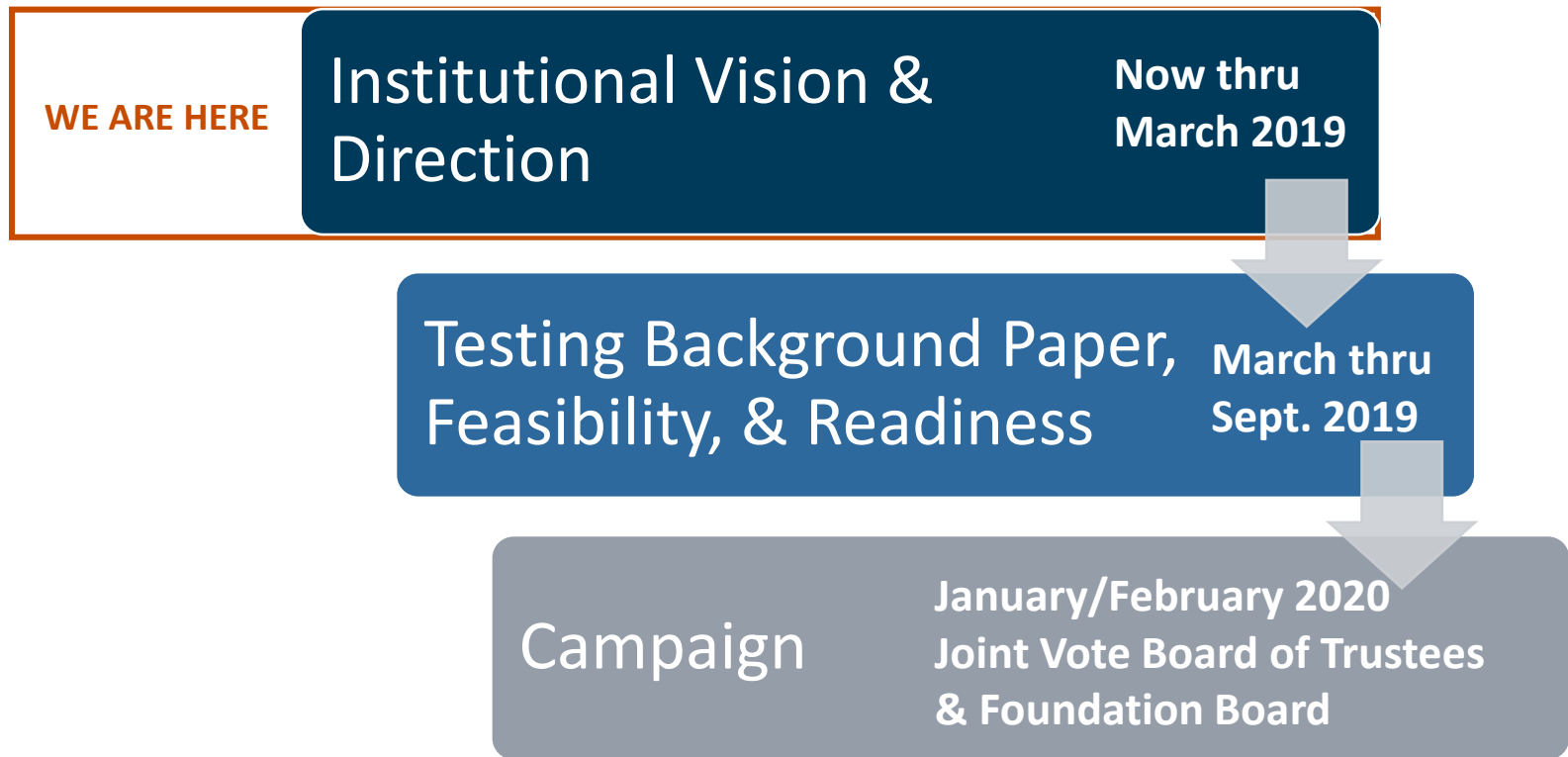


Changing Rules for Campaigns



Preparing for Campaign Success

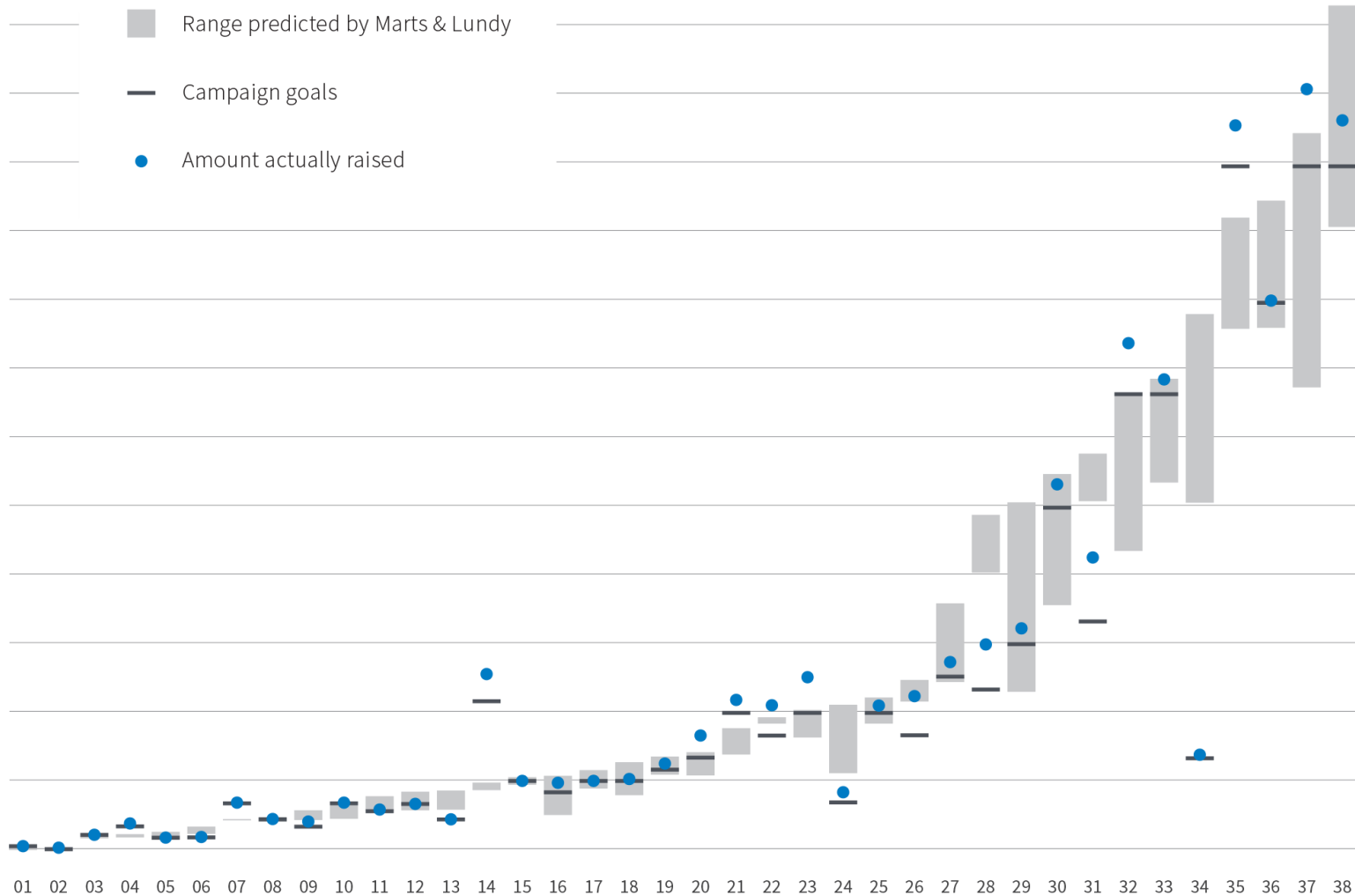
Pre-Quiet Planning Phase



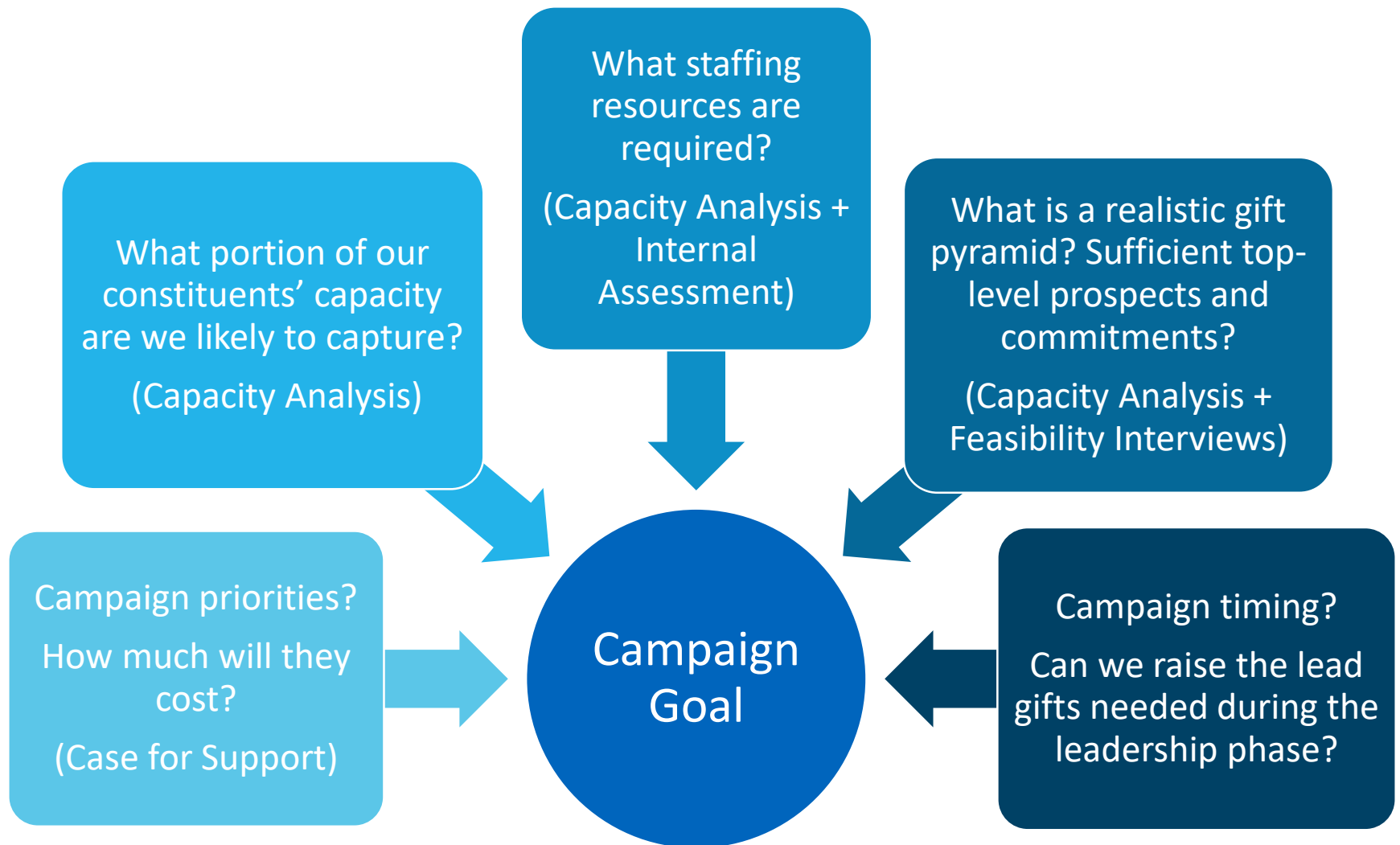
Overall Project Objectives



Significance of the Capacity Analysis



Determining Campaign Goal



Timeline

Phase	Service/Deliverable	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Campaign Readiness Phase	Presentations to Board & Foundation	■										
	Internal Assessment		■	■	■							
	Capacity Analysis		■	■	■							
	Campaign Readiness Report				■							
Campaign Feasibility Phase	Key Constituent Interviews				■	■	■					
	Campaign Planning Report							■	■			
Develop Campaign Plan	<i>Campaign Budget</i>								■	■	■	■
	<i>Communication Plan</i>								■	■	■	■
	<i>Campaign Infrastructure</i>								■	■	■	■
Ongoing Collaboration and Regular Access			■	■	■	■	■	■	■	■	■	■

Campaign Success

Salem State will intentionally be “building the plane while flying it.”



Roles & Responsibilities

Common Roles of the Board of Trustees and the Foundation Board in a Campaign

- Approve the campaign
- Ensure appropriate staffing and funding at the onset and throughout the campaign
- Determine how the campaign will be funded
- Determine who has fiduciary/legal responsibility for above
- Make the campaign central to every board meeting

Common Roles Held by the Board of Trustees and the Foundation Board in a Campaign

- Understand that the goals of a campaign may influence the criteria for choosing new trustees and foundation board members
- Ensure that all new trustees and foundation board members understand that one of their primary roles is strong philanthropic support

The Role of Individual Board Members

- Lead the way in giving
- Make Salem State a top philanthropic priority
- Understand mission and strategic priorities
- Identify, introduce potential prospects
- Solicit where appropriate
- Promote the campaign
- Thank donors
- Host events
- Play *some* kind of a role:
 - identify, introduce, cultivate, engage, solicit, steward

Both Boards are Influential

- 100% participation of both boards is critical
- Both Boards have clear influence on giving by the rest of the Salem State community
- Top gifts, particularly from board members, have tremendous impact on those with less engagement and perceived fewer resources
- More difficult to convince those disconnected from Salem State

The Role of the President

- Visionary
- Public face of the campaign throughout
 - 30-50% of time in first 18-24 months
- Main spokesperson and communicator
- Often primary solicitor of most top gifts
- Encourages faculty/staff buy-in
- Chief steward
- Include Vice President of Advancement in all administrative and board meetings
- Support Advancement team and volunteer leaders

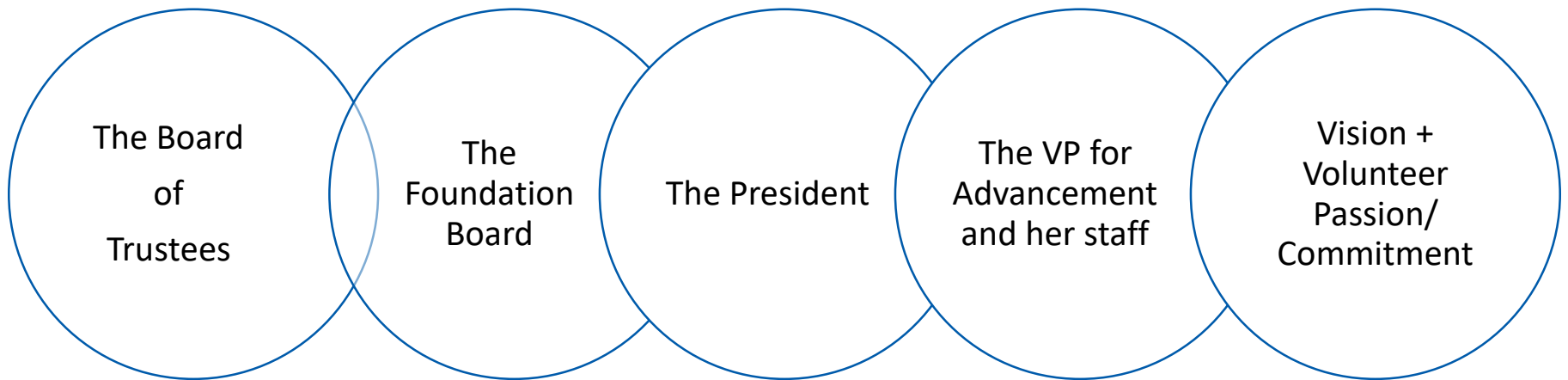
The Role of the Vice President of Advancement

- Deliver 100% focus!
- Lead, guide, support, inspire staff
- Plan and prioritize
- Execute efficiently and effectively
- Work in partnership with:
 - President
 - Board of Trustees
 - Foundation Board members
 - Campaign volunteers
- Recognize the contributions of others
- Manage a portfolio of leadership prospects to cultivate, solicit and steward.

The Role of Institutional Advancement

- Orchestrate work of campaign volunteers and assist with solicitations
- Manage portfolios of 125 or more prospects to cultivate, solicit, and steward their gifts
- Deliver stories and connect to University in ways that resonate and inspire their philanthropy
- Ensure gift intent is honored
- Communicate throughout the campaign

Premium Partnership



How do we know when we are ready for prime time?

- The case is inspiring and clear
- Sufficient donors are engaged
- You have a sense of capacity
- The volunteer leadership is in place
- The President recognizes his role
- The staff and systems are in place

Discussion and Questions

THANK YOU!
Marts&Lundy

SUBJECT: Board of Trustees - Executive Session Notes for February 13, 2019

The Board of Trustees of Salem State University voted unanimously to go into Executive Session on Wednesday, February 13, 2019, in Room 210 of Marsh Hall, located on Central Campus of Salem State University. The reason for the session was to discuss the physical condition of a trustee.

Board Secretary Montague took the roll at 6:45 pm; voting in the affirmative to enter Executive session were

For: Trustees Mattera (chair), Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell and Wilkens
Against: None
Absent: Belsito-Zahlaway and Murphy

[REDACTED]

With no further business to be discussed in Executive Session, Chair Mattera called for a motion to come out of Executive Session.

Upon a motion duly made by Trustee Russell, seconded by Trustee DeSimone was unanimously

VOTED: To adjourn from Executive Session

For: Trustees Mattera (chair), Butts, Chisholm, Contreras, DeSimone, Katzman, Lutts, Russell and Wilkens
Against: None
Absent: Belsito-Zahlaway and Murphy

The Board came out of Executive Session at 6:46 pm and the meeting was adjourned.

Prepared by: L. Montague, Secretary to the Board of Trustees

SUBJECT: Finance & Facilities Committee Meeting Report for February 13, 2019

The Finance & Facilities Committee of the Board of Trustees met on Wednesday, February 13, 2019, in the Petrowski Room, Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Katzman (chair), Lutts, Russell, Wilkens, Chair Mattera (ex-officio), President Keenan (ex-officio). Also present and participating: Vice President House (committee liaison), Provost Silva, Executive Vice President James and staff associate Beaulieu.

Absent for the Committee: Trustees Butts, Murphy, Francois Gadenne (advisory member)

Trustee Katzman, committee chair, called the meeting to order at 3:31 pm.

Business Intelligence (Attachment A, B, C)

Vice President House, Executive Vice President James and Provost Silva discussed the history and purpose of the university's Business Intelligence (BI) initiative (Attachment A - PowerPoint). A live demonstration of the online system was provided with the assistance of Director of Business Intelligence and Integration McAuliffe. Microsoft Power BI is the software and infrastructure for this system. That software is part of the university's MS Office license (modest additional cost). The creation and configuration of this system at Salem State was a collaborative effort. A deep discussion focused on net contribution of various academic departments and other metrics, such as DFW rates, utilizing different sets of revenue models (Attachment B - screen shots from live system). The Nursing and Psychology departments were used as examples. Reference was made to the reading materials provided in the mailing (Attachment C).

The Department of Higher Education data initiative will utilize Tableau, a more expensive tool. The DHE initiative does not provide the level of detail that the university's BI system provides, especially given the disparate underlying data systems in existence at each campus and the lack of integration between such systems and the DHE Tableau environment.

There being no further business to come before the committee, the meeting adjourned at 4:59 pm.

Prepared by: D. Beaulieu, staff associate, finance and facilities

Agenda

- History and Context of BI at Salem State
- Program Net Margin
- Academic Department Metrics (2 examples)
- Group Exercise
- Next Steps

Infrastructure

- Former CIO restructured ITS department in Fall of 2016 to include Business Intelligence Unit – 2 FTEs
 - Led by Matt McAuliffe, Director
- Microsoft Power BI
 - Included in our institutional Microsoft license

Not To Be Confused With...

- DHE's data initiative
 - Launched this year
 - Tableau (powerful, but expensive)
 - To allow analysis/reporting on state-wide data set
 - Will be helpful for cross-institution comparisons
 - Not as detailed as our work to-date

Business Intelligence Steering Committee

- Meets monthly
- Sets goals and priorities
- Provides guidance
- Membership includes:
 - Representative administrative leadership
 - Data and IT experts
 - Academic deans (2)
 - Faculty (1)
- Additional Working Group

The Beginning of Business Intelligence at Salem State

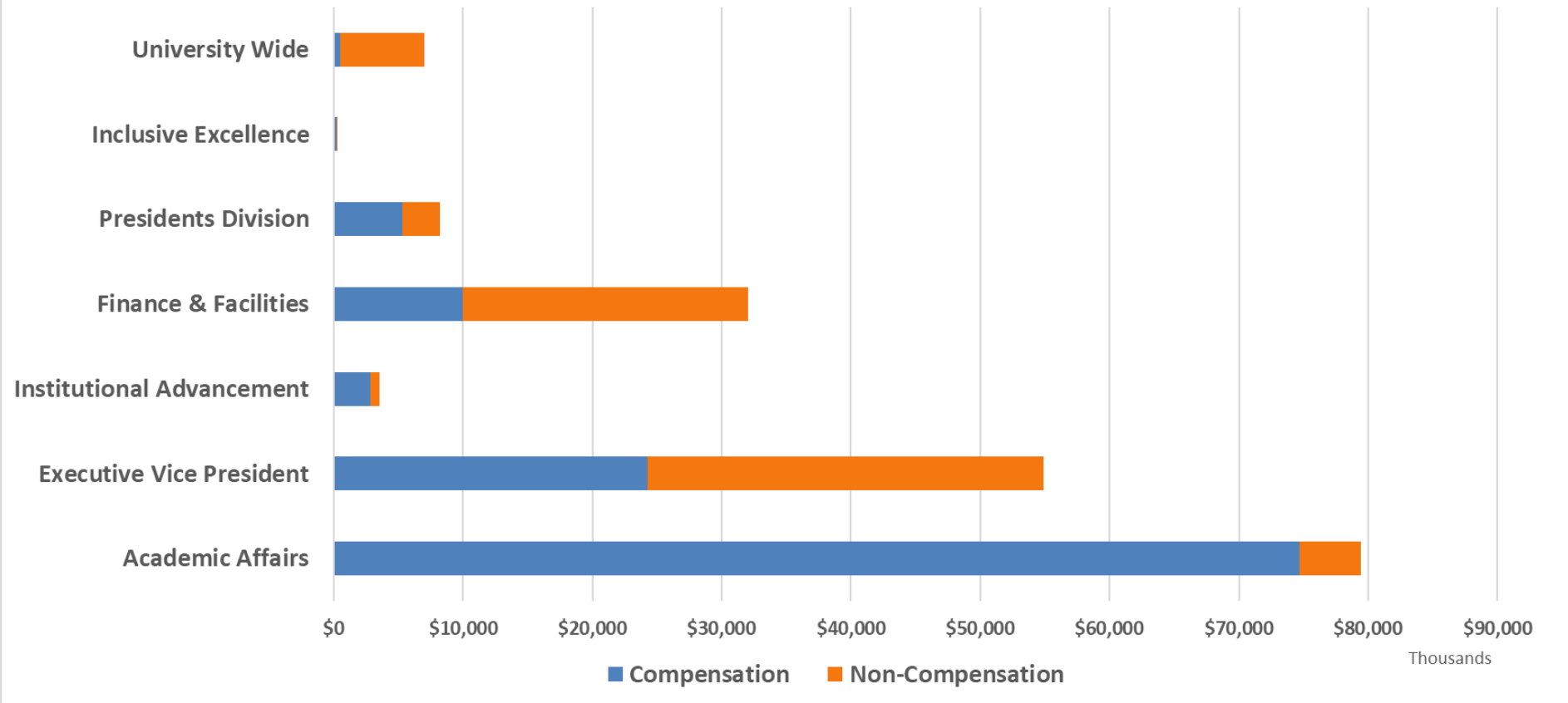
- Starting from Scratch
 - Developed Organizational Structure
 - Exploratory analysis
- Uneven use and availability of systems and relevant data
- Shared governance

Some initial questions

- What is the financial impact (net contribution) of each of our academic programs?
- Are our students “successful” after they graduate? What outcomes are they realizing that we could promote to prospective students?
- How effective are the various student support services and programs that the university offers (tutoring, advising, student leadership institute, Gassett programs, etc.)?

FY2018 Expenses by Division

Attachment A



Notable non-compensation expenses:

University Wide – GASB 68 & 75 pension & OPEB

Finance & Facilities – construction & maintenance, depreciation, leases, utilities, insurance

Exec VP – institutional financial aid, IT systems, marketing, debt service (residence halls)

Academic Programs

- Core business
- Largest share of the institutional budget (43%)
- Revenue Generators (tuition and fees)
- Future Development to Explore Cost Center Effectiveness and Efficiency
 - Benchmarking

Which Led to...

- Looking for example tools and reports from conferences and online resources, such as:
 - RPK Group “Applying Data Analytics to Business” presentation from EACUBO
 - EAB “No Regrets” analysis/metrics
 - EAB academic performance metrics
- *EAB: Consulting services and research firm
- *EACUBO: Eastern Association of College and University Business Officers

Demand and Yield

- Demand: The count of applications submitted by applicants
- Yield: “... the percentage of those offered admission who enroll”

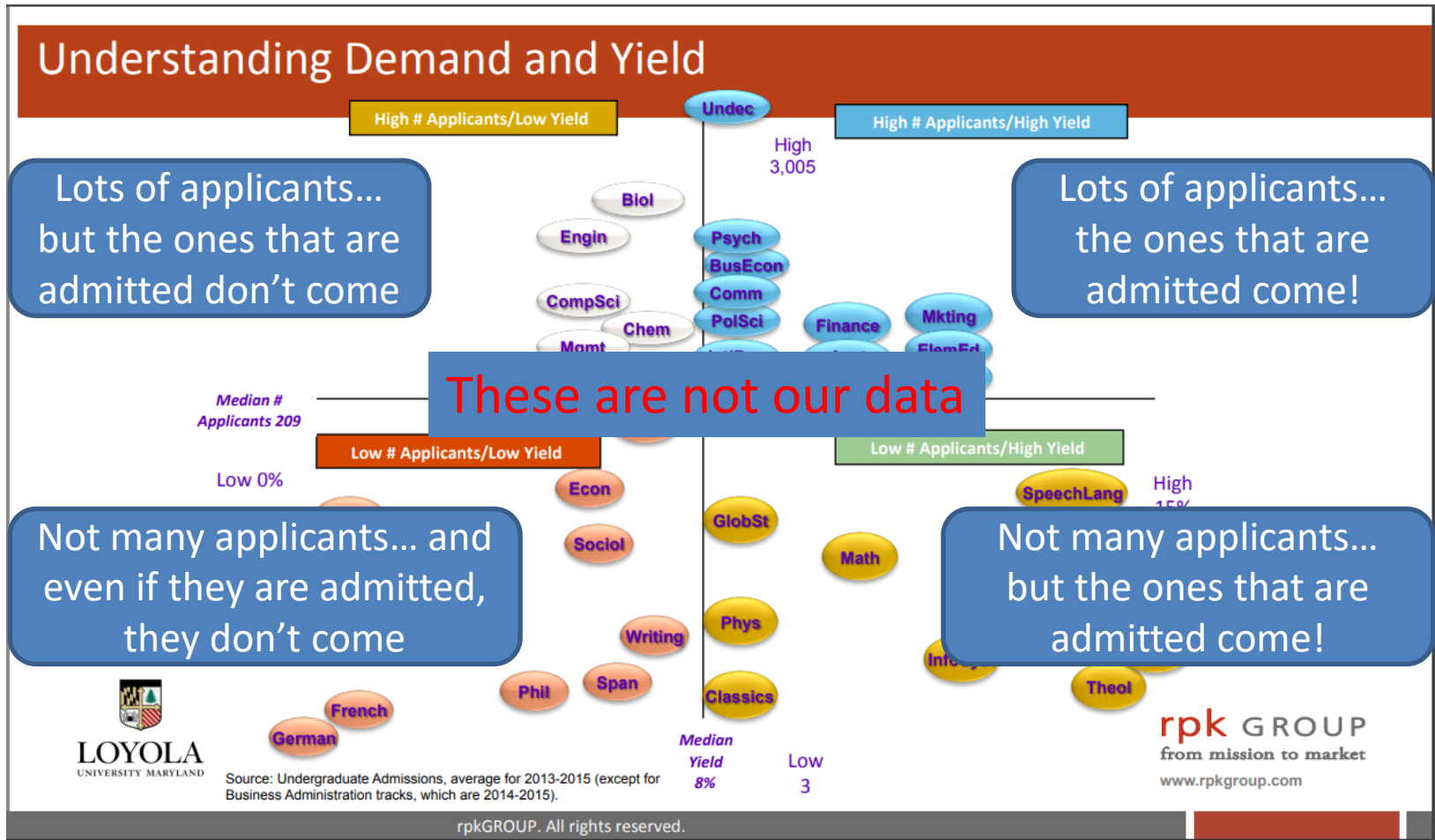
Academic Impressions

<https://www.academicimpressions.com/yield-rates-are-declining-why/>

Net Contribution Terms

- Revenue: Tuition and fees charged to students
- Expense: Compensation paid to faculty and staff that *directly* support a program
- Net Contribution: Program revenue minus direct program expense

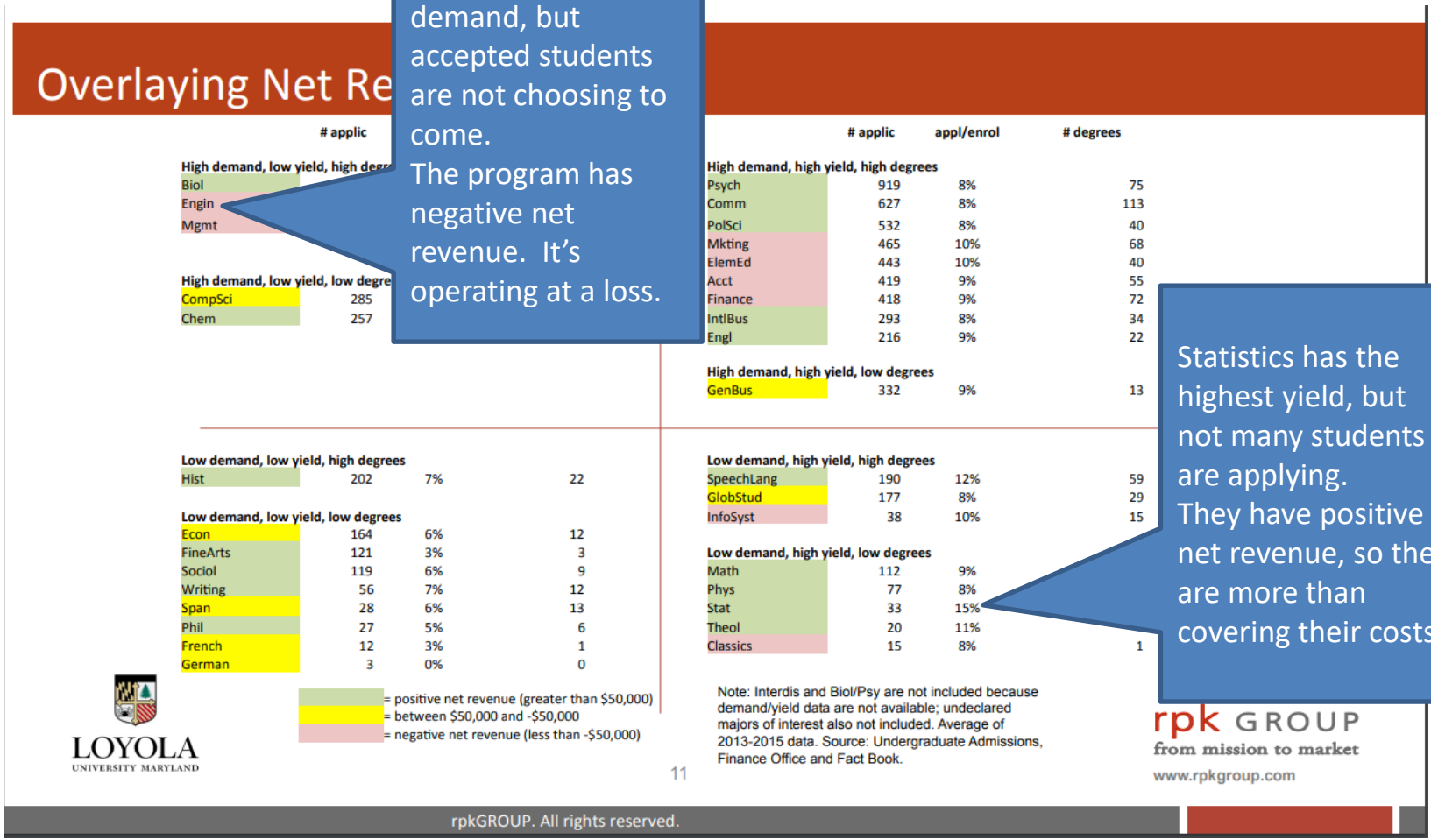
Understanding Demand and Yield



Overlaying Net Revenue

Engineering is high demand, but accepted students are not choosing to come. The program has negative net revenue. It's operating at a loss.

Statistics has the highest yield, but not many students are applying. They have positive net revenue, so they are more than covering their costs.



Net Contribution Revenue Models

Revenue Models:

1. Revenue from class delivery
 - Revenue is attributed to the home department of the class
2. Revenue from students in a given major
 - Revenue is attributed to the home department of the student's major
 - Double majors are split 50/50 between the two departments

These two models can be combined by averaging net contribution by class and net contribution by major

Net Revenue: Just One Dimension

- Student Outcomes
- Capacity
 - Facilities
 - Faculty
 - Availability/Competition
 - Expertise
 - Interest
 - Clinical/Field Placements
- Market demand study (Stamats)
- Workforce Needs/Job Prospects

Ten 'No-Regrets' Analyses

Decision Support Every Institution Should Provide to Every Department

What information can IT provide to help academic leaders improve instructional costs while advancing teaching, research, and service missions? **Attachment A**

In partnership with the Gates Foundation, EAB has identified 10 analyses that isolate the key drivers of academic costs, pinpoint opportunities for savings, and allow department leaders to better meet future student demand.

Provide these analyses to department chairs and deans to enhance allocation of teaching, classroom, and advising resources.

Impact on Costs
 ● = Low
 ●● = Medium
 ●●● = High

STUDENT AND COURSE DATA

Data Elements

- Course enrollments, credits and grades earned, and section capacity
- Course affiliation with majors, minors, and cross-listing

Obstacles to Analysis

- Department-level tracking of enrollment: Changes in enrollment caps might be recorded at the unit level instead of the registrar. Section caps set to zero will impede analysis.
- Cross-listed courses: Not always attributed to all relevant departments.

FACULTY COST AND WORKLOAD DATA

Data Elements

- Teaching load definitions and per-term loads
- Faculty service and administrative activities

Obstacles to Analysis

- Shadow systems: Data is tracked sporadically and inconsistently, if at all.
- Unused ERP functionality: Release time tracking fields are often not activated or only partially used.

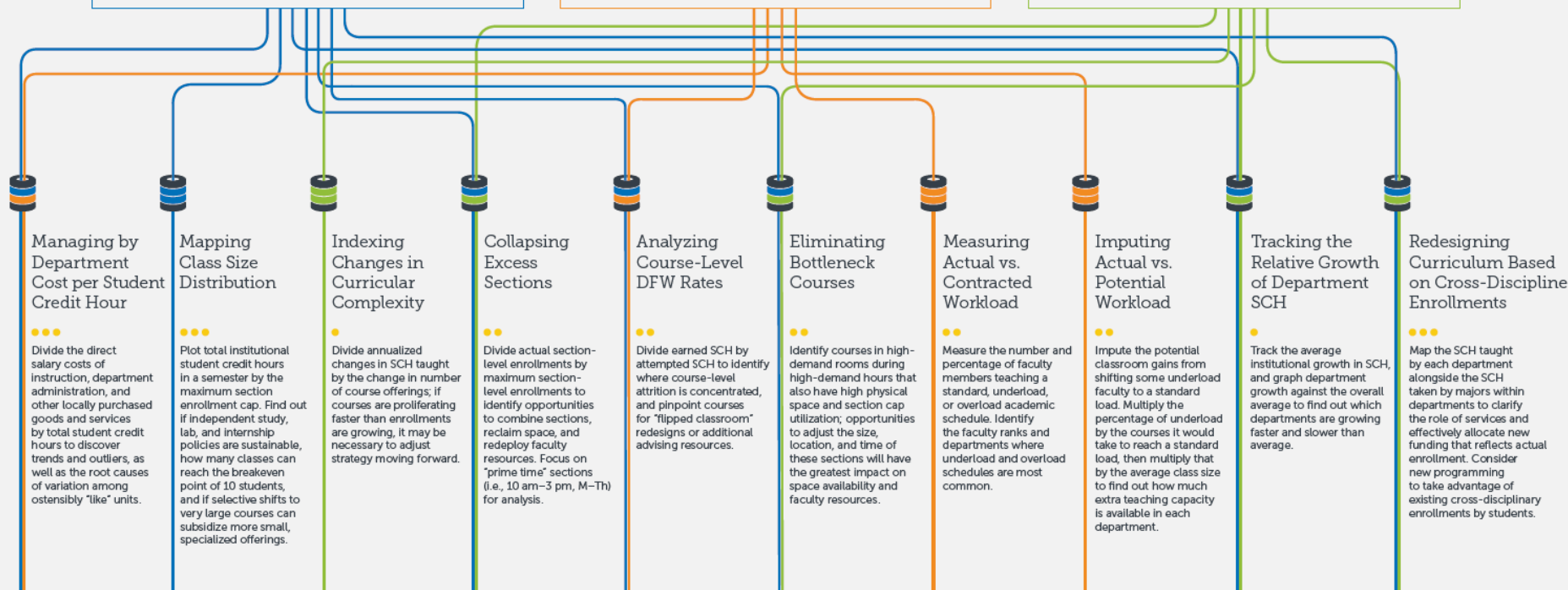
ACADEMIC PROGRAM DATA

Data Elements

- Courses, majors, and faculty working within academic programs
- Additional administrative support provided at the department level

Obstacles to Analysis

- Organizational change: Units changing names, breaking up, or even merging over time can limit longitudinal analysis if changes are not recorded and tracked.



Live System

- Academic Programs by Net Contribution
- Academic department metrics reports (No Regrets Analysis)
- Exercise and discussion

Power BI Screen-prints

Board of Trustees Meeting February 13, 2019

Net Contribution

Programs Ranked by Net Contribution (One Dimensional)

Academic Program Net Contribution Charts

FISCAL_YEAR

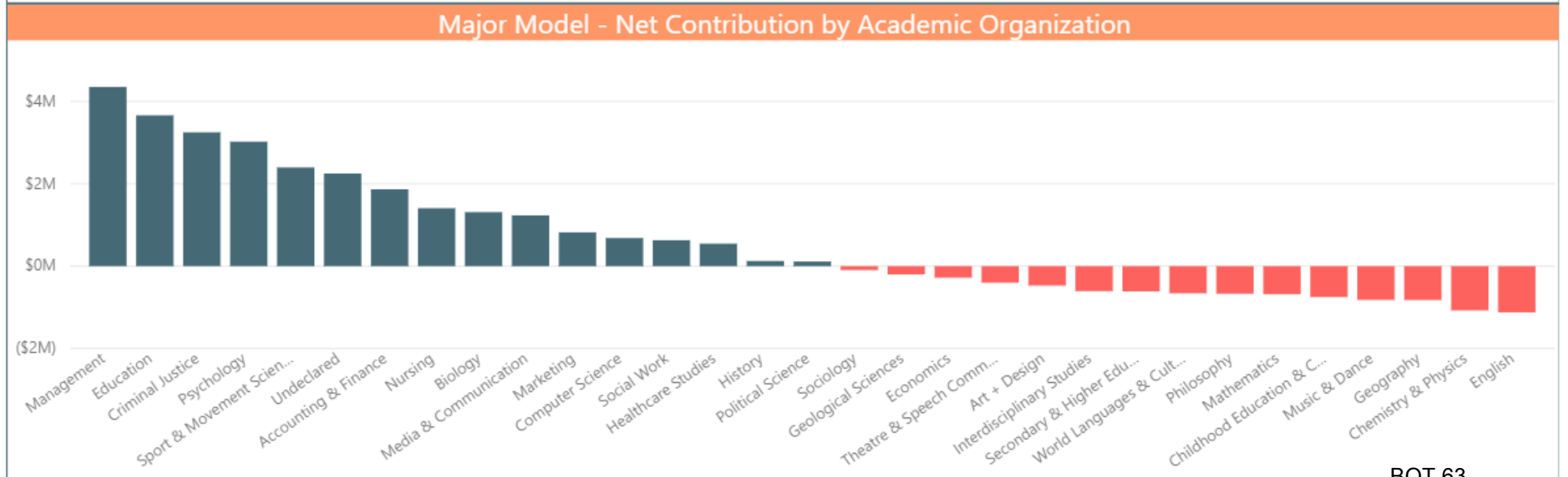
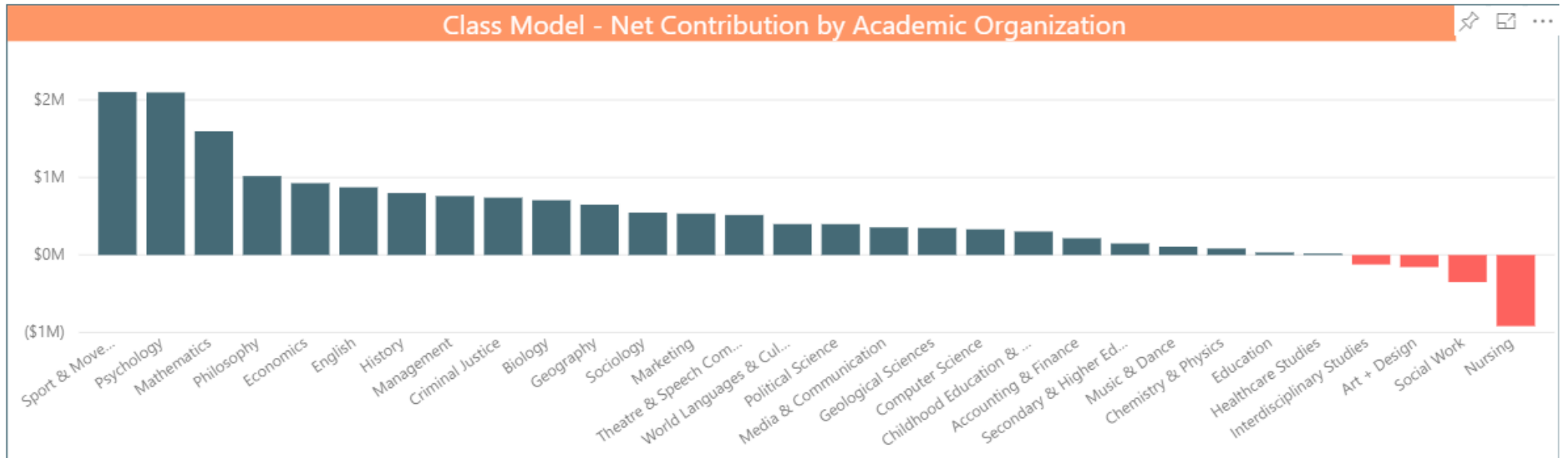
- 2017
- 2018

AcadGroupDescription

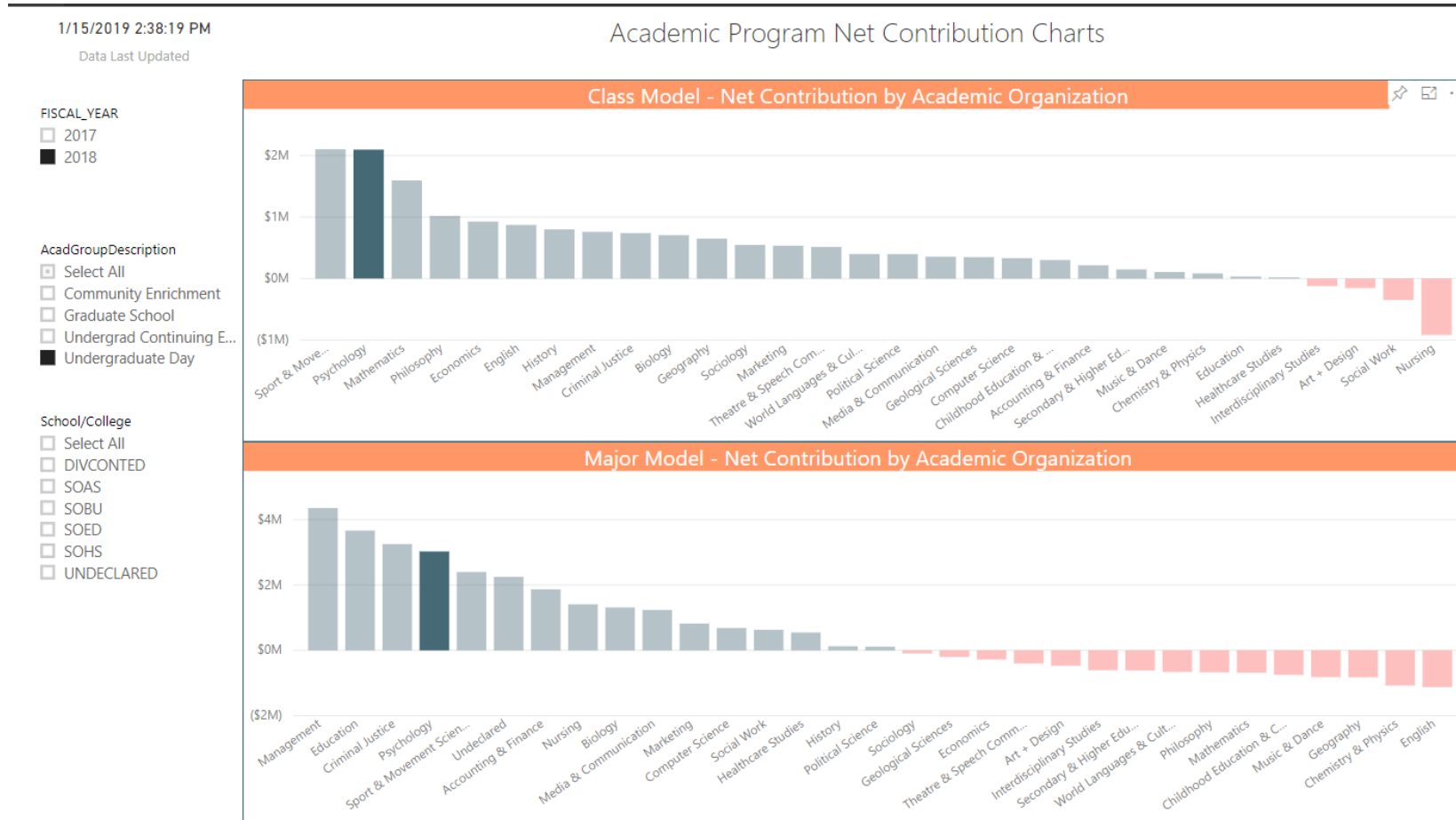
- Select All
- Community Enrichment
- Graduate School
- Undergrad Continuing E...
- Undergraduate Day

School/College

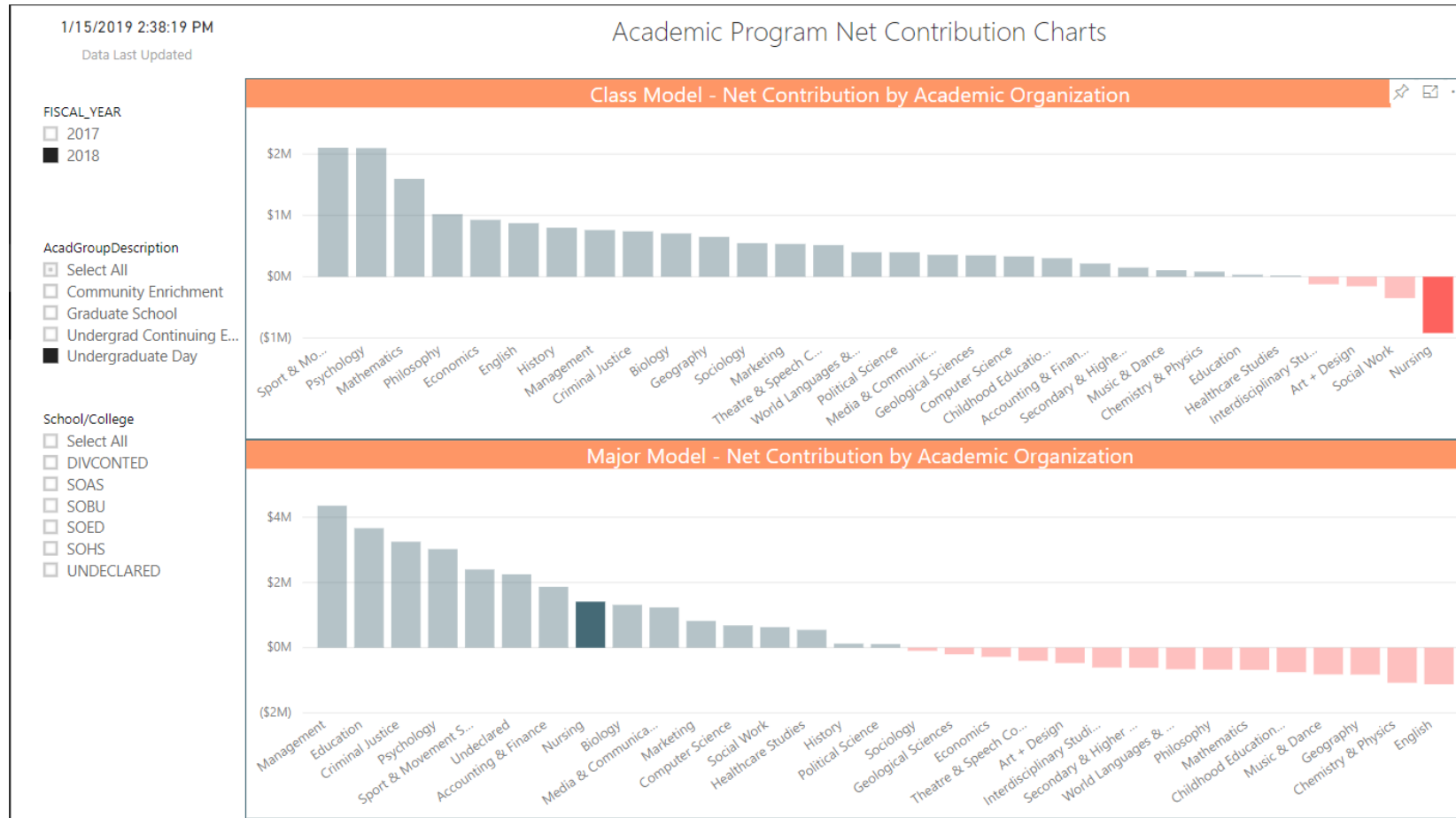
- Select All
- DIVCONTEd
- SOAS
- SOBU
- SOED
- SOHS
- UNDECLARED



Psychology – Ranks high in both models



Nursing – Ranks lowest in class model but high in major model



Net Contribution

Demand and Yield Intersected with Net Contribution
(RPK Approach)

Demand and Yield Matrix Intersected with Net Contribution

Count of applicants compared to yield with bubble color representing net revenue (select revenue model from dropdown)

Admission Term

2017 Fall

Last Update Date/Time

Attachment B

2/8/2019 5:17:55 AM

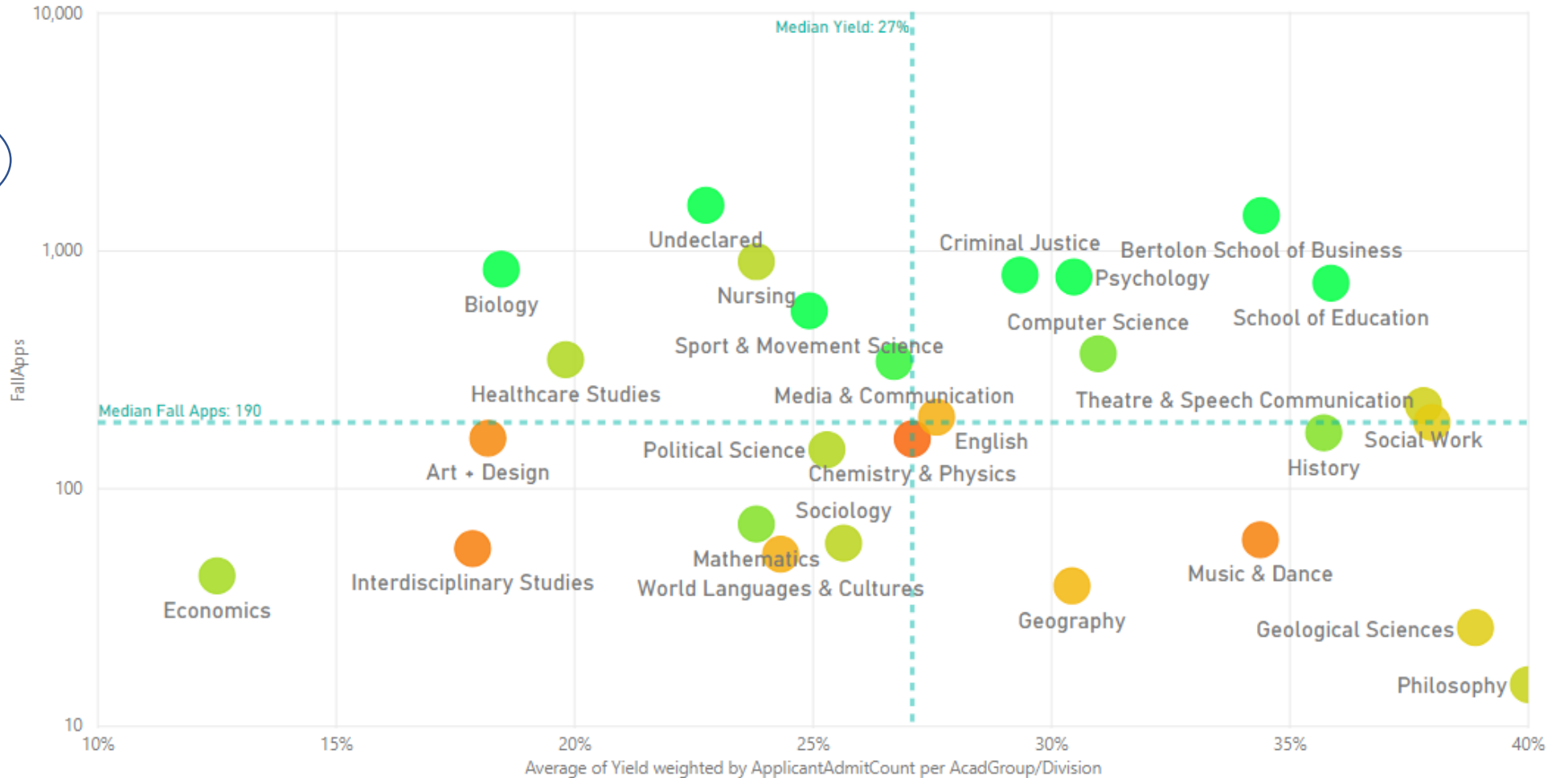
FISCAL_YEAR

Revenue Model

- Academic Group/Division
- Select All
 - Community Enrichment
 - Graduate School
 - Undergrad Continuing Educati...
 - Undergraduate Day

- Academic Org
- Select All
 - Art + Design
 - Bertolon School of Business
 - Biology
 - Chemistry & Physics
 - Computer Science
 - Criminal Justice
 - Economics
 - English
 - Geography

Demand vs. Yield - Color represents the selected revenue model



Color coding legend:



* Students that apply to one major, then change to another major are counted in the most current major. Example: Student that applies to Nursing, switches to Biology is counted in Biology, not Nursing

Demand and Yield Matrix Intersected with Net Contribution

Count of applicants compared to yield with bubble color representing net revenue (select revenue model from dropdown)

Admission Term

Last Update Date/Time

2017 Fall

Attachment B
2/8/2019 5:17:55 AM

FISCAL_YEAR

2018

Revenue Model

Class Model

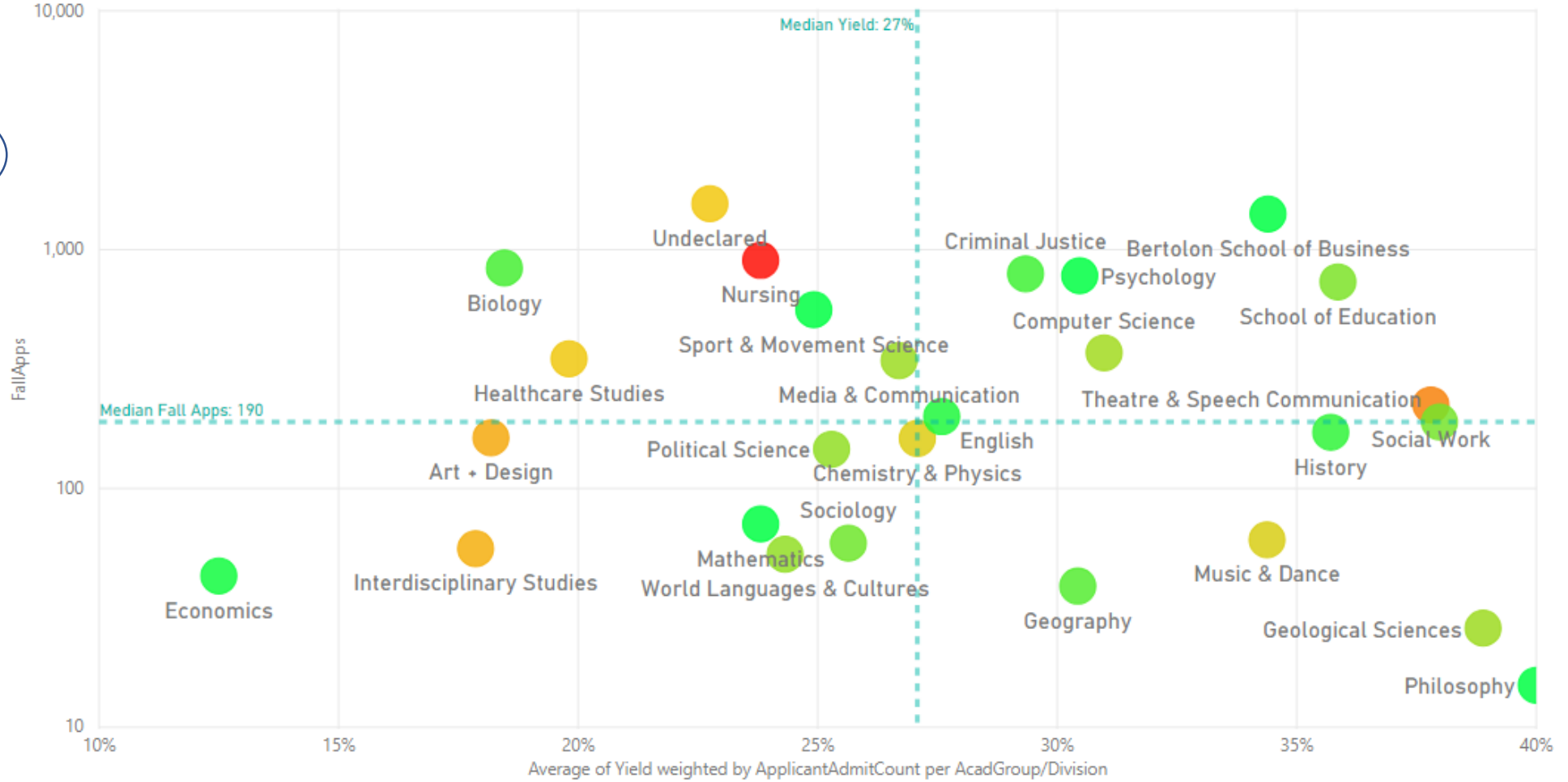
Academic Group/Division

- Select All
- Community Enrichment
- Graduate School
- Undergrad Continuing Educati...
- Undergraduate Day

Academic Org

- Select All
- Art + Design
- Bertolon School of Business
- Biology
- Chemistry & Physics
- Computer Science
- Criminal Justice
- Economics
- English
- Geography

Demand vs. Yield - Color represents the selected revenue model



Color coding legend:



* Students that apply to one major, then change to another major are counted in the most current major. Example: Student that applies to Nursing, switches to Biology is counted in Biology, not Nursing

BOT 68

Demand and Yield Matrix Intersected with Net Contribution

Count of applicants compared to yield with bubble color representing net revenue (select revenue model from dropdown)

Admission Term

Last Update Date/Time

2017 Fall

Attachment B
2/8/2019 5:17:55 AM

FISCAL_YEAR

2018

Revenue Model

Major Model

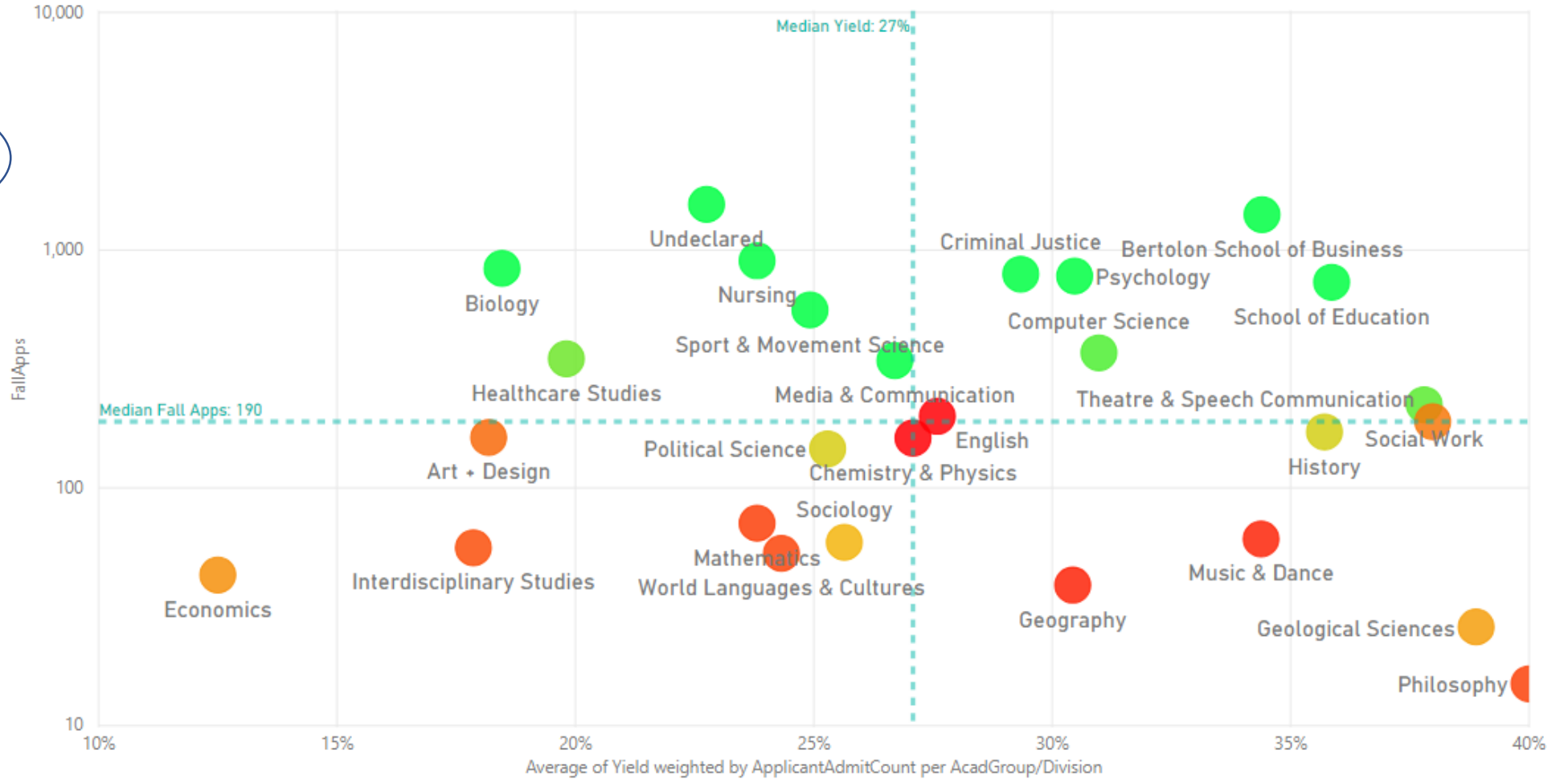
Academic Group/Division

- Select All
- Community Enrichment
- Graduate School
- Undergrad Continuing Educati...
- Undergraduate Day

Academic Org

- Select All
- Art + Design
- Bertolon School of Business
- Biology
- Chemistry & Physics
- Computer Science
- Criminal Justice
- Economics
- English
- Geography

Demand vs. Yield - Color represents the selected revenue model

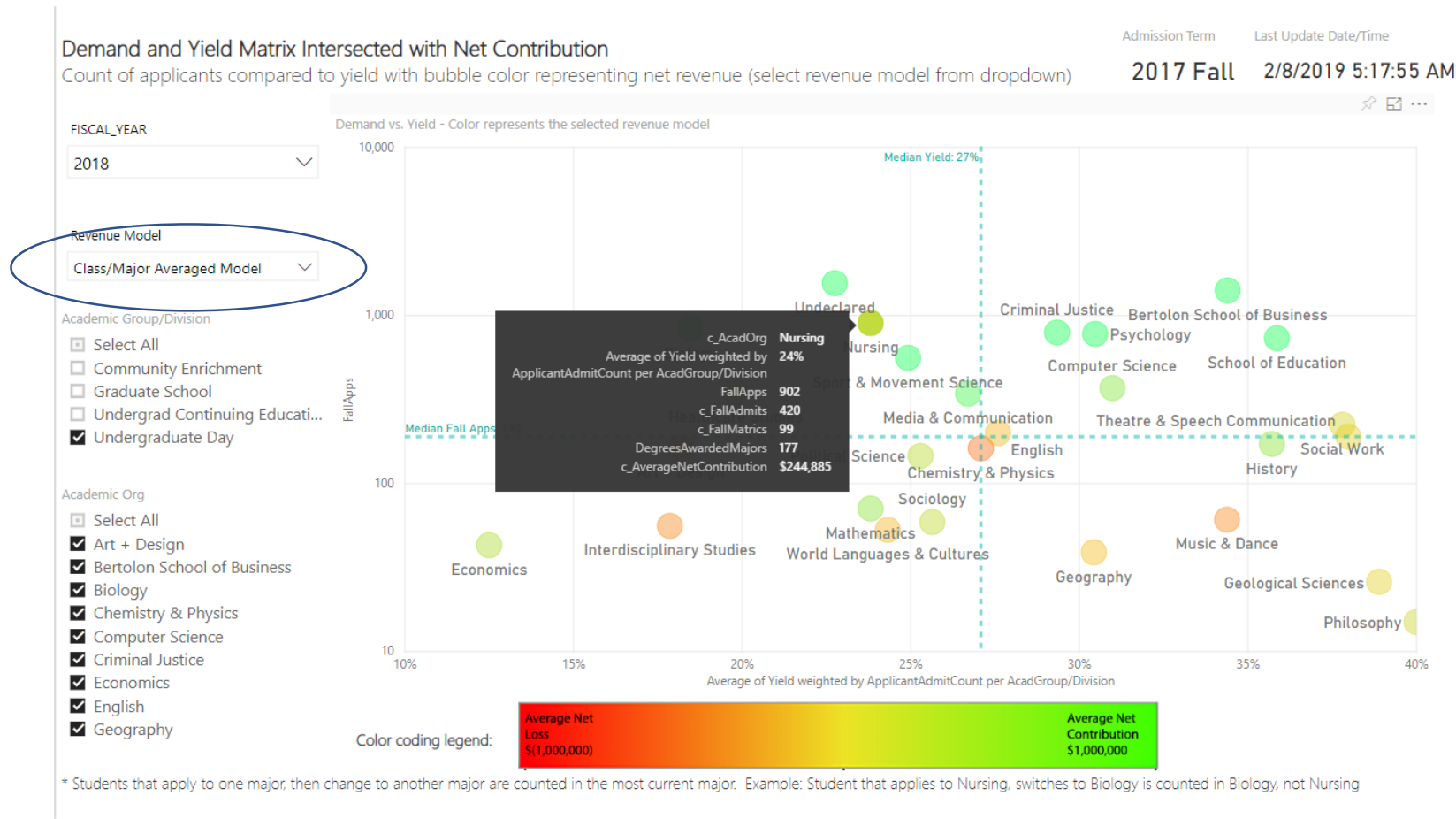


Color coding legend:

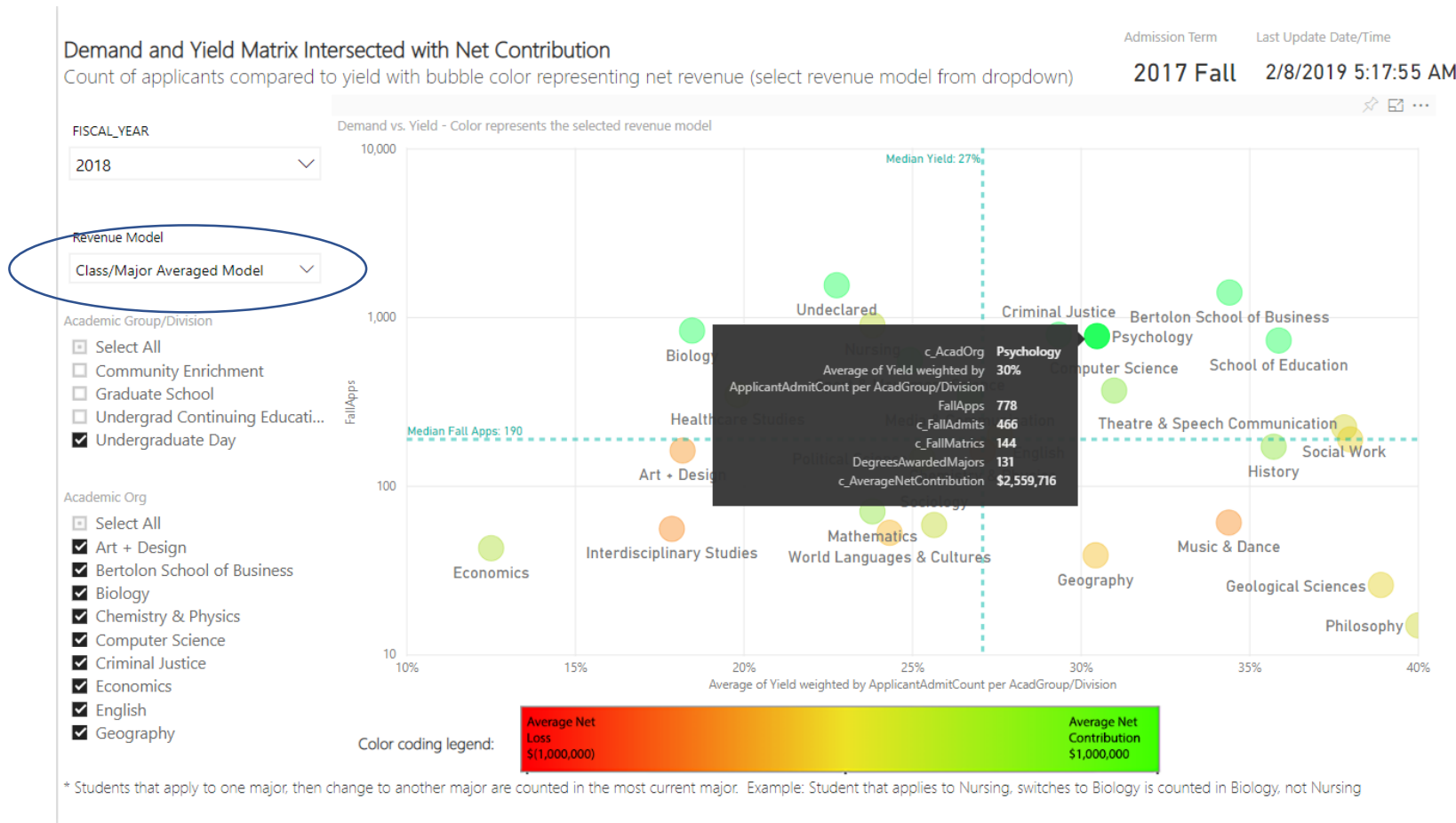


* Students that apply to one major, then change to another major are counted in the most current major. Example: Student that applies to Nursing, switches to Biology is counted in Biology, not Nursing

Nursing – High demand moderate yield



Psychology – High demand/high yield



Academic Department Metrics

Cost per Credit Hour

Cost Per Credit Hour

"Divide the direct salary costs of instruction, department administration, and other locally purchased goods and services by total student credit hours to discover trends and outliers, as well as the root causes of variation among ostensibly 'like' units."
 - EAB No Regrets Analysis

\$445 GRAD RevenuePerCre...	\$386 UGCE RevenuePerCre...	\$376 UGDAY RevenuePerC...
\$270 GRAD CostPerCredit	\$113 UGCE CostPerCredit	\$286 UGDAY CostPerCredit

Attachment B

FISCAL_YEAR

2018

TermDescription

All

AcadGroupDescription

Undergraduate Day

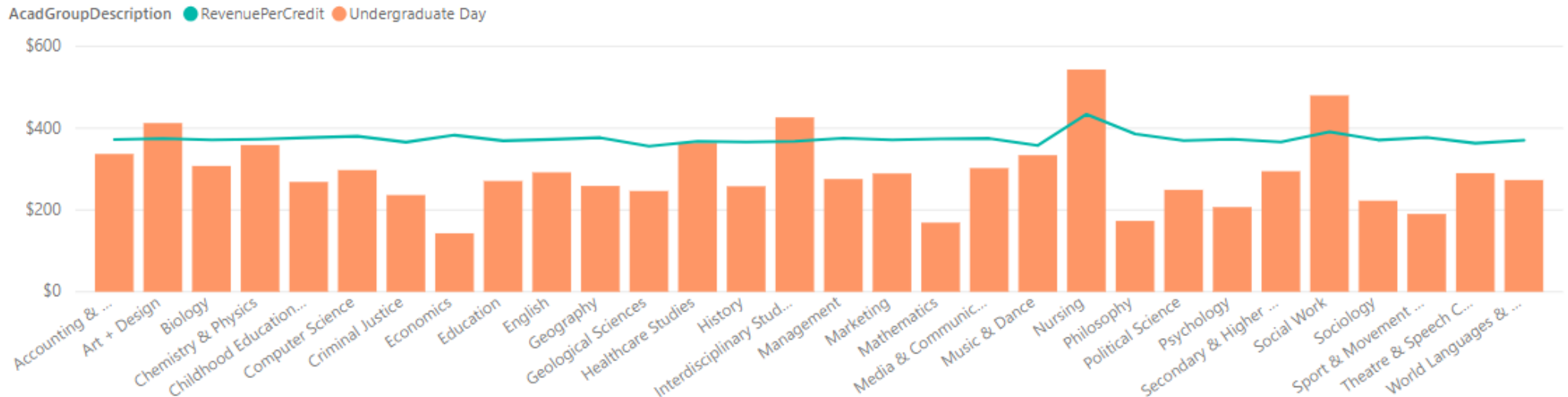
School/College

- SOAS
- SOBU
- SOED
- SOHS

AcadOrgDescription

- Select All
- Accounting & Finance
- Art + Design
- Biology
- Chemistry & Physics
- Childhood Education & ...

Cost Per Credit Compared to Revenue Per Credit



AcadGroupDescription	Undergraduate Day	Revenue Per Credit	Cost Per Credit			
AcadOrgDescription	StudentCreditHours	StudentCreditHoursBilled	ClassRevenueTotal	RevenuePerCredit	SalaryComp	CostPerCredit
Nursing	8,372	8,372.00	3,633K	\$434	4,550K	\$543
Philosophy	4,787	4,787.00	1,848K	\$386	830K	\$173
Political Science	3,300	3,300.00	1,220K	\$370	822K	\$249
Psychology	12,639	12,638.50	4,712K	\$373	2,615K	\$207
Secondary & Higher Education	2,082	2,081.50	762K	\$366	614K	\$295
Social Work	3,908	3,908.00	1,527K	\$391	1,876K	\$480
Sociology	3,684	3,684.00	1,367K	\$371	820K	\$223
Sport & Movement Science	11,227	11,226.50	4,238K	\$377	2,136K	\$190
Theatre & Speech Communication	7,033	7,033.00	2,555K	\$363	2,039K	\$290
World Languages & Cultures	4,107	4,107.00	1,521K	\$370	1,122K	\$273
Total	167,569	167,569.00	62,944K	\$376	47,895K	\$286

Cost Per Credit Hour

"Divide the direct salary costs of instruction, department administration, and other locally purchased goods and services by total student credit hours to discover trends and outliers, as well as the root causes of variation among ostensibly 'like' units."

- EAB No Regrets Analysis

\$454 GRAD RevenuePerCre...	\$421 UGCE RevenuePerCre...	\$397 UGDAY RevenuePerC...
\$247 GRAD CostPerCredit	\$127 UGCE CostPerCredit	\$341 UGDAY CostPerCredit

Attachment B

FISCAL_YEAR

2018

TermDescription

All

AcadGroupDescription

Multiple selections

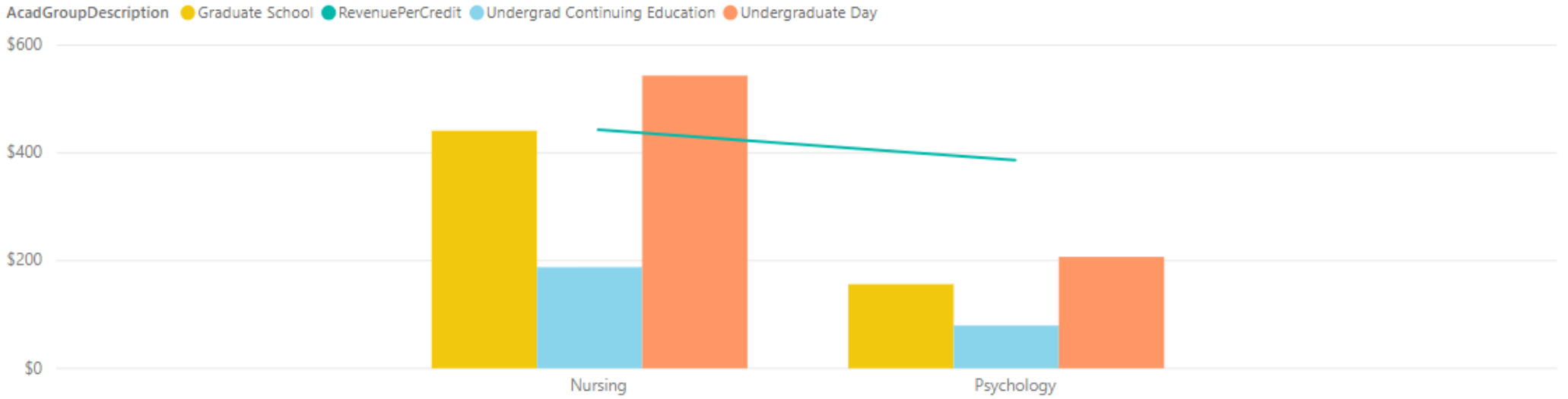
School/College

- SOAS
- SOHS

AcadOrgDescription

- Select All
- Accounting & Finance
- Art + Design
- Biology
- Chemistry & Physics
- Childhood Education & ...

Cost Per Credit Compared to Revenue Per Credit



AcadGroupDescription	Graduate School	Undergrad Continuing Educ
AcadOrgDescription	StudentCreditHours	StudentCreditHours
Nursing	1,414	1,667
Psychology	3,032	2,151
Total	4,446	3,818

AcadGroupDescription	StudentCreditHoursBilled	ClassRevenueTotal	RevenuePerCredit	SalaryComp	CostPerCredit
Nursing	1,414.00	669K	\$473	624K	\$441
Psychology	3,031.50	1,350K	\$445	474K	\$156
Total	4,445.50	2,018K	\$454	1,097K	\$247

Academic Department Metrics

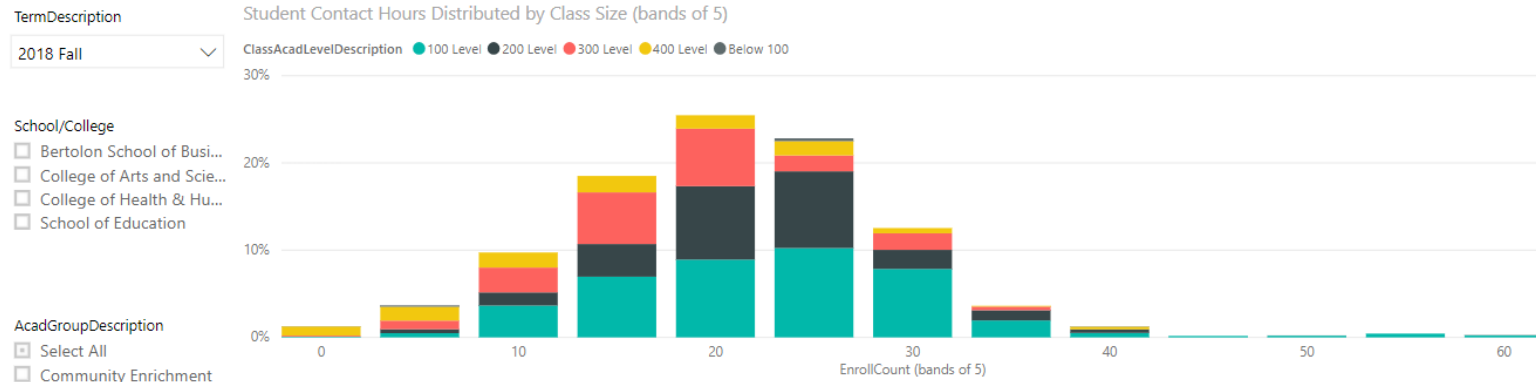
Class Size Distribution

University-wide Class Size Distribution

Class Size Distribution

Distribution of contact hours by class size.

Class sizes are banded in groups of 5. The bar labelled 0 is 0 thru 4, 5 is 5 thru 9, 10 is 10 thru 14, and so on. Combined and crosslisted sections are excluded.



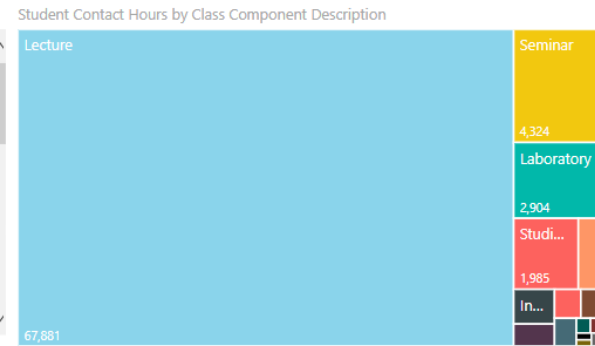
- School/College
- Bertolon School of Busi...
 - College of Arts and Scie...
 - College of Health & Hu...
 - School of Education

- AcadGroupDescription
- Select All
 - Community Enrichment
 - Graduate School
 - Undergrad Continuing E...
 - Undergraduate Day

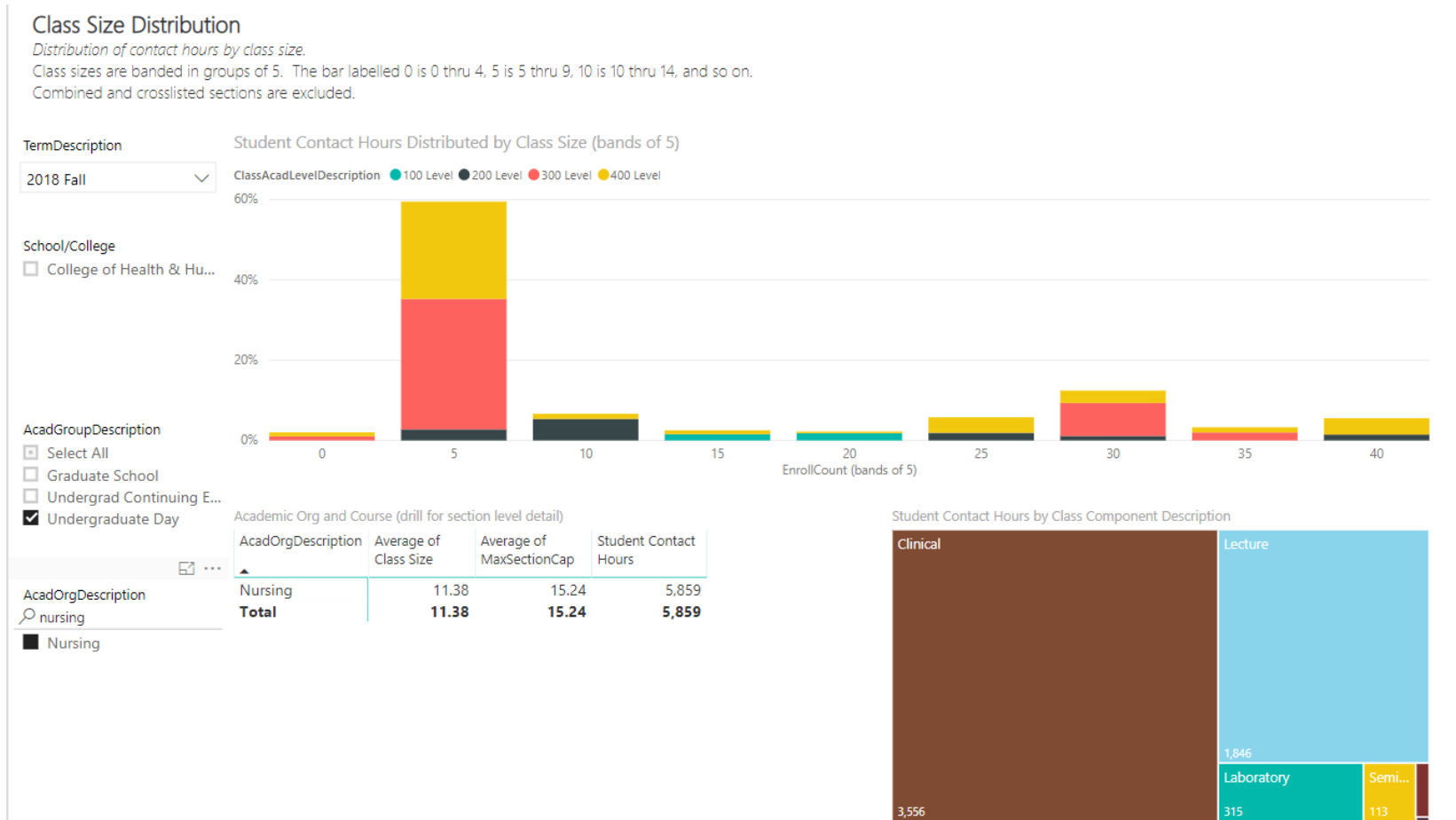
- AcadOrgDescription
- Accounting & Finance
 - Art + Design
 - Biology
 - Chemistry & Physics
 - Childhood Education & ...
 - Computer Science
 - Criminal Justice
 - Economics
 - Education

Academic Org and Course (drill for section level detail)

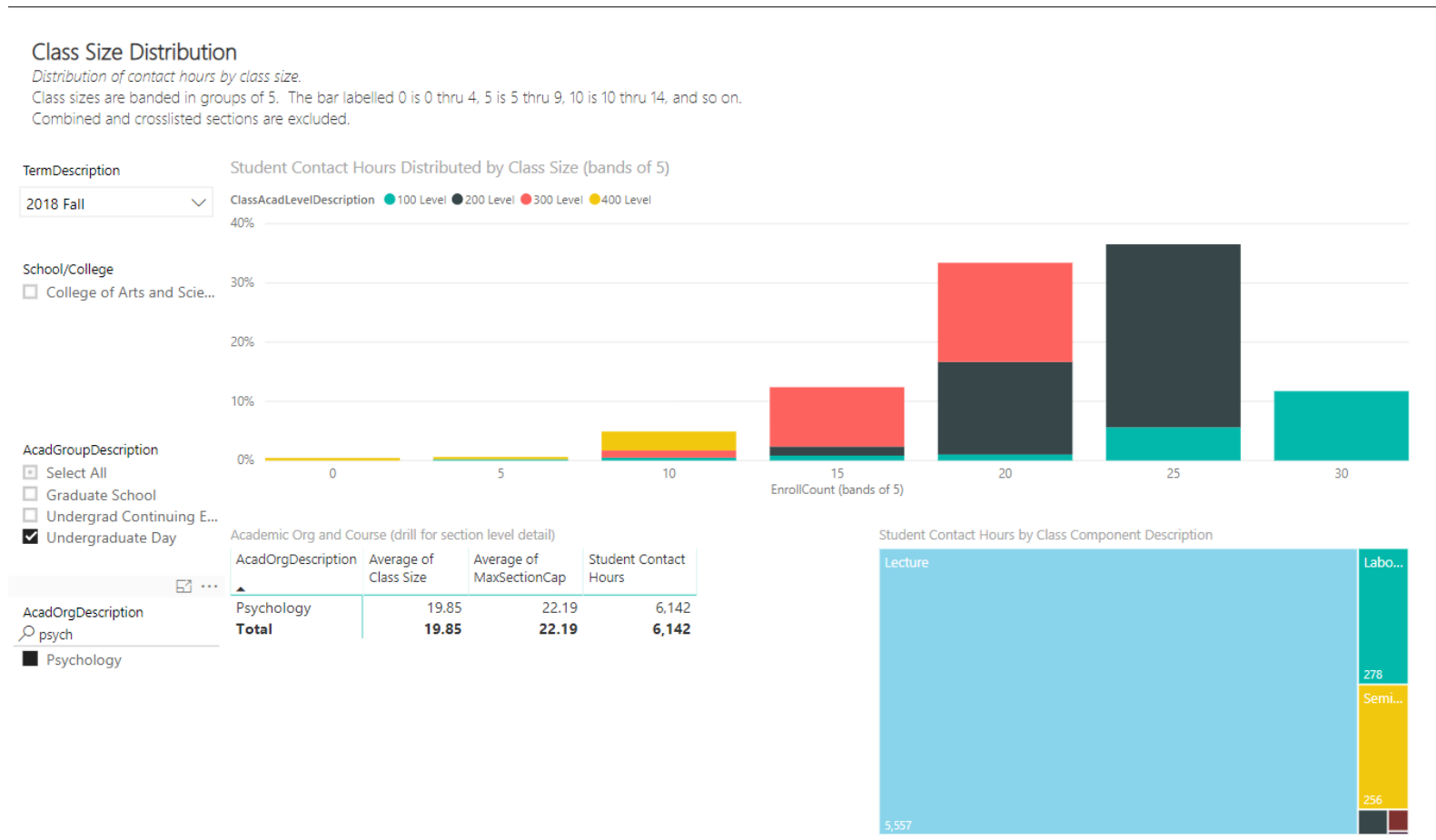
AcadOrgDescription	Average of Class Size	Average of MaxSectionCap	Student Contact Hours
Accounting & Finance	23.29	27.54	2,865
Art + Design	14.06	18.02	2,858
Biology	15.82	19.83	4,779
Chemistry & Physics	16.52	23.07	3,948
Childhood Education & Care	14.44	17.56	1,057
Computer Science	16.70	26.02	2,271
Criminal Justice	24.54	27.41	2,871
Economics	22.80	26.76	1,662
Education	17.17	21.33	309
English	16.60	18.25	5,577
Total	16.82	21.16	79,992



Nursing Class Size Distribution – Small Clinicals & Labs



Psychology Class Size Distribution – Large Lectures



Academic Department Metrics

Course Level DFW Rates

Course Level DFW Rates

DFW count as a percent of enrolled students and total DFW counts
 Class sections with less than three students enrolled are excluded

TermDescription

2018 Fall

ClassAcadOrgParentNode

- SOAS
- SOBU
- SOED
- SOHS

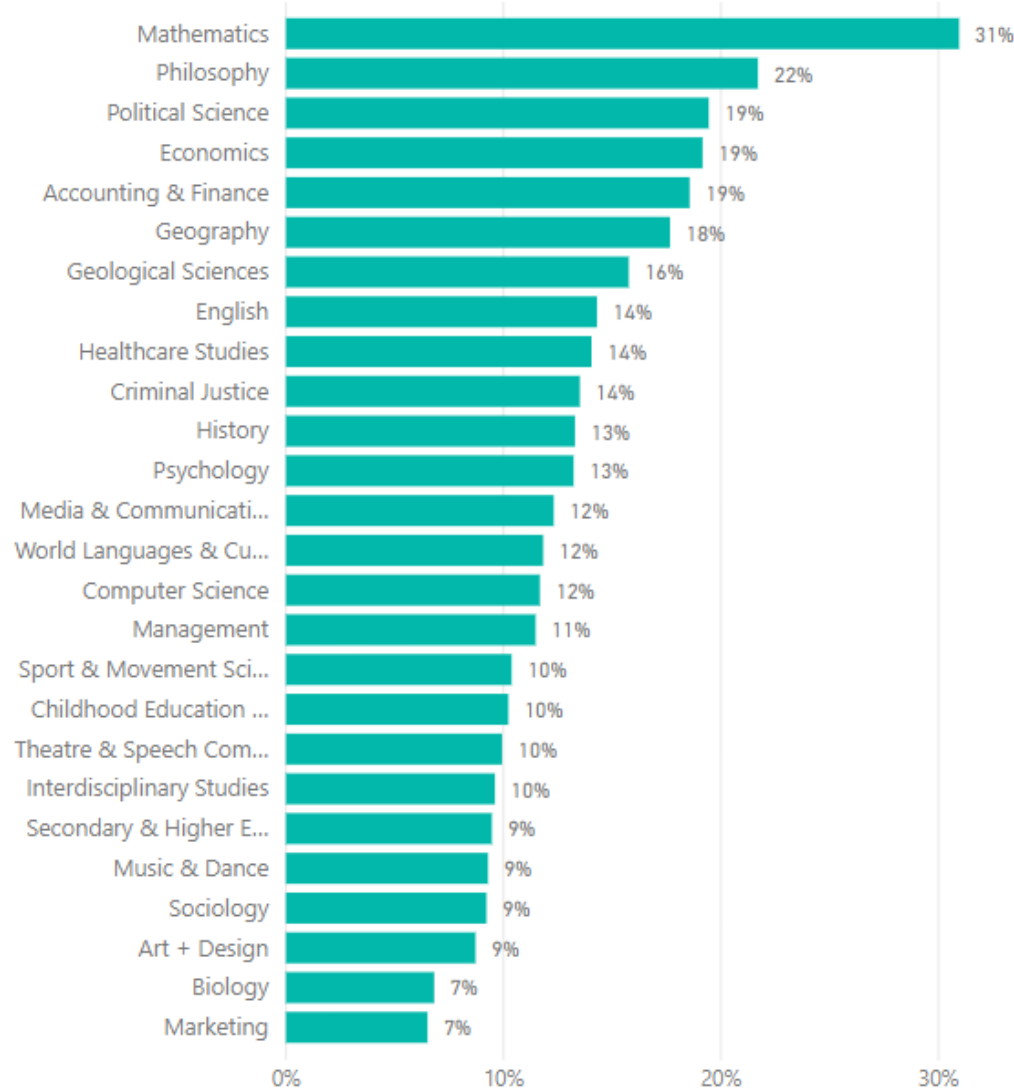
AcadGroupDescription

- Select All
- Graduate School
- Undergrad Continuing E...
- Undergraduate Day

AcadOrgDescription

- Accounting & Finance
- Art + Design
- Biology
- Chemistry & Physics
- Childhood Education & ...
- Computer Science
- Criminal Justice
- Economics
- Education
- English

DFW as a Percentage of Enrollment



11.70%

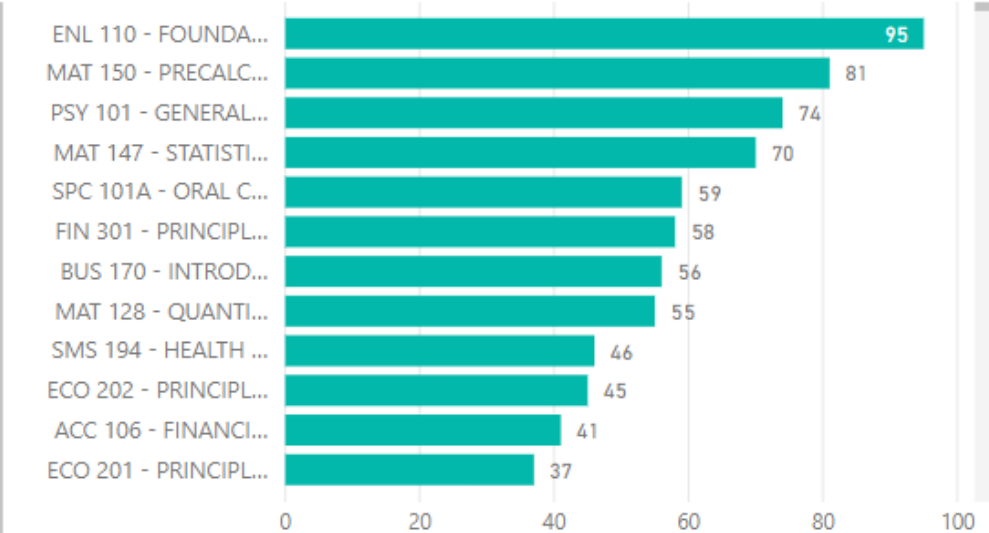
Undergrad DFW Percentage

1.93%

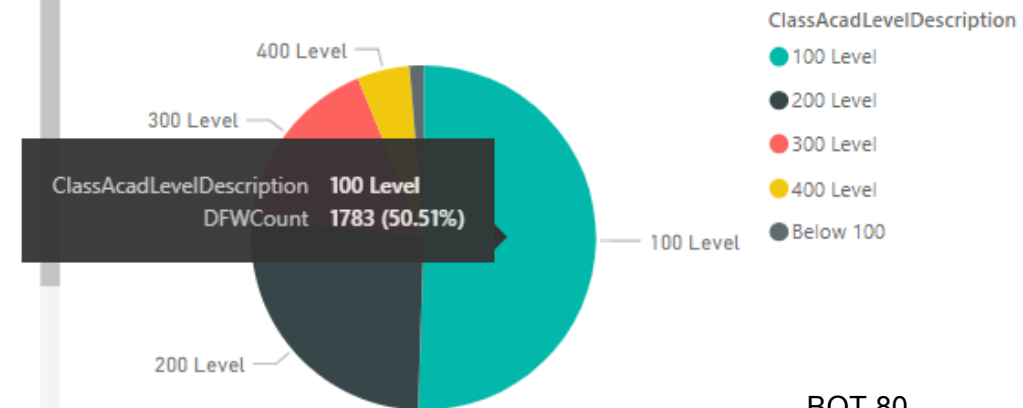
Grad DFW Percentage

Attachment B

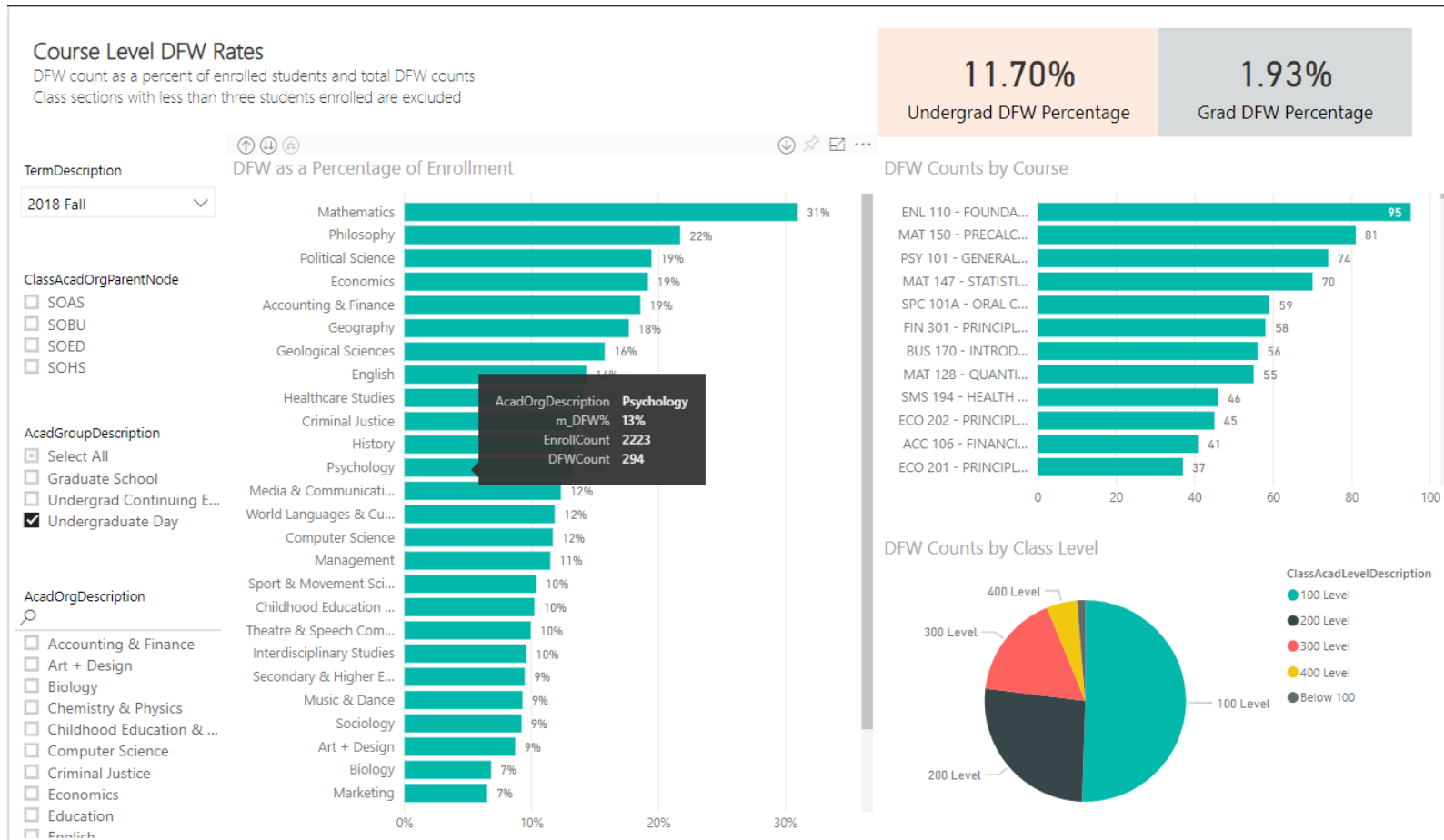
DFW Counts by Course



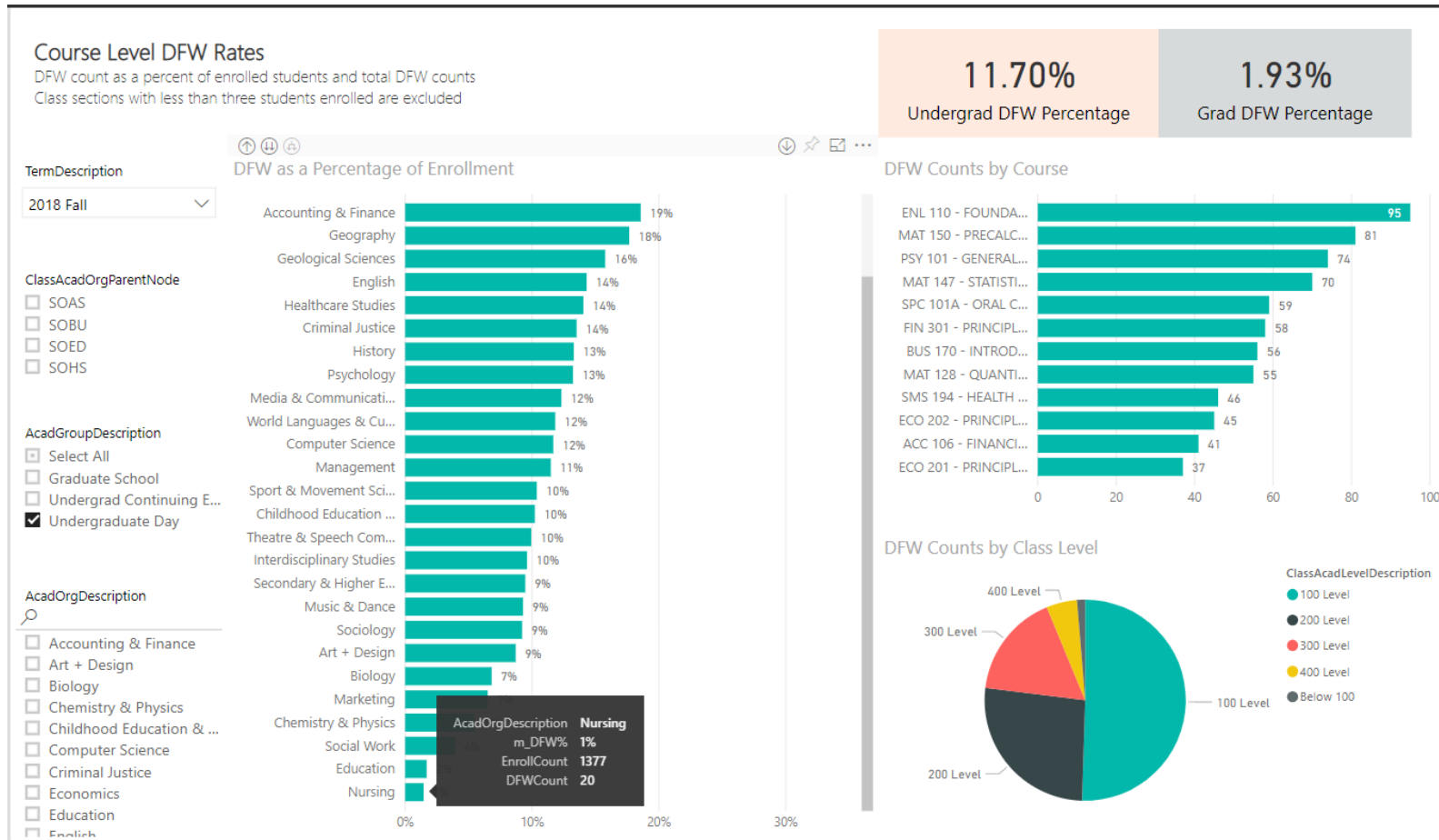
DFW Counts by Class Level



Psychology – 13% DFW Rate



Nursing – 1% DFW Rate, lowest in university



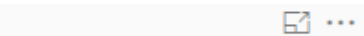
Academic Department Metrics

Relative SCH (Student Credit Hours) Growth

Tracking the Relative Growth of Department SCH

"Track the average institutional growth in SCH, and graph department growth against the overall average to find out which departments are growing faster and slower than average."

- EAB No Regrets Analysis



TermDescription

- 2018 Fall
- 2017 Fall
- 2016 Fall
- 2015 Fall
- 2014 Fall

AcadGroupDescription

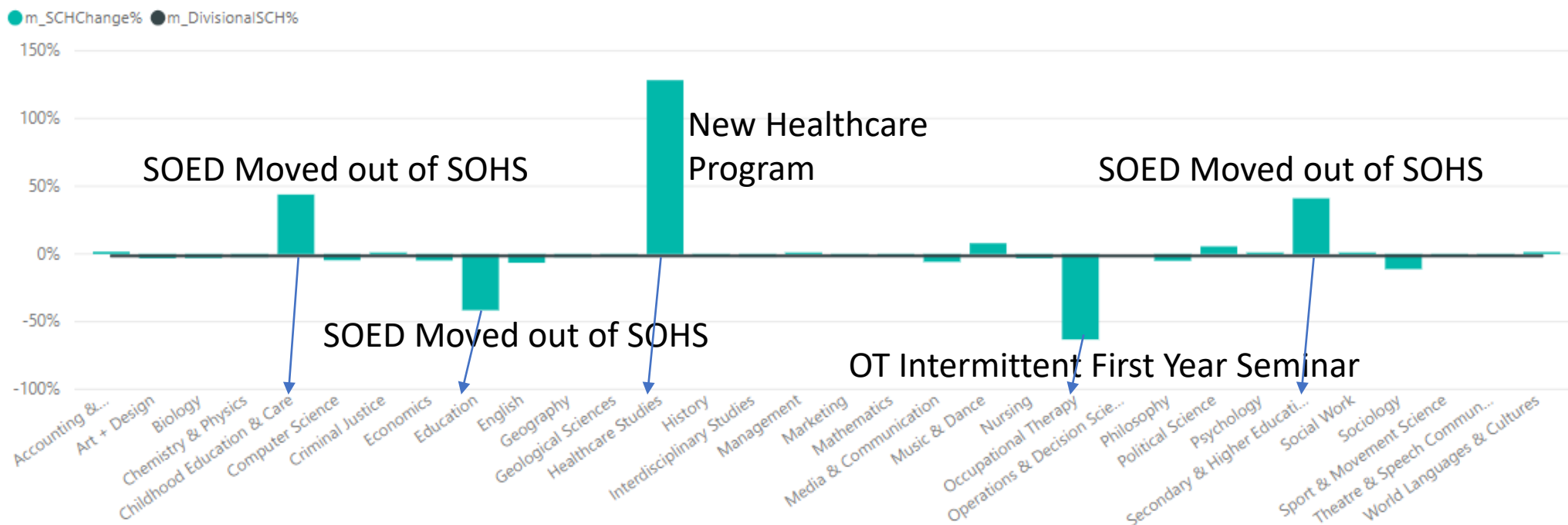
Undergraduate Day

School/College

- SOAS
- SOBU
- SOED
- SOHS

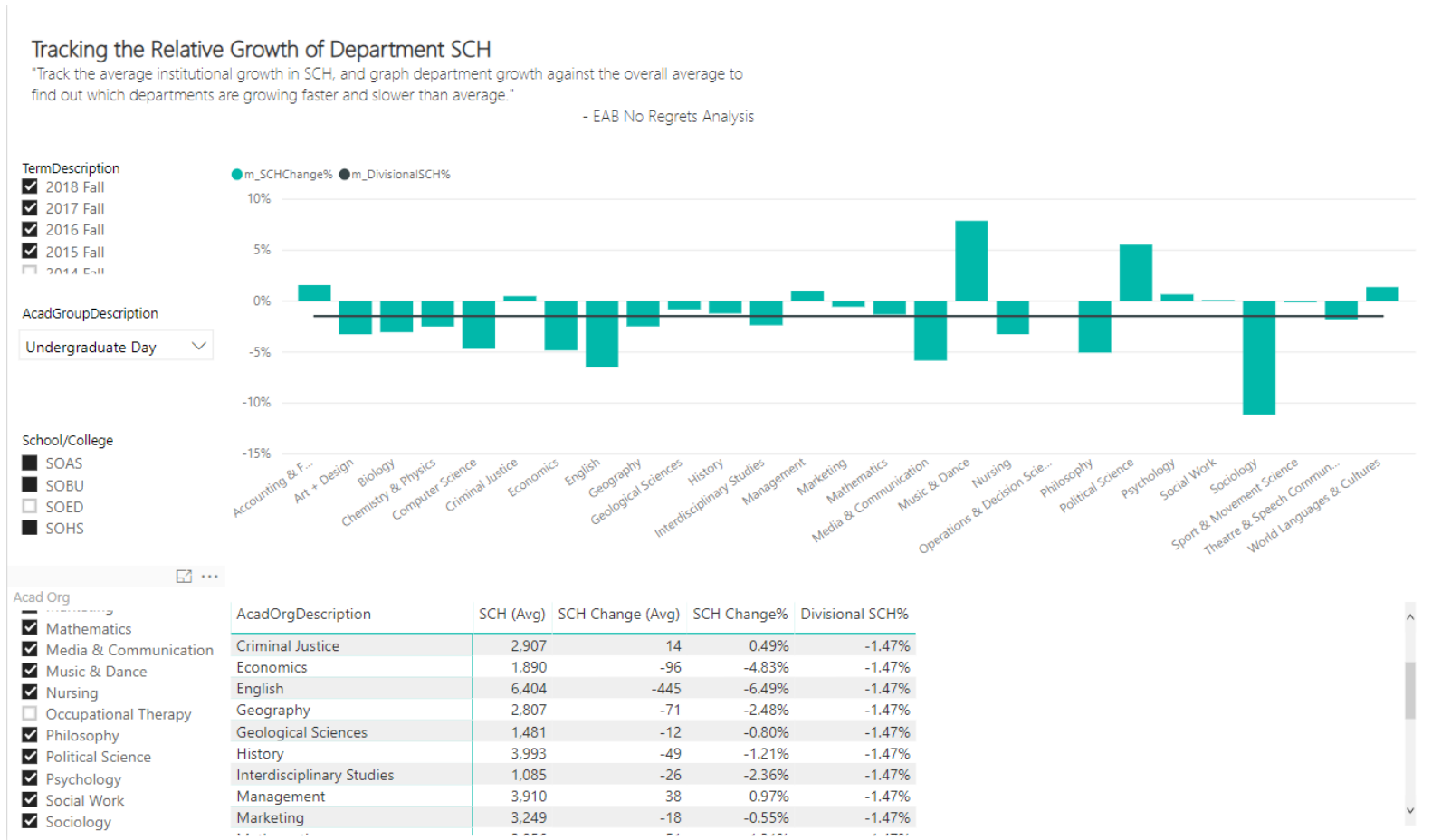
Acad Org

- Select All
- Accounting & Finance
- Art + Design
- Biology
- Chemistry & Physics
- Childhood Education & ...
- Computer Science
- Criminal Justice
- Economics
- Education



AcadOrgDescription	SCH (Avg)	SCH Change (Avg)	SCH Change%	Divisional SCH%
Criminal Justice	2,907	14	0.49%	-1.47%
Economics	1,890	-96	-4.83%	-1.47%
Education	948	-675	-41.58%	-1.47%
English	6,404	-445	-6.49%	-1.47%
Geography	2,807	-71	-2.48%	-1.47%
Geological Sciences	1,481	-12	-0.80%	-1.47%
Healthcare Studies	940	528	128.31%	-1.47%
History	3,993	-49	-1.21%	-1.47%
Interdisciplinary Studies	1,085	-26	-2.36%	-1.47%

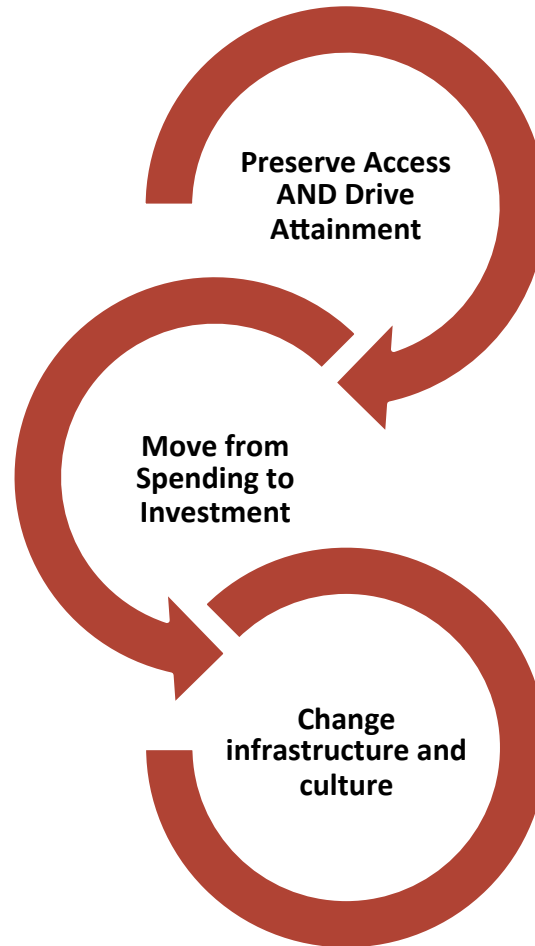
Outliers Removed



Need to Shift the Frame:

from Cost Cutting to **Maximizing** Return on Investment

then we must get a **better return on investment** from current resources through understanding levers to change the business model...

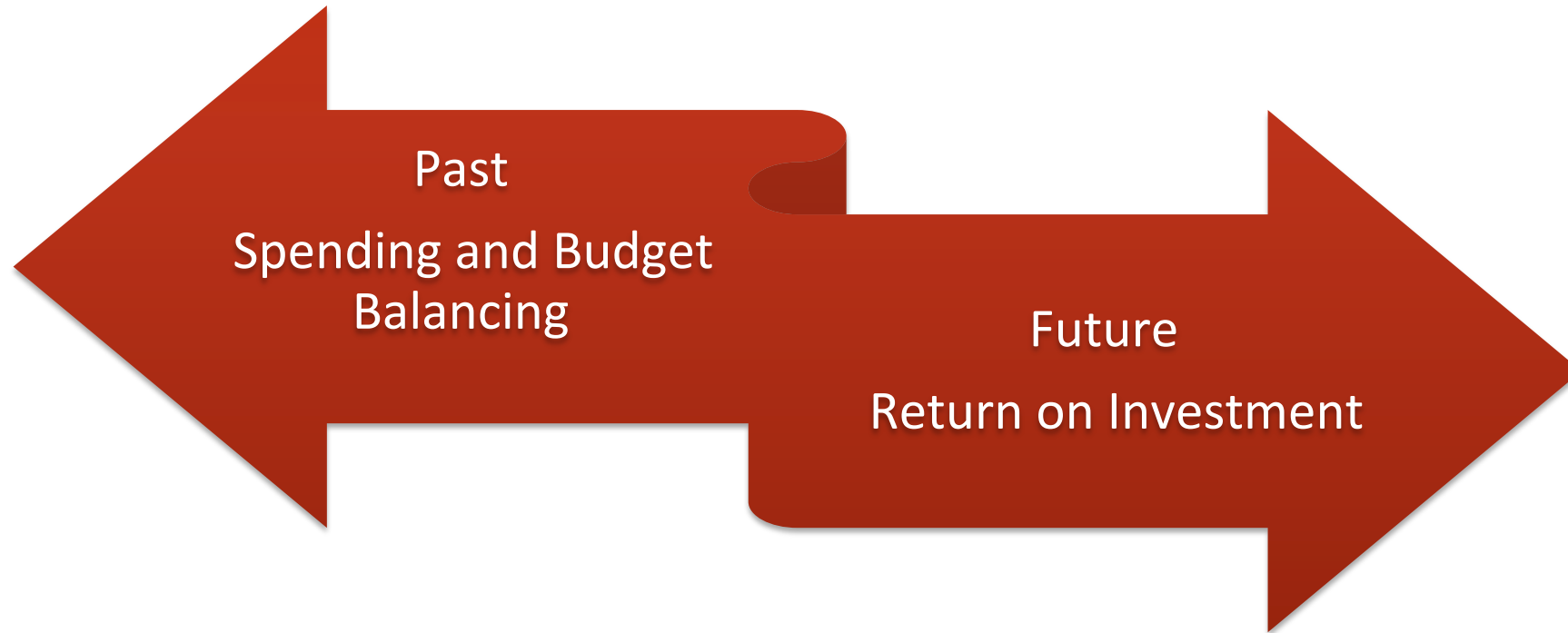


If we are to **preserve access and increase attainment**, in a world of constrained resources and fewer students...

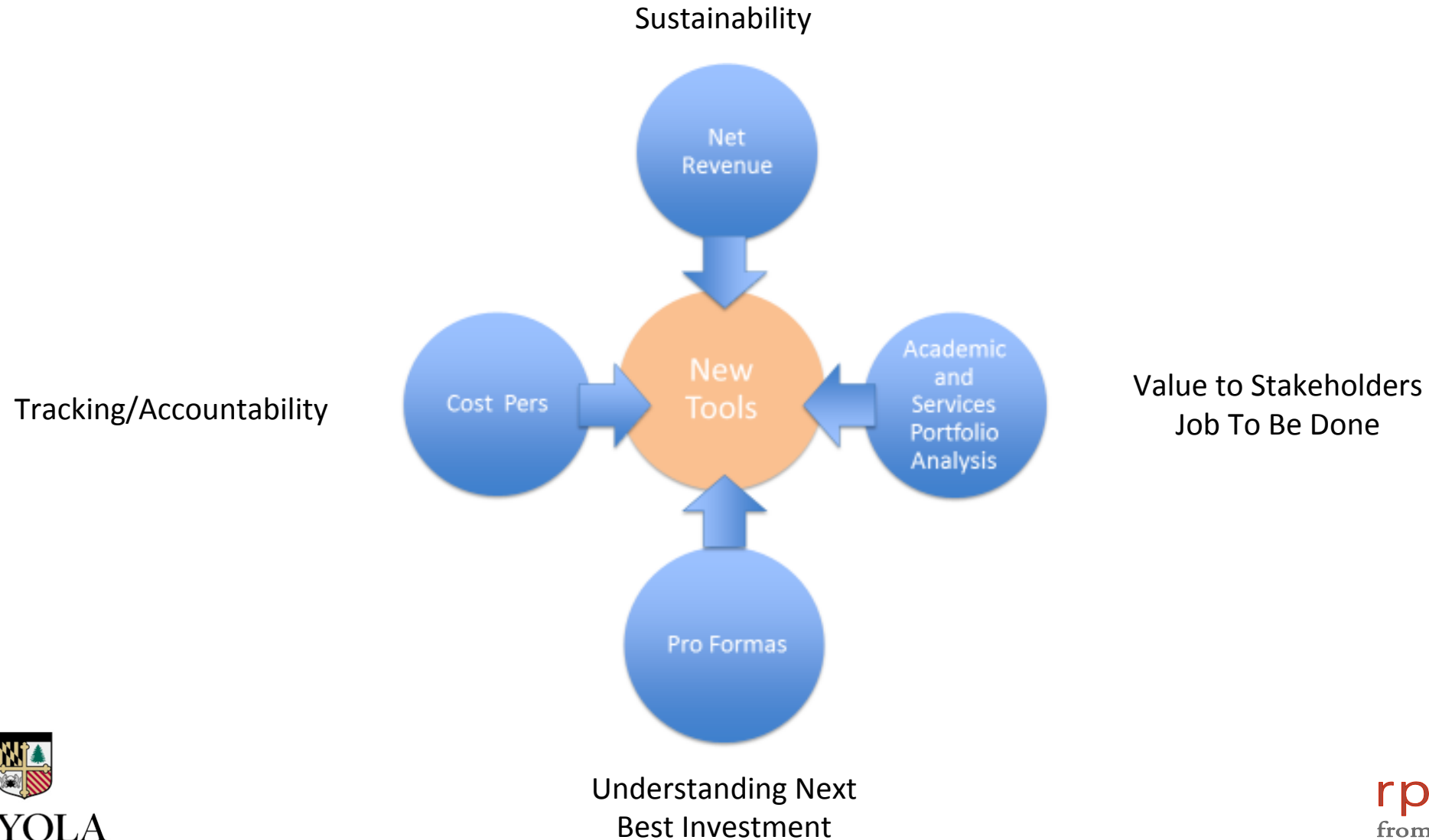
which will require a strategic approach connecting **financial practice** with **institutional change models**.



Need to Redefine the Goal



Creating a New Tool Box to Adopt a Strategic Return on Investment Lens

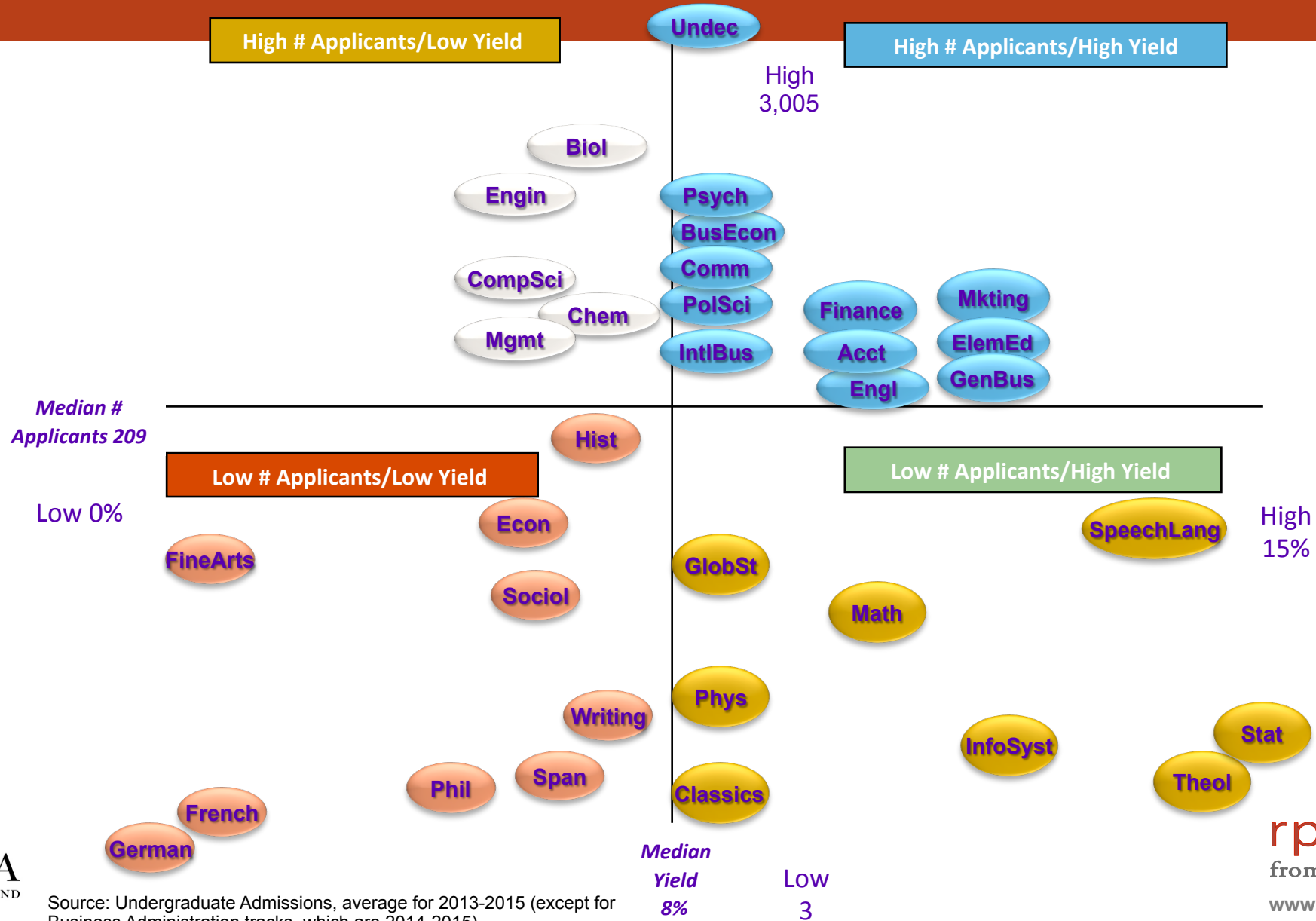


Academic Portfolio Approaches

- Portfolio Mix
 - Analysis of portfolio mix, combining demand/yield, student outcomes, and net revenue components
 - Identification of opportunities regarding portfolio mix investment, restructuring and reallocation
- Efficiency and Productivity
 - Analysis of program cost metrics to assess efficiencies and productivity
 - Identification of opportunities for reallocation and new investment to improve academic program efficiencies and productivity, and to drive cost savings and net revenue
- Creation of a framework and tools to support decisions on new investments and reallocation within the academic portfolio



Understanding Demand and Yield



Overlaying Net Revenue

	# applic	appl/enrol	# degrees
High demand, low yield, high degrees			
Biol	1,985	7%	50
Engin	975	6%	16
Mgmt	244	6%	21

	# applic	appl/enrol	# degrees
High demand, low yield, low degrees			
CompSci	285	6%	5
Chem	257	7%	4

	# applic	appl/enrol	# degrees
High demand, high yield, high degrees			
Psych	919	8%	75
Comm	627	8%	113
PolSci	532	8%	40
Mkting	465	10%	68
ElemEd	443	10%	40
Acct	419	9%	55
Finance	418	9%	72
IntlBus	293	8%	34
Engl	216	9%	22

	# applic	appl/enrol	# degrees
High demand, high yield, low degrees			
GenBus	332	9%	13

	# applic	appl/enrol	# degrees
Low demand, low yield, high degrees			
Hist	202	7%	22

	# applic	appl/enrol	# degrees
Low demand, low yield, low degrees			
Econ	164	6%	12
FineArts	121	3%	3
Sociol	119	6%	9
Writing	56	7%	12
Span	28	6%	13
Phil	27	5%	6
French	12	3%	1
German	3	0%	0




	# applic	appl/enrol	# degrees
Low demand, high yield, high degrees			
SpeechLang	190	12%	59
GlobStud	177	8%	29
InfoSyst	38	10%	15

	# applic	appl/enrol	# degrees
Low demand, high yield, low degrees			
Math	112	9%	8
Phys	77	8%	4
Stat	33	15%	4
Theol	20	11%	4
Classics	15	8%	1



LOYOLA
UNIVERSITY MARYLAND

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 = positive net revenue (greater than \$50,000)
 = between \$50,000 and -\$50,000
 = negative net revenue (less than -\$50,000)

Note: Interdis and Biol/Psy are not included because demand/yield data are not available; undeclared majors of interest also not included. Average of 2013-2015 data. Source: Undergraduate Admissions, Finance Office and Fact Book.

Executive Imperatives for Balancing Revitalization and Discontinuance

1

Assemble the Right Data for Regular Program Health and Performance Conversations



- Evaluate programs annually to assess health, reward progress, and identify areas of concern
- Balance ease of collection, faculty receptiveness, and institutional priorities to determine the “right” program performance metrics

FF 50 of 53

2

Provide Watch-List Programs Structured Guidance and a Set Period of Time to Improve



- Guide program leaders to design improvement opportunities with the right data and expertise
- Establish up-front expectations for future program performance over a set period of time

3

Increase Resource Flexibility in Parallel to Program Redesign Efforts



- Deploy appropriate retirement incentives
- Clear the emotional hurdles that often hinder retirement
- Ensure disciplined position control over vacated faculty lines
- Use retirement as a forcing function for larger planning efforts

4

Ensure Program Discontinuance Minimizes Stakeholder Disruption and Maximizes Cost Savings



- Review institutional policies to ensure common faculty and student issues are appropriately addressed
- Refine talking points to explain the context and reason for discontinuance in light of larger institutional objectives

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The Right Data, at the Right Time

Attachment C

Core Financial and Mission-Oriented Priorities Should Inform Assessment

Three Approaches for Program-Specific Data



**These approaches are not mutually exclusive—
but ability to move on any one depends on:**

- Data accessibility
- Campus culture and objectives
- Stakeholder buy-in

FF 51 of 53

BOT 93

1) Profit and loss.



Design an Effective Evaluation Process to Prompt Continuous Improvement

1 Find the Right Frequency

Hold a formal evaluation conversation, at least annually

An annual review is a data-informed discussion with key decision makers based on a common data set to ensure accuracy and efficiency

2 Make it Easy

Minimize self-reporting burden on department chairs

A single data source alleviates burden on department chairs, who are not trained to analyze data, and makes comparisons across departments feasible and productive

3 Know Where You Stand

Share data on internal and external benchmarks openly

Without creating a competitive atmosphere, departments can benchmark their performance against other departments and focus on areas for improvement

4 Make It Matter

Reward improvement with recognition and resources

Rewards should be discretionary, such as funding that can be used for one-time expenses

5 Open the Black Box

Connect performance and data to major resource decisions

Provosts and deans should use the data to inform resource decisions and make their reasoning transparent

6 Keep It Focused

Prioritize 2-4 goals to focus on each year

Annual reviews should result in only two to four goals for departments to focus on throughout the year

Ten 'No-Regrets' Analyses

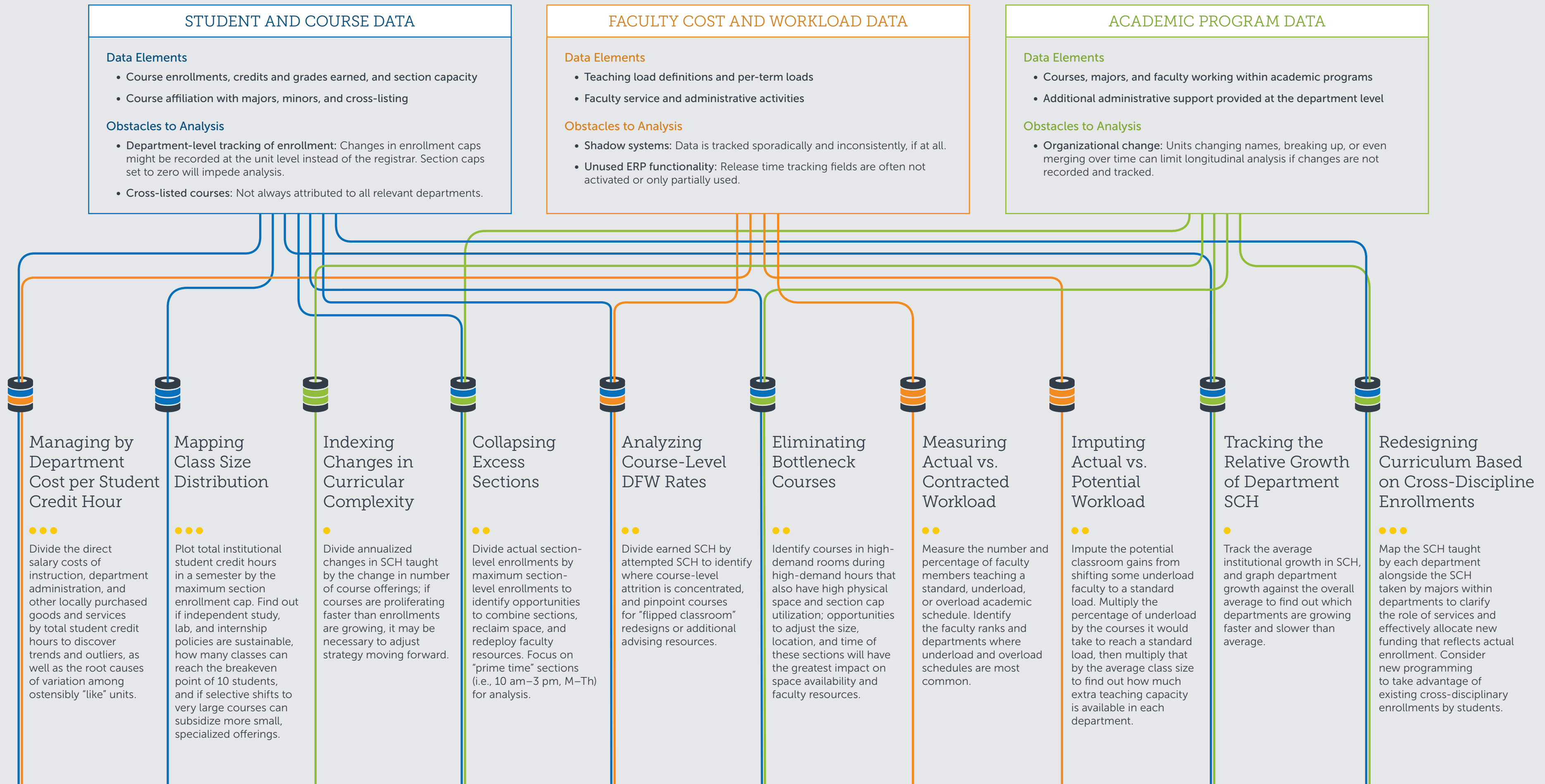
Decision Support Every Institution Should Provide to Every Department

What information can IT provide to help academic leaders improve instructional costs while advancing teaching, research, and service missions?

In partnership with the Gates Foundation, EAB has identified 10 analyses that isolate the key drivers of academic costs, pinpoint opportunities for savings, and allow department leaders to better meet future student demand.

Provide these analyses to department chairs and deans to enhance allocation of teaching, classroom, and advising resources.

Impact on Costs
 ● = Low
 ●● = Medium
 ●●● = High



SUBJECT: Risk Management and Audit Committee Meeting Report for March 27, 2019

The Risk Management and Audit Committee of the Board of Trustees met on Wednesday, March 27, 2019, in the Paul Petrowski Conference Room located in Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Lutts (chair), Zahlaway Belsito (vice chair), DeSimone, Katzman, Chair Mattera (ex-officio), President Keenan (ex-officio). Also present and participating: Vice President House (committee co-liaison), Assistant Vice President Labonte (committee co-liaison), General Counsel Colucci and staff associate Beaulieu.

Trustee Lutts, committee chair, called the meeting to order at 4:25 pm.

Reissuance of FY18 financial statements (Attachment A, B)

The meeting materials included a summary of the changes made due to the material change in the Other Post Employment Benefits (OPEB) information. This led to the required reissuance of the FY2018 Audited Financial Statements. A hard copy of the reissued statements (Attachment B) was distributed to the trustees present and will be mailed to those not in attendance. It was noted that any previous electronic or hard copies of the original audited financial statements should be destroyed.

Appointment of O'Connor & Drew auditors for FY19 (Attachment C)

Acknowledgement was made of reappointing O'Connor & Drew to perform the FY2019 audit. The auditors plan to be on campus May 22, 2019.

Executive session

Trustee Zahlaway Belsito **MOVED**, and Trustee DeSimone **SECONDED** a motion to enter into executive session in accordance with General Laws, Chapter 30A, for the purpose of emergency preparedness, discussing deployment of security forces or devices, or strategies with respect thereto and litigation update. A roll call vote was taken at 4:29 pm and it was unanimous to enter into executive session.

Voting in the affirmative: DeSimone, Katzman, Lutts, Mattera, Zahlaway Belsito
Voting against: None

Trustee Zahlaway Belsito **MOVED**, and Trustee DeSimone **SECONDED** a motion to exit executive session in accordance with General Laws, Chapter 30A. A roll call vote was taken at 4:57 pm and it was unanimous to exit executive session.

Voting in the affirmative: DeSimone, Katzman, Lutts, Mattera, Zahlaway Belsito
Voting against: None

There being no further business to come before the committee, Trustee Lutts **MOVED**, and Trustee Zahlaway Belsito **SECONDED** a motion to adjourn.

MOTION: to adjourn the meeting

The motion passed.

The meeting adjourned at 4:58 pm.

Prepared by: D. Beaulieu, staff associate, finance and facilities

FY2018 Financial Statement Reissuance Changes GASB 75 Update as of March 5, 2019

Summary: We learned in December that the Other Post-Employment Benefits (OPEB, or GASB 75) information provided to the university from state officials for the FY18 audited financial statements was materially incorrect. The Commonwealth's auditors distributed their final OPEB report and allocation schedule to us on January 7, 2019. Our auditors have worked with the university and are preparing to reissue the audited financial statements including Management's Discussion and Analysis. We are awaiting the final version and present this update.

Financial Statements Changes

The entries required to update the OPEB balance/expense on SSU's books were for the initial 7/1/16 OPEB obligation which was reduced by \$12.7 million while the 6/30/18 amounts changed by the following:

1. Deferred Outflows- decreased \$1.3m
2. Net OPEB Obligation- decreased by \$11.35m
3. Deferred Inflows- decreased by \$2.9m
4. OPEB expense- decreased by \$210k.

In addition to the numerical changes on the financials due to the OPEB corrections, changes have also been made to the following:

1. Opinion - added paragraph regarding dual dating of opinion as well as the following specific change to be made in the final version expected to be received:

Emphasis of matter paragraph in opinion

As discussed in Note 2 to the financial statements, we have previously issued an unmodified opinion on the financial statements dated October 12, 2018. Subsequent to the issuance of the financial statements, management of the State Retiree's Benefit Trust alerted the University that the calculation of postemployment benefits other than pensions as of June 30, 2018 and June 30, 2017 was misstated.

2. Note 2- updated with reissued balances as well as the following specific change to be made in the final version expected to be received:

Subsequent to the original issuance of these financial statements, management of the University was advised of an error made by the State Retiree's Benefit Trust in the calculation of OPEB pertaining to projected pay increases for employees in the allocation of the actuarial present value of projected benefit payments to past and future services as of June 30, 2018 and July 1, 2017.

3. Note 12- change in total long-term liabilities

4. Note 14- OPEB amounts changed for expense, deferred inflows', deferred outflows, and 1% increase/decrease calculations
5. Note 20- Operating Expenses to reflect the impact of the FY18 expense change.
6. Internal Control Report- changed to dual dating method

Management's Discussion and Analysis (MD&A) Changes

The MD & A also changed to reflect the effects of the reissued OPEB amounts. In addition, the ratios changed since we discovered that certain OPEB and Pension balances were inappropriately included in the calculations initially presented.

June 30, 2018 Financial Statement Recalled, Revised & Reissued

October 12, 2018 original issue date

Updated as of March 18, 2019

Salem State University has reissued their audited financial statements as of June 30, 2018. The University was informed in December 2018 that the Other Post-Employment Benefits (OPEB) information provided to the University from State Officials for the original June 30, 2018 audited financial statements was **materially incorrect**. The Commonwealth's auditors distributed their final OPEB report and allocation schedule to the University during January 2019. Our auditors have worked with the University to reissue these audited financial statements and have dated their audit report in their opinion as follows:

- *October 12, 2018, (except for; Management's Discussion and Analysis, Note 2, Note 12, Note 14, Note 20, and Schedule of Proportionate Share of Net OPEB Liability, as to which the date is March 18, 2019).*

Due to the aforementioned, please destroy all electronic and printed copies of the original June 30, 2018 financial statements received previously or downloaded from our website.

The original financial statements located on the University's website has been replaced with the updated financial statements.

If you have any questions, please feel free to contact me to discuss.

Kind regards,

Russell J. Bethoney, CPA

Assistant Vice President, Finance and Facilities

University Controller

978.542.6885 // fax: 978.542.6164

SALEM STATE UNIVERSITY

352 Lafayette Street

Salem, MA 01970-5353

salemstate.edu

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2018

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Salem State University
Salem, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "University"), and its discretely presented component units, the Salem State University Foundation, Inc. (the "Foundation") and Salem State University Assistance Corporation (the "Assistance Corp.") which comprise the statements of net position as of June 30, 2018, and 2017 the related statements of revenues, expenses and changes in net position, cash flows, combining statements of net position of major component units, combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Salem State University as of June 30, 2018, and 2017 and the changes in net position and cash flows, and combining statements of net position of major component units, combining statements of revenues and expenses of major component units for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for fiscal year 2018 and required the University to restate beginning net position at July 1, 2016 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Retirees' Benefit Trust. Our opinion is not modified with respect to that matter.

As discussed in Note 2 to the financial statements, we have previously issued an unmodified opinion on the financial statements dated October 12, 2018. Subsequent to the issuance of the financial statements, management of the State Retiree's Benefit Trust alerted the University that the calculation of postemployment benefits other than pensions as of June 30, 2018, June 30, 2017, and July 1, 2016 was misstated.

Our opinion is not modified with respect to these matters.

Other Matters***Required Supplementary Information***

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions of the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2018, (except for; Management's Discussion and Analysis, Note 2, Note 12, Note 14, Note 20, and Schedule of Proportionate Share of Net OPEB Liability, as to which the date is March 18, 2019).

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

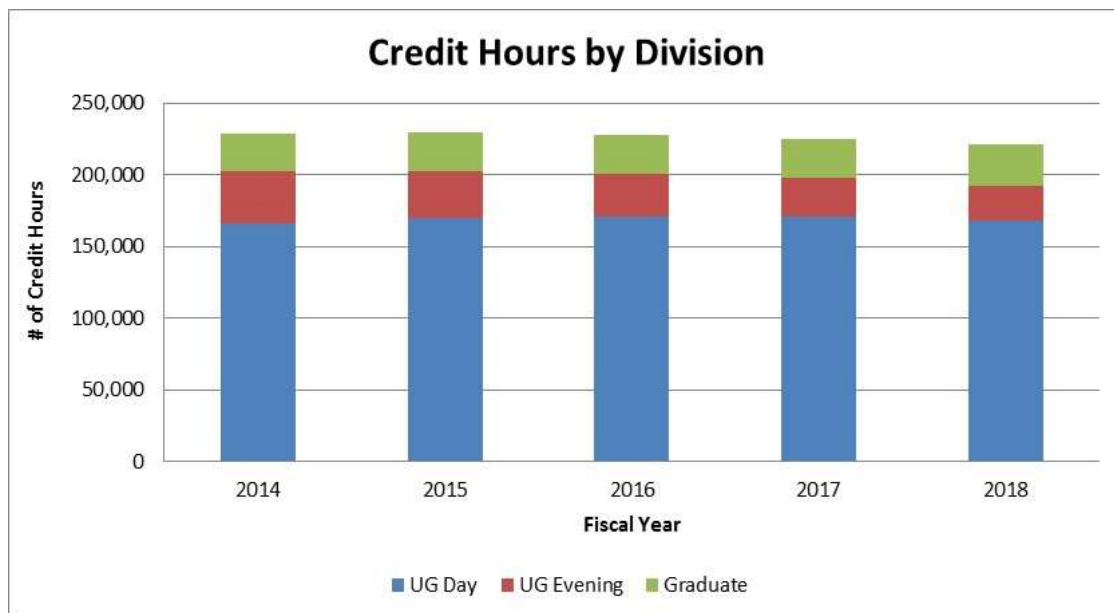
Management's Discussion and Analysis - Continued (Unaudited)

Introduction

Salem State University (the "University") offers readers this narrative overview and analysis of the financial statements and activities of the University for fiscal years ended June 30, 2018 and 2017. Readers are encouraged to consider the information presented here in conjunction with the financial statements and related footnotes. In accordance with Governmental Accounting Standards Board ("GASB") requirements, the University financial statements report the Salem State University Assistance Corporation ("Assistance Corporation") and Salem State University Foundation, Inc. ("Foundation") as component units.

Background

The University was founded in 1854 as the Salem Normal School, at which time it offered innovative, ground-breaking education for women pursuing careers in education. Today, the University thrives as a comprehensive institution of academic strength offering high quality education at the undergraduate and graduate levels. The 115 acre University is spread across six sites: North Campus, Central Campus, South Campus, School of Social Work & International Programs, Cat Cove and the O'Keefe Athletic Complex. The curriculum spans the arts, sciences and professional programs contained within the College of Arts and Sciences, the Bertolon School of Business, the Maguire Meservey College of Health and Human Services, the School of Education, the School of Graduate Studies and the School of Continuing and Professional Studies. The undergraduate level has approximately 6,231 and the graduate level has approximately 891 Fall Full-Time Equivalent ("FTE") credit enrollment. Total credit hour enrollment by division for the past five years is shown below:



SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

University students are diverse, hailing from 31 states and 58 countries. Thirty-six and a half percent of first year students (freshman and transfer) self-identified as students of color (fall semester 2017). The approximate gender breakdown is 38% male and 62% female.

In support of the University, there are two component units. The Assistance Corporation, formed in 1995 by the legislature, promotes the orderly growth and development of the University. The Foundation, a separate 501(c) (3) corporation is the primary recipient of endowments, alumni funds and various other donations made to benefit the University.

The University's mission and vision statements provide direction in the quest to provide the best education possible for its diverse student body and are as follows:

University Mission

Salem State's mission is to provide a high quality, student-centered education that prepares a diverse community of learners to contribute responsibly and creatively to a global society, and serve as a resource to advance the region's cultural, social and economic development.

University Vision

Salem State University will be a premier teaching university that engages students in an inspiring transformational educational experience.

- We put students first in all that we do and are committed to their success.
- We are a community of learners where all faculty, staff and students have the opportunity to grow as individuals.
- We are innovators, offering a unique brand of public higher education that inspires students to reach higher and achieve more.
- We remain true to our heritage as a liberal arts university while we prepare students for today's workforce.
- We serve the communities of the North Shore while we create an ever more globally aware and culturally diverse campus environment.

The mission and vision statements guide decisions by University management on campus and help to create an environment of student success and inclusive excellence.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Accreditations

The University is accredited by the New England Commission of Higher Education (“NECHE”) and the next comprehensive review will occur in Spring 2021. In addition, many of the University’s programs are accredited by program-specific accrediting bodies.

Significant Events and Accomplishments

In January 2018 Salem State formally inaugurated John D. Keenan as the university’s 14th president. The university’s strategic plan was completed during the year and established four strategic goal areas (academic excellence; student success; collaboration, inclusion, and stewardship; and financial vitality.) Highlights of accomplishments for each of the strategic goals are noted below.

ACADEMIC EXCELLENCE

The university received approval to begin offering three new academic programs – master of science degree in accounting, master of science degree in athletic training, and bachelor of science degree in information technology. In addition, fall semester 2018 is the first semester for a graduate certificate program in writing and rhetoric.

STUDENT SUCCESS

The university’s 6-year graduation rate increased to 57.9%, up dramatically from 52.1% in the prior year. There were 2,271 total degrees and certificates awarded in academic year 2017-18. A sampling of our students’ academic achievements include:

- Six regional awards at the Kennedy Center’s American College Theatre Festival
- Counseling graduate students (21) presented original research at the 2018 Massachusetts School Counselors Association conference
- A recent graduate student in English received a Fulbright US Student Program award, which will take her to India for 2018-2019
- A recent graduate (certificate program) with the Center for Holocaust and Genocide Studies was selected to join the Warren Fellowship for Future Teachers in Houston

COLLABORATION, INCLUSION AND STEWARDSHIP

In the area of Inclusive Excellence and Campus Climate work:

- The university is participating in National Coalition Building Institute (NCBI) and completed training in the NCBI Welcoming Diversity Workshop as well as the NCBA Controversial Issue Process
- Ten faculty and staff members are taking part in a year-long Racial Equity and Justice Institute program of the Leading for Change Diversity Consortium hosted at Bridgewater State University

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Community engagement/volunteer service remains an important priority. In that regard:

- The Center for Civic Engagement (CCE) continues to provide opportunities and information about engagement in the community and as a citizen, with several signature programs and numerous activities throughout the academic year.
- SSU students voted at a rate well above the national average in the 2016 election. 85% were registered to vote and of that cohort, 77 percent voted.
- Students in the Bertolon School of Business provided service to the community through the Volunteer Income Tax Assistance program.
- Numerous students participated in the Habitat for Humanity programs and traveled to Texas or South Carolina to help build homes.
- Graduate students in Occupational Therapy fundraised to assist local nonprofits

Sustainability accomplishments in FY2018 include:

- The Sophia Gordon Center for the Performing Arts was awarded a LEED Gold certificate and is the university's sixth LEED certified building.
- The university divested its investment portfolio of fossil fuels, following a lengthy review process and determination made by the board of trustees.
- Salem State was awarded the EPA's Regional Food Recovery Achievement Certificate again this past year.

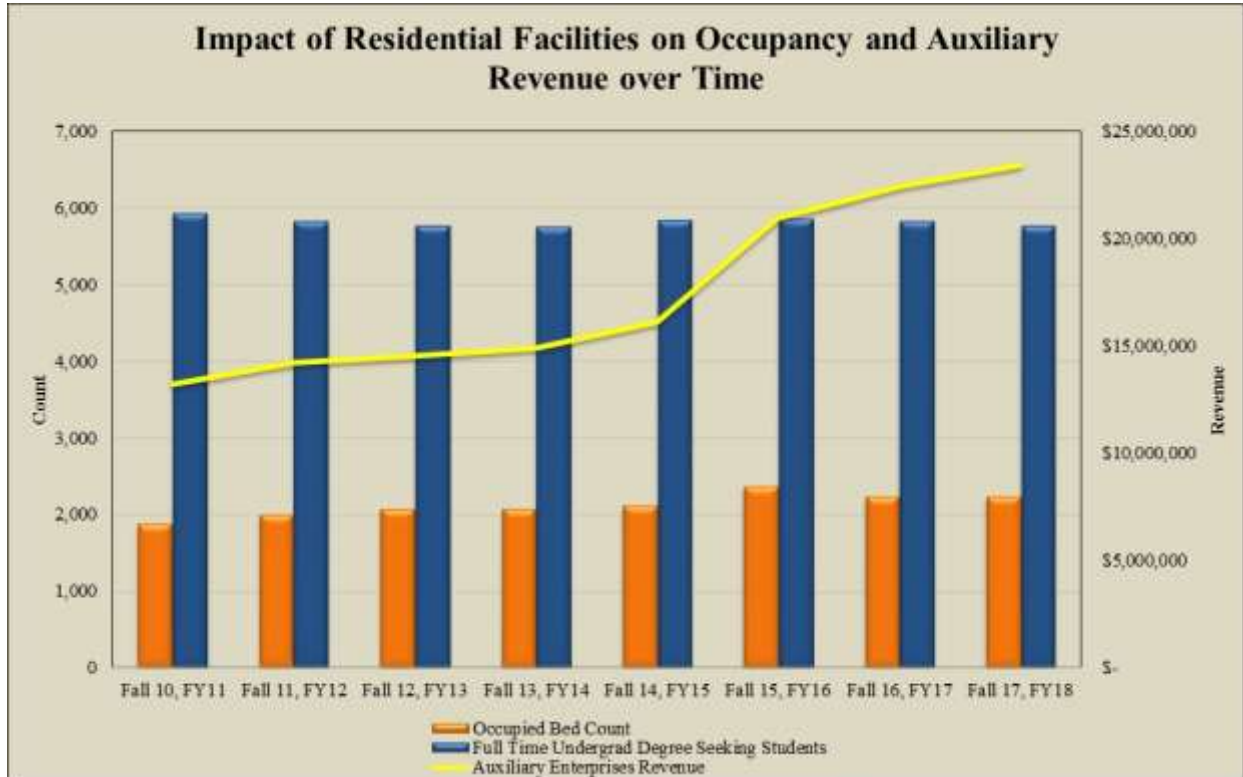
FINANCIAL VIABILITY

- The university expanded summer conferencing revenue streams by creating a partnership with Capstone on Campus Management (COCM). In its initial summer, the program hosted Education First, which brought young students from China, Venezuela and Russia to our campus for its English immersion program, and other conference guests. The startup season was deemed a success and is a growth opportunity for the future.
- The university completed a thorough assessment of the physical state of the campus with Sightlines. The process documented a backlog of \$253 million in deferred maintenance.

SALEM STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis - Continued
(Unaudited)

The University has intentionally grown its housing capacity to aid in enrollment management and student success. The chart below shows the relationship between undergraduate student enrollment, residential hall occupancy, and auxiliary revenues over the last eight years.



Capital Projects

Sophia Gordon Center for Creative and Performing Arts
 (Formerly known as the Main Stage Theatre Conversion Project)

During August 2014, construction commenced under the project management of the Division of Capital Asset Management and Maintenance (DCAMM) for the renovation of the Mainstage to become the Sophia Gordon Center for Creative and Performing Arts. Located on the North Campus, the state-of-the-art center was opened in April 2017. With project closeout expenses occurring in FY2018, the total project cost was \$27.8 million. Approximately \$13.3 million was funded by the University from the issuance of an MSCBA bond during January 2014, additional cash funds of \$5.2 million was contributed by donors and the University in addition to capitalized interest of \$1.9 million recorded since FY 2015, and DCAMM funded \$7.4 million in capital grant funds through June 30, 2018.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Overview of University Financial Statements

Salem State University reports its activity as a business-type activity under GASB using the economic resources measurement focus and full accrual basis of accounting. The University is an agency of the Commonwealth of Massachusetts. Therefore, the results of the University's operations and non-operating activities, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements on an annual basis.

The financial statements, accompanying notes and supplemental information are presented separately from this discussion and analysis and will provide details not included in the below discussion.

Statement of Net Position Summary & Analysis

The Statement of Net Position presents information on the University's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. The University's total net position for fiscal year 2018 increased \$3.9 million from fiscal year 2017, excluding the impact of the current year expenses for pensions and other post-employment benefits (see below.)

GASB No. 68 and 75 - Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits ("OPEB")

The Governmental Accounting Standards Board (GASB) issued two standards that materially impacted the presentation of the university's financial statements over the last several years, notably GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (commonly referred to as OPEB.). GASB 68 was implemented by Salem State University in its FY 2016 financial statements which required, among other impacts, restating the net position as of June 30, 2015. GASB 75 has been implemented by Salem State University in its FY 2018 financial statements which required, among other things, restating net position as of July 1, 2016 in order to provide comparability with FY 2018. The table below shows the financial statement impact of GASB statements 68 and 75 in fiscal years 2018 and 2017:

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

	FY 2018	FY 2017
	<i>(In Thousands)</i>	
Statement of Net Position (Balance Sheet)		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 14,492	\$ 19,627
GASB 75 - Other Post Employment Benefits	10,960	2,182
Total deferred outflows	25,452	21,809
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(44,564)	(46,974)
GASB 75 - Other Post Employment Benefits	(86,678)	(83,576)
Total Net Pension & OPEB Liability	(131,242)	(130,550)
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(4,749)	(3,891)
GASB 75 - Other Post Employment Benefits	(10,175)	-
Total deferred outflows	(14,924)	(3,891)
Net position impact - decrease	\$ (120,714)	\$ (112,632)
One-year Change**	(8,082)	(86,105)
Statement of Revenues Expenses & Changes in Net Position		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ 3,583	\$ 4,711
GASB 75 - Other Post Employment Benefits	4,499	-
Total Net Pension & OPEB Expense	\$ 8,082	\$ 4,711

* These Pension and OPEB amounts are related solely to the GASB 68 & 75 adjustments and have been allocated among the Operating Expense categories.

**This amount includes the GASB 68 pension of \$4,711 and the GASB 75 OPEB restatement of \$81,394 to the beginning unrestricted net position for FY 2017.

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

The table below shows the impact of GASB 68 (Pension) and GASB 75 (OPEB) on unrestricted net position for the years as presented.

Unrestricted Net Position Impacted by GASB 68 (Pension) and 75 (OPEB)					
<i>(In Thousands)</i>					
	Without Pension & OPEB	Pension Adjustment	OPEB Adjustment	With Pension and OPEB	Difference
Unrestricted Net Position at June 30, 2016	\$ 9,738	\$ (26,527)	\$ -	\$ (16,789)	
Unrestricted net decrease for FY 2017	(4,920)	(4,711)	-	(9,631)	
Restatement (See Note 2)	-	-	(81,394)	(81,394)	
Unrestricted Net Position at June 30, 2017, Restated	4,818	(31,238)	(81,394)	(107,814)	(112,632)
Unrestricted net increase (decrease) for FY 2018	3,869	(3,583)	(4,499)	(4,213)	
Unrestricted Net Position at June 30, 2018	<u>\$ 8,687</u>	<u>\$ (34,821)</u>	<u>\$ (85,893)</u>	<u>\$ (112,027)</u>	<u>\$ (120,714)</u>

The total net pension liability balance in the June 30, 2018 and 2017 financial statements amounted to approximately \$44.6 million and \$47.0 million, respectively. The total net OPEB liability balance in the June 30, 2018 and 2017 financial statements amounted to approximately \$86.7 million and \$83.6 million, respectively.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2018, 2017 and 2016 is as follows:

<u>Assets</u>	<i>(In Thousands)</i> (Restated)		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 44,435	\$ 39,909	\$ 46,113
Capital Assets (net)	169,691	172,648	163,705
Noncurrent Assets	3,854	3,956	3,815
Total Assets	217,980	216,513	213,633
Deferred Outflows of Resources	25,451	21,809	19,078
Total Assets and Deferred Outflows	\$ 243,431	\$ 238,322	\$ 232,711
<u>Liabilities</u>			
Current Liabilities	\$ 24,041	\$ 23,685	\$ 26,552
Noncurrent Liabilities	178,926	180,479	92,453
Total Liabilities	202,967	204,164	119,005
Deferred Inflows of Resources	15,668	4,888	2,726
<u>Net Position</u>			
Net investment in capital assets	130,219	131,099	122,165
Restricted	6,604	5,985	5,604
Unrestricted	(112,027)	(107,814)	(16,789)
Total Net Position	24,796	29,270	110,980
Total Liabilities, Deferred Inflows and Net Position	\$ 243,431	\$ 238,322	\$ 232,711

Total assets increased in FY 2018 by \$1.5 million or 0.7% over the prior year compared with a 1.3% increase of \$2.9 million in FY 2017. Most of the changes within the asset categories are associated with increases in cash and investments offset by a decrease in capital asset driven by depreciation outpacing the capital asset additions. Total liabilities decreased in FY 2018 by \$1.2 million or 0.6% over prior year. This change is primarily attributable to the recording of an OPEB liability increase of \$3.1 million, offset by a decrease in the Pension liability of \$2.4 million and payments on outstanding debt of \$2.3 million. In FY 2017, total liabilities increased by \$85.2 million or 71.6% almost all of which is attributable to implementation of the GASB No. 75 OPEB accounting standard.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

For fiscal 2018, 2017 and 2016, total net position amounted to \$24.8 million, \$29.3 million and \$111.0 million, respectively. The University's net position in the investment in capital assets (e.g. land, buildings and equipment) less any related debt used to acquire those assets is the largest positive component of the total net position, which is consistent with prior years and is detailed below in the next section. The University uses its capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as room rents, auxiliary and other fees, since the capital assets themselves cannot be used to satisfy these liabilities.

Capital Assets

A summarized comparison of the University's capital assets categories at June 30, 2018, 2017 and 2016 is as follows:

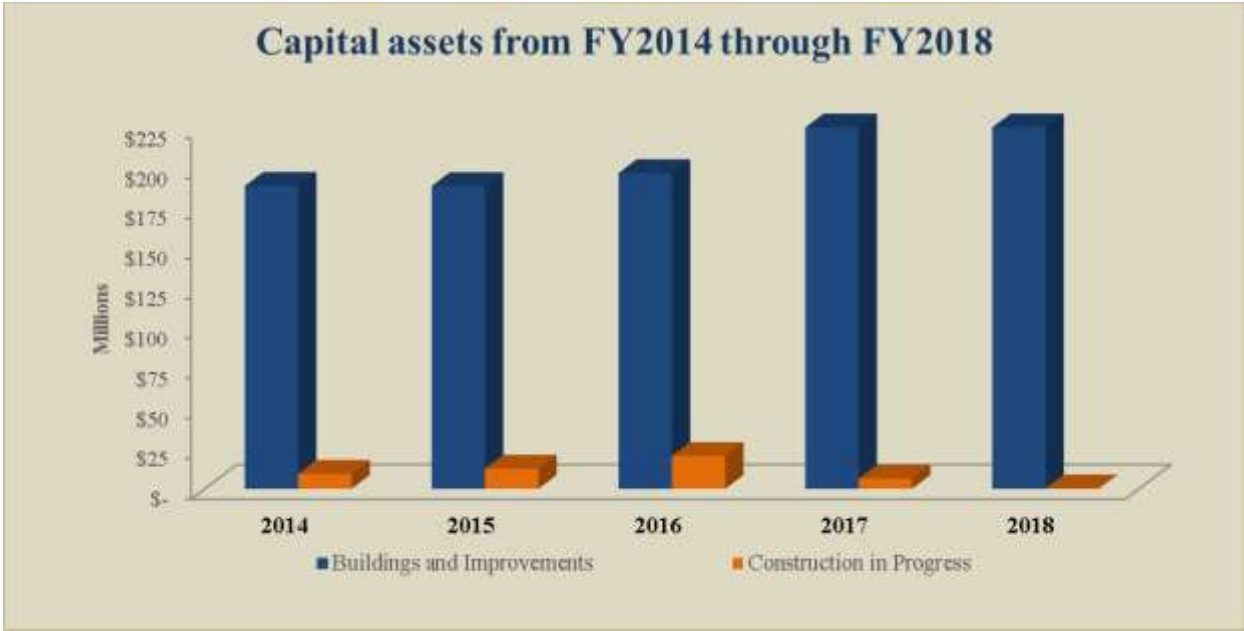
Capital Asset Summary

	<i>(In Thousands)</i>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 238,793	\$ 227,079	\$ 196,564
Construction in Progress	187	6,372	20,361
Land	2,536	2,536	2,536
Furniture and Equipment	30,818	30,401	29,508
Total	<u>272,334</u>	<u>266,388</u>	<u>248,969</u>
Less: accumulated depreciation	<u>(102,643)</u>	<u>(93,740)</u>	<u>(85,264)</u>
Total capital assets, net	<u>\$ 169,691</u>	<u>\$ 172,648</u>	<u>\$ 163,705</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis - Continued
(Unaudited)

The following graph shows the progression of capital project values over the last five years:



SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Capital Assets Changes

The University's total capital asset changes as of June 30, 2018, 2017 and 2016 are depicted below:

Changes in Capital Assets

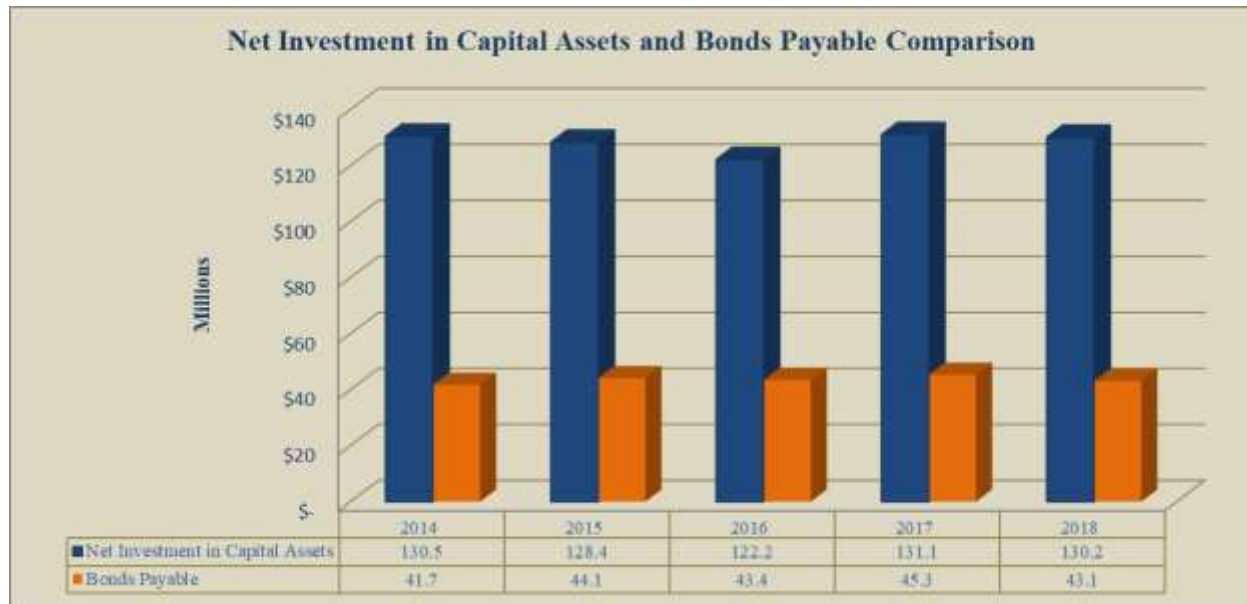
	(In Thousands)		
	2018	2017	2016
<u>Building and Land Improvements</u>			
Sophia Gordon Center	\$ 824	\$ 27,005	\$ -
331 Lafayette Street	1,236	-	-
Meier Hall Renovation	557	-	321
Library and Learning Commons Improvements	152	272	521
Administration Building Renovation	-	1,736	-
Steam Pipe Repairs	430	366	-
O'Keefe Improvements	810	-	-
Equipment purchases for IT and Biology Departments	1,421	-	1,675
Comprehensive Energy Performance Contract Project	5,577	317	4,799
Various Other Improvements	708	820	745
Net Additions to Buildings and Improvements	11,715	30,516	8,061
<u>Construction in Progress ("CIP")</u>			
Sophia Gordon Center	824	10,709	10,619
Various Ongoing Renovation Projects	3,132	908	2,073
Comprehensive Energy Performance Contract Project	2,126	3,920	1,208
IT Projects	78	1,178	774
Capitalized Bond Interest (For Sophia Gordon Center)	-	452	554
Additions to Construction in Progress	6,160	17,167	15,228
Transfer of Construction in Progress to Capital Assets	(12,345)	(31,157)	(7,323)
Net Additions (Reductions) to CIP	(6,185)	(13,990)	7,905
<u>Furniture & Equipment</u>			
O'Keefe, Dining, IT & Art Design	416	642	228
Maintenance Equipment	-	252	-
Net Additions to Furniture and Equipment	416	894	228
Total Net Asset Additions	5,946	17,420	16,194
Depreciation Expense for the Year	8,903	8,477	7,877
Net Increase (Decrease) in Capital Assets	\$ (2,957)	\$ 8,943	\$ 8,317

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Net Investment in Capital Assets and Bonds Payable Comparison

The following graph displays long-term debt for Bond Payables on the university's books and the Net Investment in Capital Assets balances for fiscal years ended 2014 through 2018:



It should be noted that the asset category “Capital assets, net” is not the same as the “Net Investment in Capital Assets” in the net position category. Net Investment in Capital Assets includes the same activity as the Capital Assets but also includes any related debt liabilities and deferred inflow of resources that are attributable to the acquisition, construction or improvement of those capital assets.

Statements of Revenues and Expenses and Changes in Net Position Summary & Analysis

The Statement of Revenues, Expenses and Changes in Net Position Analysis shows how the University's net position changed during the last three fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. the accrual for compensated absences).

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University's operating and non-operating revenues and expenses and the resulting increase or decrease in net position at June 30, 2018, 2017 and 2016 is as follows. Note that this information includes the impact of the Pension and OPEB accounting standards:

Statement of Revenues, Expenses, and Changes in Net Position Summary & Analysis

	<i>(In Thousands)</i>		
	2018	2017	2016
<u>Operating Revenues</u>			
Tuition and Fees, Net	\$ 69,566	\$ 66,893	\$ 62,685
Federal, State, and Private Grants	19,472	19,306	18,820
Sales and Services	1,296	1,333	1,426
Auxiliary and Other	23,876	22,762	21,274
Total Operating Revenues	<u>114,210</u>	<u>110,294</u>	<u>104,205</u>
<u>Operating Expenses</u>			
Compensation, benefits and other *	125,843	122,984	116,804
Supplies and services	38,659	37,324	35,957
Utilities	4,107	4,179	4,276
Depreciation	8,903	8,477	7,877
Scholarships	6,185	5,627	4,789
Total Operating Expenses	<u>183,697</u>	<u>178,591</u>	<u>169,703</u>
<u>Non-Operating Revenues (Expenses)</u>			
State appropriations	60,128	58,768	56,416
Contribution to the Assistance Corporation	-	(897)	(911)
Gifts	2,160	1,801	2,665
Investment Income	1,511	1,755	(111)
Interest Expense	(1,736)	(1,157)	(1,269)
Total Non-Operating Revenues, Net	<u>62,063</u>	<u>60,270</u>	<u>56,790</u>
Capital Grants	2,950	7,711	783
Increase (Decrease) in Net Position	<u>\$ (4,474)</u>	<u>\$ (316)</u>	<u>\$ (7,925)</u>
* This total is comprised of the following:			
Compensation and Benefits	\$ 117,761	\$ 118,273	\$ 112,436
Pension and OPEB expense	8,082	4,711	4,368
	<u>\$ 125,843</u>	<u>\$ 122,984</u>	<u>\$ 116,804</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Highlights for Operating Revenues

The increase in total operating revenues of \$3.9 million (3.6%) and \$6.1 million (5.8%) in FY 2018 and FY 2017, respectively, over prior year resulted primarily from the following changes:

Tuition and Fees, net: The tuition and fees, net of scholarships and fellowships improved by 4.0% in FY 2018 and 6.7% in FY 2017 (\$2.7 million in FY 2018 and \$4.2 million in FY 2017) over prior year due to increases in fee rates as well as new fees.

Federal, State and Private Grants: Federal, state and private grant revenues remained stable for FY 2018 when compared to FY 2017. The federal, state and private grant revenues increased in FY 2017 by \$0.5 million (2.6%) due primarily to increases in federal grants.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues increased in FY 2018 by \$1.1 million (4.9%) over prior year primarily due to increases in dormitory room revenue of \$0.7 million and student fees for permits, meals and ancillary revenue of \$0.4 million. In FY 2017, auxiliary and other revenues increased \$1.5 million (7.0%) over the prior year and was primarily due to increases in dormitory room revenue of \$0.8 million and student fees for permits, meals and ancillary revenue of \$0.7 million.

Highlights for Operating Expenses

The increase in total operating expenses of \$5.1 million (2.9%) and \$8.9 million (5.2%) in FY 2018 and FY 2017, respectively, over prior year resulted primarily from the following changes:

Compensation and Benefits: Compensation and benefits remained fairly stable during FY 2018, decreasing by \$0.5 million (0.4%) compared to FY 2017 which increased by \$5.8 million (5.2%) over prior year. FY2018 does not reflect salary increases for three union labor contracts that have expired. The University is awaiting the contract to receive final approval and funding and the expected retroactive payment of salaries will be paid out during fiscal year 2019. This payroll amount, along with its related fringe benefits is estimated to range between \$2.0 and \$2.2 million.

Supplies and Services: The \$1.3 million (3.6%) increase in supplies and services during FY 2018 over prior year is primarily due to a \$1.0 million in non-capitalizable repairs and maintenance combined with a \$0.3 million increase in the MSCBA assessment. The \$1.4 million (3.8%) increase in supplies and services during FY 2017 over prior year is primarily due to a \$1.2 million increase in the MSCBA assessment. MSCBA charges the University an assessment to cover the cost of financing residence hall and garage facilities on the university campus.

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

Depreciation: The \$426 thousand (5.0%) increase in depreciation expense in FY 2018 over prior year is due to the increase in depreciation for buildings and building improvements. Projects that were previously included in construction in progress have been completed and have begun to be depreciated in fiscal 2018. For similar reasons during FY 2017, depreciation increased \$600 thousand (7.6%) over the prior year.

Changes for Pension and OPEB Activity: The fourth year of adoption of GASB 68 for pensions resulted in an expense of \$3.6 million in FY 2018 and was a decrease of \$1.1 million over the prior year. This is due to changes in salaries and in the discount rate utilized in calculating the pension liability, as provided by the Comptroller's Office.

The adoption of GASB 75 for other post-employment benefits resulted in a decrease to the July 1, 2016 unrestricted net position balance of \$81.4 million. The annual expense of \$4.5 million was recorded in FY 2018. The change in expense from FY 2017 to FY 2018 are due to changes in salaries and in the discount rate utilized in calculating the other post-employment benefits liability, as provided by the Comptroller's Office.

Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2018 and FY 2017 of \$1.8 million (3.0%) and \$3.5 million (6.1%), respectively, resulted primarily from the following net changes:

State Appropriations: State appropriations increased by \$1.4 million (2.3%) and \$2.4 million (4.2%) in FY 2018 and FY 2017, respectively, over prior year primarily to support employee payroll and related fringe benefit costs. General Appropriation Act (GAA) funding increased by 1.2% or \$508 thousand for FY 2018; the majority of the appropriations increase was related to fringe benefits for the approximately half of the University's payroll that is funded by the state operating appropriation.

Contributions to the Assistance Corporation: In FY 2017 property was purchased amounting to \$897 thousand for the Assistance Corporation. There were no purchases in FY 2018 of this nature.

Gifts: Gift revenue is a variable source. During FY 2018, gifts increased over the prior year by \$359 thousand (19.9%) primarily due to the transfer to the university of \$400 thousand in funds received by the Salem State University Foundation to support debt service for the Sophia Gordon Center. During FY 2017, gifts decreased over the prior year by \$864 thousand (32.4%).

Investment Income: Investment income decreased by \$244 thousand in 2018 compared to an increase of \$1.9 million in FY 2017 and is attributable to fluctuating market conditions.

Interest Expense: Interest expense increased \$579 thousand (50.4%) since interest paid during construction could not be capitalized, but was required to be expensed due to the completion of the Sophia Gordon Center in FY 2017.

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

Managed Revenue and Expense Report

The university operates using an internal Managed Revenues and Expenses Report format which is not intended to conform to Generally Accepted Accounting Principles (GAAP); this report distinguishes between managed and non-cash revenue and expense activity. The Managed Revenues and Expenses format allows the reader to focus on the elements of financial activity that university administration must control and manage while displaying certain non-cash GAAP based revenue and expense items in a section at the bottom. Importantly, Managed Revenue and Managed Expense are calculated on an accrual basis; thus, they are not intended to represent cash in and cash out. To illustrate, while the Managed Net Income figure for FY2018 is \$9.998 million, the actual increase in cash for the year is \$3.053 million. Other classification differences between the management report and GAAP basis report exist. For example, in the management report all financial aid expenses are displayed as a deduction from revenue rather than how they are reported in the GAAP report as a contra revenue in some cases and an expense in other cases.

At the bottom line, Increase (Decrease) in Net Position per the management report is the same as per the GAAP-basis audited Statement of Revenues and Expenses for completed years. The next page shows the Managed Revenue and Expense report for the three fiscal years 2018, 2017 and 2016.

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

The description of the Managed Revenue and Expense Report below is on the preceding page and must be read to understand the intent and meaning of this non-GAAP report.

Managed Revenue and Expense Format

	<i>(In Thousands)</i>		
	FY2018	FY2017	FY2016
Managed Revenue:			
Net Tuition and Fees	\$ 63,381	\$ 61,239	\$ 57,896
Federal, State, Private Grants	19,472	19,306	18,820
Auxiliary Enterprises	23,423	22,519	21,149
State General Appropriations	60,128	58,768	56,416
Other Revenue	5,859	4,422	4,593
Total Managed Revenue	<u>172,263</u>	<u>166,254</u>	<u>158,874</u>
<i>Year over Year Change</i>	<i>3.6%</i>	<i>4.6%</i>	<i>5.8%</i>
Managed Expenses:			
Compensation	117,761	118,273	112,436
Support	18,366	17,992	18,569
Facility-related	26,138	24,669	22,934
Total Managed Expenses	<u>162,265</u>	<u>160,934</u>	<u>153,939</u>
<i>Year over Year Change</i>	<i>0.8%</i>	<i>4.5%</i>	<i>5.8%</i>
Managed Net Income	<u>9,998</u>	<u>5,320</u>	<u>4,935</u>
Non-Cash Revenue/(Expenses):			
Capital Grants	2,950	7,711	783
Depreciation	(8,903)	(8,477)	(7,877)
Contributions to SSUAC	-	(896)	(911)
Unrealized Gains/Losses	(437)	737	(487)
GASB 68 Pension	(3,583)	(4,711)	(4,368)
GASB 75 OPEB	(4,499)		
Total Non-Cash Revenue/(Expenses)	<u>(14,472)</u>	<u>(5,636)</u>	<u>(12,860)</u>
<i>Year over Year Change</i>	<i>160.5%</i>	<i>-56.2%</i>	<i>67.1%</i>
Total Increase/(Decrease) in Net Position	<u>\$ (4,474)</u>	<u>\$ (316)</u>	<u>\$ (7,925)</u>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Statement of Cash Flows

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

A summarized comparison of the University's cash flows and the resulting decrease in cash at June 30, 2018, 2017 and 2016 follows. *It should be noted that for the presentation below, the appropriations are shown in Operating Activities rather than Non-Capital Financing Activities since the State appropriations are intended and used to support operations.* According to accounting standards, on the Cash Flow Statement of the Financial Statements, the appropriations are presented as required in Non-Capital Financing Activities.

Summary of Cash Flows

	<i>(In Thousands)</i>		
	2018	2017	2016
Operating Activities	\$ 8,420	\$ 4,194	\$ 5,502
Non Capital Financing Activities	1,355	(419)	941
Capital Financing Activities	(6,972)	(9,088)	(17,500)
Investing Activities	250	539	1,239
Net Increase/(Decrease) in Cash	\$ 3,053	\$ (4,774)	\$ (9,818)

Highlights for Cash Flows

The overall increase in cash and cash equivalents for FY 2018 amounted to approximately \$3.1 million and is associated with increases in auxiliary enterprise receipts, appropriations and gifts.

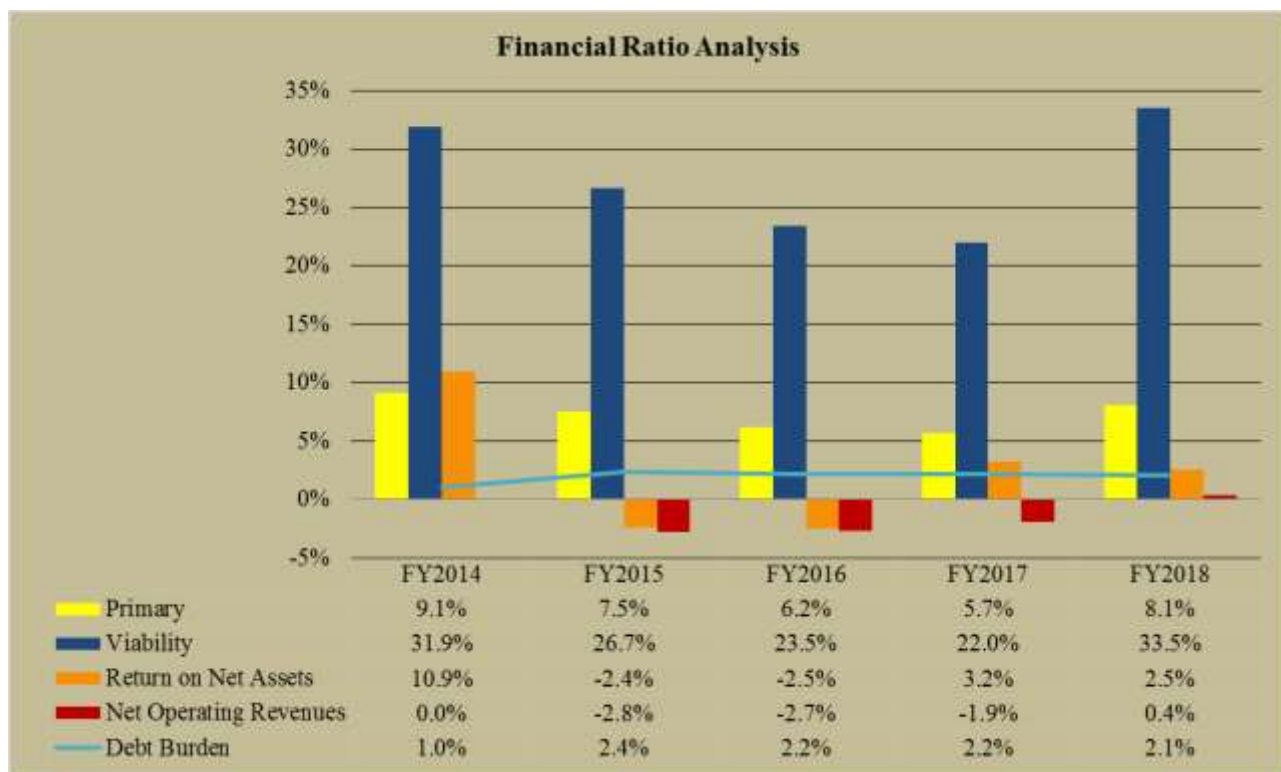
The overall decrease in cash and cash equivalents for FY 2017 and FY 2016 amounted to approximately \$4.8 million and \$9.8 million, respectively, and is primarily associated with the purchases of capital assets and repayment of bond principal and interest.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

Ratio Analysis

Ratio analysis is a management tool which indicates the University's effective use of its resources, its overall financial viability, its direction in achieving institutional strategic goals, and its ability to meet short and long-term obligations in a managed fashion. Ratios are also useful in analyzing trends of an institution over time. A one-year fluctuation in a ratio may be indicative of an aberration for that year or may indicate a relevant trend. The ratios presented here are calculated without the inclusion of the University's component units and without factoring in the effect of the implementation of GASB 68 and 75.



Primary

This ratio provides a snapshot of an institution's financial strength and flexibility. The ratio indicates how long the college could operate using unrestricted and restricted expendable reserves without relying on additional new assets generated by operations. SSU's FY2018 ratio of 8.1% suggests the university could cover expenses from reserves for about one month (8.1% of 12 months = 1.0 months) Trend analysis indicates whether an institution has increased its net worth in proportion to its rate of growth. A negative or decreasing trend indicates a weakening financial condition.

Ratio Calculation = Unrestricted & Restricted Expendable Net Position / Total Operating Expenses plus Interest Expense

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

Viability

This ratio measures the availability of expendable net assets to pay off long term debt should the university need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient net position to satisfy debt requirements. However, many public institutions can operate effectively at a ratio far less than 1:1.

Ratio Calculation = Unrestricted & Restricted Expendable Net Position / Total Long-Term Debt

Return on Net Assets

This ratio reports whether an institution's resources are growing and if it is financially better off than in previous years by measuring total economic return. It is important to assess this ratio as a linear trend – an increasing trend indicates an increase in net position and an increased likelihood that the institution is able to set aside financial resources to strengthen future flexibility. Single year events, like a substantial gift or extreme investment performance, can cause significant year-to-year volatility. For the last two fiscal years, the university has had a positive return (3.2% for FY2017 and 2.5% in FY2018.)

Ratio Calculation = Increase (Decrease) in Net Position / Beginning of Year Net Position

Net Operating Revenues

This ratio indicates whether operating activities resulted in a surplus or deficit. It measures financial performance by answering the question "Did the university live within its means during a fiscal year?" A positive ratio indicates the university experienced an operating surplus; a continuing decline or pattern of deficits indicates financial problems. In FY2018, Salem State had a positive net operating revenue of 0.4%

Ratio Calculation = Revenue (Loss) before Capital Grants / Adjusted Total Revenues

Debt Burden

This ratio expresses annual debt service payments as a percent of total expenses. It measures an institution's ability to repay debt service on all outstanding debt and its impact on the institution's overall budget.

Ratio Calculation = Annual Debt Service/Total Expenses

This numerator is annual debt service for debt on the university's books only. As a general guideline, it is believed that if more than 5% of an institution's budget were devoted to debt service, that institution's flexibility to devote its resources to other needs would be compromised.

SALEM STATE UNIVERSITY
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Management's Discussion and Analysis - Continued
(Unaudited)

Looking Ahead to FY 2019

In the next fiscal year, the university will continue to execute its strategic plan, focusing on academic excellence; student success; collaboration, inclusion, and stewardship; and financial vitality. In fall semester 2018, Salem State will offer college level courses to cohorts of Salem High School students as part of the Forten Scholars Early College Program (healthcare or business/ information technology track). Salem State University is one of five programs in the state to be awarded a Formal Early College Designation. Also in fall semester 2018, the university will welcome its first group of sophomore-level English majors from Nanjing Normal University's (NNU) Ginling College (China) which represents a broadening of our longstanding "China 1+2+1" program. During academic year 2018-2019, the university is preparing to request permission to host our first-ever doctoral program, a clinical doctorate in occupational therapy. Students will be recruited to the new academic programs approved in FY 2018 and a variety of other enrollment and retention initiatives are underway.

The university's physical development continues, and in the coming year Salem State will participate in a "readiness determination" project. This partnership with the Department of Capital Asset Management and Maintenance (DCAMM) will focus on developing plans for new science teaching laboratories while addressing deferred maintenance. In addition, in FY 2019 the university will begin to execute a new five-year plan to address critical maintenance needs which will qualify us for \$8.4 million in funding from DCAMM. Three new solar projects are anticipated to be developed, for Berry Library, Gassett Fitness Center, and Marsh Hall. In addition, the university expects to complete a new roof on the main classroom building on North Campus, Meier Hall.

Requests for Further Information

This financial report is designed to provide a general overview of Salem State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President for Finance and Facilities/CFO, 352 Lafayette Street, Salem, Massachusetts 01970-5353

SALEM STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	Primary Government		Component Units	
	2018 University	(Restated) 2017 University	2018 Combined	2017 Combined
Current Assets:				
Cash and cash equivalents	\$ 15,367,405	\$ 14,010,653	\$ 2,250,754	\$ 1,840,935
Restricted cash and cash equivalents	3,213,500	2,930,861	717,772	861,762
Deposits held by State Treasurer	2,850,506	1,751,316	-	-
Cash held by State Treasurer	1,106,109	969,059	-	-
Deposits held by MSCBA and DCAMM	971,179	792,862	-	-
Investments	14,121,886	12,867,542	-	-
Accounts, grants and other receivable, net	6,506,901	5,958,760	14,410	16,158
Pledges receivable, net	-	-	672,225	1,303,299
Note receivable	-	-	40,000	40,000
Loans receivable	250,410	221,611	-	-
Other current assets	47,107	406,681	4,396	2,407
Total Current Assets	44,435,003	39,909,345	3,699,557	4,064,561
Non-Current Assets:				
Investments	667,464	676,501	31,457,365	29,486,822
Loans receivable, net of current portion	1,713,034	1,806,097	-	-
Pledges receivable, net	-	-	3,857,094	4,174,556
Note receivable, net of current portion	-	-	166,667	206,667
Capital assets, net	169,690,567	172,648,089	11,618,094	11,755,930
Debt service reserve	1,473,340	1,473,340	-	-
Total Non-Current Assets	173,544,405	176,604,027	47,099,220	45,623,975
Total Assets	217,979,408	216,513,372	50,798,777	49,688,536
Deferred Outflow of Resources:				
Deferred outflows for pensions	14,492,026	19,626,524	-	-
Deferred outflows for other post employment benefits	10,959,514	2,181,990	-	-
Total Deferred Outflows of Resources	25,451,540	21,808,514	-	-
Total Assets and Deferred Outflows of Resources	\$ 243,430,948	\$ 238,321,886	\$ 50,798,777	\$ 49,688,536

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Units	
	2018 University	(Restated) 2017 University	2018 Combined	2017 Combined
Current Liabilities:				
Accounts payable and accrued expenses	\$ 4,485,626	\$ 4,035,476	\$ 335,697	\$ 340,824
Accrued payroll	7,850,759	7,711,373	-	-
Accrued compensated absences	5,865,631	6,120,020	-	-
Accrued workers' compensation	263,326	222,168	-	-
Unearned revenues	3,025,622	3,143,250	27,153	-
Note payable	19,032	81,546	66,127	70,135
Bonds payable	2,169,871	2,071,341	366,725	350,010
Deposits	360,700	299,677	-	-
Total Current Liabilities	24,040,567	23,684,851	795,702	760,969
Non-Current Liabilities:				
Accrued compensated absences	3,725,574	3,640,196	-	-
Accrued workers' compensation	947,526	955,150	-	-
Notes payable, net of current portion	-	12,698	1,287,476	1,352,031
Bond payable, net of current portion	40,865,545	43,131,082	775,854	1,297,681
Loans payable - Federal financial assistance programs	2,145,448	2,190,173	-	-
Net pension liability	44,564,278	46,973,396	-	-
Net other post employment benefits liability	86,677,734	83,576,460	-	-
Other non-current liabilities	-	-	22,139	26,953
Total Non-Current Liabilities	178,926,105	180,479,155	2,085,469	2,676,665
Total Liabilities	202,966,672	204,164,006	2,881,171	3,437,634
Deferred Inflows of Resources:				
Service concession arrangements	745,820	997,902	-	-
Deferred inflows for pensions	4,747,854	3,890,105	-	-
Deferred inflows for other post employment benefits	10,174,577	-	-	-
Total Deferred Inflows of Resources	15,668,251	4,888,007	-	-
Net Position:				
Net investment in capital assets	130,219,350	131,099,107	9,121,912	8,686,073
Restricted:				
Nonexpendable	866,367	810,323	23,618,957	23,048,262
Expendable	5,737,349	5,174,752	12,772,099	12,580,873
Unrestricted	(112,027,041)	(107,814,309)	2,404,638	1,935,694
Total Net Position	24,796,025	29,269,873	47,917,606	46,250,902
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 243,430,948	\$ 238,321,886	\$ 50,798,777	\$ 49,688,536

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses
For the Years Ended June 30, 2018 and 2017

	Primary Government		Component Units	
	2018 University	2017 University	2018 Combined	2017 Combined
Operating Revenues:				
Tuition and fees	\$ 88,009,192	\$ 84,587,147	\$ -	\$ -
Less: scholarships and fellowships	<u>(18,442,753)</u>	<u>(17,694,347)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	69,566,439	66,892,800	-	-
Federal grants and contracts	14,514,728	14,101,909	-	-
State grants and contracts	4,669,873	4,861,321	-	-
Private grants and contracts	287,535	342,932	-	-
Gifts and contributions	-	-	1,703,556	6,088,753
Sales and services of educational departments	1,295,944	1,333,282	-	-
Auxiliary enterprises	23,423,196	22,398,146	1,932,069	860,594
Other operating revenues	<u>452,743</u>	<u>364,117</u>	<u>68,723</u>	<u>116,443</u>
Total Operating Revenues	<u>114,210,458</u>	<u>110,294,507</u>	<u>3,704,348</u>	<u>7,065,790</u>
Operating Expenses:				
Educational and general:				
Instruction	66,193,228	64,462,316	-	-
Public service	1,609,283	1,755,239	1,553,939	1,979,892
Academic support	17,560,046	16,898,704	-	-
Student services	19,189,208	19,222,838	-	-
Institutional support	26,751,743	27,765,194	709,430	244,062
Operation and maintenance of plant	17,666,843	15,599,380	-	-
Scholarships	6,185,534	5,626,549	497,287	445,941
Depreciation	8,902,845	8,476,817	161,727	165,798
Auxiliary enterprises	<u>19,638,761</u>	<u>18,784,153</u>	<u>1,602,668</u>	<u>1,452,665</u>
Total Operating Expenses	<u>183,697,491</u>	<u>178,591,190</u>	<u>4,525,051</u>	<u>4,288,358</u>
Net Operating Income (Loss)	<u>(69,487,033)</u>	<u>(68,296,683)</u>	<u>(820,703)</u>	<u>2,777,432</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	60,128,013	58,767,638	338,049	1,194,450
Contribution to the Assistance Corporation	-	(896,488)	-	896,488
Gifts	2,160,161	1,800,982	-	-
Investment income	1,511,417	1,755,476	2,262,026	2,757,774
Other non-operating revenue	-	-	1,815	3,600
Interest expense	<u>(1,736,609)</u>	<u>(1,157,237)</u>	<u>(114,483)</u>	<u>(130,268)</u>
Net Non-Operating Revenues	<u>62,062,982</u>	<u>60,270,371</u>	<u>2,487,407</u>	<u>4,722,044</u>
Increase (Decrease) in Net Position Before Capital Grants	<u>(7,424,051)</u>	<u>(8,026,312)</u>	<u>1,666,704</u>	<u>7,499,476</u>
Capital grants	<u>2,950,203</u>	<u>7,710,621</u>	<u>-</u>	<u>-</u>
Total Increase (Decrease) in Net Position	<u>\$ (4,473,848)</u>	<u>\$ (315,691)</u>	<u>\$ 1,666,704</u>	<u>\$ 7,499,476</u>

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
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Statements of Changes in Net Position

For the Years Ended June 30, 2018 and 2017

	<u>University</u>				
	<u>Net Investment in Capital Assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance at July 1, 2016, as previously reported	\$ 122,164,882	\$ 732,690	\$ 4,871,719	\$ (16,789,257)	\$ 110,980,034
Prior Period Adjustment- See Note 2	-	-	-	(81,394,470)	(81,394,470)
Balance at July 1, 2016, restated	122,164,882	732,690	4,871,719	(98,183,727)	29,585,564
Changes in net position for 2017	8,934,225	77,633	303,033	(9,630,582)	(315,691)
Balance, June 30, 2017, restated	131,099,107	810,323	5,174,752	(107,814,309)	29,269,873
Changes in net position for 2018	(879,757)	56,044	562,597	(4,212,732)	(4,473,848)
Balance, June 30, 2018	<u>\$ 130,219,350</u>	<u>\$ 866,367</u>	<u>\$ 5,737,349</u>	<u>\$(112,027,041)</u>	<u>\$ 24,796,025</u>
	<u>Component Units</u>				
	<u>Net Investment in Capital Assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance at June 30, 2016	\$ 7,399,040	\$ 19,058,482	\$ 11,033,273	\$ 1,260,631	\$ 38,751,426
Changes in net position for 2017	1,287,033	3,989,780	1,547,600	675,063	7,499,476
Balance, June 30, 2017	8,686,073	23,048,262	12,580,873	1,935,694	46,250,902
Changes in net position for 2018	435,839	570,695	191,226	468,944	1,666,704
Balance, June 30, 2018	<u>\$ 9,121,912</u>	<u>\$ 23,618,957</u>	<u>\$ 12,772,099</u>	<u>\$ 2,404,638</u>	<u>\$ 47,917,606</u>

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	Primary Government	
	2018 University	2017 University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 68,605,024	\$ 66,908,026
Grants and contracts	19,460,215	19,403,996
Payments to suppliers and vendors	(41,940,233)	(41,637,267)
Payments to employees	(90,903,191)	(91,278,270)
Payments for benefits	(11,204,412)	(11,390,707)
Payments to students	(6,185,534)	(5,626,549)
Loans issued to students	(287,316)	(443,455)
Collection of loans to students	326,065	410,001
Auxiliary enterprises receipts	23,488,503	20,931,923
Sales and services of educational departments	1,311,895	1,552,996
Other	342,178	426,508
Net Cash Used in Operating Activities	<u>(36,986,806)</u>	<u>(40,742,798)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	45,404,188	44,935,946
Tuition remitted to State	(926,090)	(934,235)
Student interest received (paid)	(34,149)	(56,355)
Contributions to the Assistance Corporation	-	(896,488)
Gifts	2,318,535	1,468,970
Net Cash Provided by Non-Capital Financing Activities	<u>46,762,484</u>	<u>44,517,838</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(3,196,369)	(9,141,741)
Principal paid on bonds payable and notes payable	(1,826,339)	(1,776,053)
Interest paid on bonds payable	(1,949,078)	(1,965,733)
Proceeds from bond financing	-	3,795,907
Net Cash Used in Capital Financing Activities	<u>(6,971,786)</u>	<u>(9,087,620)</u>
Cash Flows from Investing Activities:		
Investment income	613,290	410,114
Proceeds from sale of investments	7,081,327	6,132,241
Purchase of investments	(7,444,561)	(6,003,481)
Net Cash Provided by Investing Activities	<u>250,056</u>	<u>538,874</u>
Net Increase (Decrease) in Cash and Equivalents	3,053,948	(4,773,706)
Cash and Cash Equivalents, Beginning of the Year	<u>20,454,751</u>	<u>25,228,457</u>
Cash and Cash Equivalents, End of the Year	\$ 23,508,699	\$ 20,454,751

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30, 2018 and 2017

	Primary Government	
	2018 University	2017 University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (69,487,033)	\$ (68,296,683)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	8,902,845	8,476,817
Bad debts	717,039	446,812
Fringe benefits provided by State	15,649,915	14,765,927
Changes in assets and liabilities:		
Accounts receivable	(1,418,077)	2,611,309
Accounts payable and accrued liabilities	359,575	489,678
Accrued payroll and benefits	447,993	838,565
Other assets	3,908	(369,514)
Loans to/from students	64,263	(21,905)
Deposits	61,022	43,057
Unearned revenues	(117,628)	(4,016,794)
Deferred inflows	13,654,009	2,162,097
Deferred outflows	(4,950,746)	(548,434)
Net pension activity	(2,409,118)	2,676,270
Net OPEB activity	1,535,227	-
Net Cash Used in Operating Activities	<u>\$ (36,986,806)</u>	<u>\$ (40,742,798)</u>

Cash Flow Information

	Primary Government	
	2018 University	2017 University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 15,367,405	\$ 14,010,653
Deposits held by State Treasurer	2,850,506	1,751,316
Cash held by State Treasurer	1,106,109	969,059
Deposits held by MSCBA and DCAMM	971,179	792,862
Restricted cash and cash equivalents	3,213,500	2,930,861
	<u>\$ 23,508,699</u>	<u>\$ 20,454,751</u>

Schedule of noncash investing and financing activities

	Primary Government	
	2018 University	2017 University
Acquisition of capital assets	\$ 6,160,286	\$ 17,419,919
Accounts payable beginning of year	115,077	-
Accounts payable end of year	(128,791)	(115,077)
Payments made by DCAMM	(2,950,203)	(7,710,621)
Interest capitalized in CIP	-	(452,480)
Cash payments for capital assets	<u>\$ 3,196,369</u>	<u>\$ 9,141,741</u>
Unrealized gain (loss) on marketable securities	<u>\$ 438,220</u>	<u>\$ 737,752</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 15,649,915</u>	<u>\$ 14,765,927</u>

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Combining Statements of Revenues and Expenses
of Major Component Units

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Foundation	Assistance Corp.	Combined	Foundation	Assistance Corp.	Combined
Operating Revenues:						
Gifts and contributions	\$ 1,703,556	\$ -	\$ 1,703,556	\$ 6,088,753	\$ -	\$ 6,088,753
Auxiliary enterprises	-	1,932,069	1,932,069	-	860,594	860,594
Other operating revenues	-	68,723	68,723	-	116,443	116,443
Total Operating Revenues	1,703,556	2,000,792	3,704,348	6,088,753	977,037	7,065,790
Operating Expenses:						
Educational and general:						
Public service	1,553,939	-	1,553,939	1,979,892	-	1,979,892
Institutional support	709,430	-	709,430	244,062	-	244,062
Scholarships	497,287	-	497,287	445,941	-	445,941
Depreciation and amortization	-	161,727	161,727	-	165,798	165,798
Auxiliary enterprises	-	1,602,668	1,602,668	-	1,452,665	1,452,665
Total Operating Expenses	2,760,656	1,764,395	4,525,051	2,669,895	1,618,463	4,288,358
Net Operating Income	(1,057,100)	236,397	(820,703)	3,418,858	(641,426)	2,777,432
Non-Operating Revenues (Expenses):						
State appropriations, net	-	338,049	338,049	-	1,194,450	1,194,450
Contribution to the Assistance Corporation	-	-	-	-	896,488	896,488
Investment income	2,262,026	-	2,262,026	2,757,774	-	2,757,774
Other non-operating revenue	-	1,815	1,815	-	3,600	3,600
Interest expense	-	(114,483)	(114,483)	-	(130,268)	(130,268)
Net Non-Operating Revenues	2,262,026	225,381	2,487,407	2,757,774	1,964,270	4,722,044
Total Increase (Decrease) in Net Position	1,204,926	461,778	1,666,704	6,176,632	1,322,844	7,499,476
Net Position, Beginning of Year	37,188,644	9,062,258	46,250,902	31,012,012	7,739,414	38,751,426
Net Position, End of Year	\$ 38,393,570	\$ 9,524,036	\$ 47,917,606	\$ 37,188,644	\$ 9,062,258	\$ 46,250,902

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2018 and 2017

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

Organization

Salem State University (the “University”) is a public, State-supported, comprehensive four-year university, located in Salem, Massachusetts, and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and master’s degrees in education, business and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

Basis of Presentation and Accounting

The University is an agency of the Commonwealth of Massachusetts (the “State” or the “Commonwealth”). The accompanying financial statements reflect only the transactions of the University and its discretely presented component units. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated independently of the State.

The following discretely presented component units have been aggregated into a single combined column:

The Salem State University Foundation, Inc. (the “Foundation”) was formed in 1977 to render financial assistance and support to the educational programs and development of the University. The Foundation is legally separate from the University, and the University is not financially accountable for the Foundation. The Foundation has been included because of the nature and significance of its relationship with the University. Complete financial statements can be obtained from the Foundation’s administrative offices in Salem, Massachusetts.

In 1995, Salem State University Assistance Corporation (the “Assistance Corporation”) was formed as a result of legislation established by the Commonwealth of Massachusetts. The Assistance Corporation was created to promote the orderly growth and development of the University and to assist the University in securing physical and financial resources necessary for the acquisition and development of a site formerly known as the GTE Sylvania plant. In June 2012, legislation was approved further defining the parameters of this “site” to include other such properties determined by the Assistance Corporation to fulfill its mission.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Basis of Presentation and Accounting - continued

The Assistance Corporation owns and operates commercial rental properties at this site in Salem, Massachusetts and is legally separate from the University, and the University is not financially accountable for the Assistance Corporation. The Assistance Corporation has been included because of the nature and significance of its relationship with the University. Complete financial statements can be obtained from the Assistance Corporation's administrative offices in Salem, Massachusetts.

During the years ended June 30, 2018 and 2017, the Foundation distributed scholarships in the amount of \$497,287 and \$445,941, respectively, directly to students of the University. Complete financial statements for the Foundation and the Assistance Corporation can be obtained from the Office of the Vice President for Finance and Business, Salem State University, 352 Lafayette Street, Salem, MA 01970.

The University has determined that it functions as a business-type activity, as defined by the Governmental Accounting Standards Board ("GASB"). The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined University-wide basis.

The University's financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Salem State University Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board ("FASB") guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of certain items, no modifications have been made to the Foundation's financial information in the University's financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Basis of Presentation and Accounting - continued

The University's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchases of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts and interest expense.

The accompanying statements of revenues and expenses demonstrate the degree to which the direct expenses of a given function are offset by programs revenues. Direct expenses are those that are charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

In accordance with the requirements of the Commonwealth of Massachusetts, the University's operations are accounted for in several trust funds. All of those trust funds have been consolidated and are included in these financial statements.

Net Position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

Restricted:

Nonexpendable - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable - Component of net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by the actions of the University pursuant to those stipulations or that expire by the passage of time.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Basis of Presentation and Accounting - continued

Unrestricted: All other categories of net position. Unrestricted net assets may be designed for specific purposes by action of management or the Board of Trustees.

When both restricted and unrestricted resources are available for use, it is the University's policy to use the restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents and Deposits

The University's cash and cash equivalents are considered cash on hand, cash deposits held with the Commonwealth's State Treasurer and Receiver-General, Massachusetts State College Building Authority ("MSCBA") and the Division of Capital Asset Management and Maintenance ("DCAMM"), which are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are stated at the amount the University expects to collect from outstanding balances. Provisions for losses on accounts receivables are determined on the basis of loss experience, known and inherent risks in the loan and receivable portfolio, the estimated value of underlying collateral and current economic conditions.

Pledges Receivable - Foundation

Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected or paid in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received or paid. Amortization of the discounts is included in contribution revenue or expenses. Conditional promises to give are not included in support or expenses until the conditions are substantially met.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies - Continued

Investments

Investments held with the Commonwealth's State Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust ("MMDT") are reported at amortized cost. The MMDT is an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high quality money market instruments. The MMDT, an instrumentality of the State Treasurer, is not a bank, savings institution or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is \$1 per share.

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Realized and unrealized gains and losses are included in non-operating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statement of Revenues and Expenses. Any net earnings not expended are included in net position categories as follows:

- i. as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- ii. as increases in restricted - expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of income or net gains. The University has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should be classified as restricted - expendable; and,
- iii. as increases in unrestricted net position in all other cases.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Investments - continued

Massachusetts General Law, Chapter 15, grants authority to the University's Board of Trustees to administer the general business of the University. Inherent in this is the authority to invest the funds of the University. Chapter 15 further grants the Trustees the authority to delegate to the President any said powers or responsibilities. The Board of Trustees of Salem State University has delegated the authority to make specific investment decisions to the President of the University and the Finance Committee of the Board of Trustees. The University's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair values. The primary cash equivalent funds are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

The Foundation's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair value. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

Loans Receivable and Payable

Loans receivable consist primarily of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The Federal Government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL loan programs provided by the Federal Government is refundable to the Federal Government upon ending (liquidation) of the University's participation in the programs. The amount due to the Federal Government upon liquidation is included as a noncurrent liability in the accompanying financial statements. See Note 8 for changes in the Perkins Loan Program.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Loans Receivable and Payable- continued

The prescribed practices for the Perkins and NSL programs do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectability and have been accepted (assigned) by the Department of Education and the Department of Health and Human Services. Management closely monitors outstanding balances and assigns loans to the Department of Education based upon such factors as student payment history, current status of applicable students, and the results of collection efforts.

Capital Assets

Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, construction in process, buildings, building and land improvements and furniture and equipment, are reported in the statement of net position at cost or fair market value, if donated. Capital assets are defined by the University as assets with an initial individual cost of more than \$50,000 for equipment and \$100,000 for Buildings and improvements in accordance with the Commonwealth's capitalization policy.

The University does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives which range from 3 to 40 years.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms and can be extended at the end of these terms for additional 10-year periods each.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Capital Assets - continued

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts are included in the residential life auxiliary enterprises in the accompanying statements of revenue and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

The Assistance Corporation capitalizes property and equipment in excess of \$1,000. Purchased property and equipment is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets.

Contributions - Foundation

In-kind rent and services contributed are recorded as contributions in revenues and other support at their fair market values on the date of receipt. The related expenses or assets are also recorded depending on the form of benefits received.

Deposits Held by Other State Agencies

Funds held by the MSCBA and the DCAMM are primarily for ongoing construction projects and are from bond proceeds and University sources.

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Massachusetts State Employees' Retirement System plan ("SERS") and the additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Postemployment Benefits Other Than Pensions (“OPEB”)

For purposes of measuring the University's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust (“SRBT”) and additions to/deductions from SRBT’s fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fringe Benefits

The University participates in the Commonwealth’s fringe benefit programs, including health insurance, unemployment and pension and workers’ compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the University. Workers’ compensation costs are assessed separately based on the University’s actual experience.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30th each year. Compensated sick leave represents 20% of amounts earned by those employees with ten or more years of state service at the end of each year. Upon termination of employment, these employees are entitled to receive payment for this accrued balance.

Deposits and Unearned Revenues

Deposits and advance payments received for tuition and fees related to certain summer programs and for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenues are recorded as revenue when earned.

Student Fees

Student tuition and other fees are presented net of scholarships and fellowships applied to students’ accounts. Other scholarships or financial aid in excess of tuition and fees are generally reflected as expenses.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

Interest Costs and Capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2018 and 2017, total interest costs incurred were approximately \$1,737,000 and \$1,684,000, respectively. During 2017, total interest costs capitalized were approximately \$453,000. There were no interest costs capitalized in 2018.

Tax Status

The University is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, and determining the net pension and OPEB liabilities.

New Governmental Accounting Pronouncements

GASB Statement 83 – Certain Asset Retirement Obligations (“AROs”) is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this Statement and its applicability.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

New Governmental Accounting Pronouncements – continued

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of net position and a statement of changes in net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not yet evaluated the effects of the implementation of this Statement.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* is effective for periods beginning after June 15, 2018. The objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. The university is in the process of evaluating this standard and does not currently expect a material impact to the financial accounting and reporting framework.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018 and 2017

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

New Governmental Accounting Pronouncements – continued

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for periods beginning after December 15, 2019. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The university is in the process of evaluating this standard and does not currently expect a material impact.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Note 2 - **Implementation of Newly Effective Accounting Standard and Restatement of Previously Issued Financial Statements**

In fiscal year 2018, the University implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Net position, as of July 1, 2017 and 2016 was restated to reflect the net OPEB liability as a result of retroactive application of the new standard. Deferred outflows of resources for 2017 was restated and represents the fiscal year 2017 contributions to the plan. Beginning deferred outflows and inflows due to changes in plan assumptions and differences resulting from projected versus actual gains and losses on investments were not provided, and accordingly the restatement of 2017 was focused on the effect as of the end of the year and does not present the changes in net position impact on the year ended June 30, 2017. As a result, those amounts were not presented in the restatement footnote below.

Subsequent to the original issuance of these financial statements, management of the University was advised of an error made by the State Retiree’s Benefit Trust in the calculation of OPEB pertaining to projected pay increases for employees in the allocation of the actuarial present value of projected benefit payments to past and future services as of June 30, 2018, June 30, 2017, and July 1, 2016.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 2 - **Implementation of Newly Effective Accounting Standard and Restatement of Previously Issued Financial Statements – Continued**

The table below presents the effects of implementing GASB 75 and the correction to the previously issued financial statements.

Implementation of GASB 75 in FY 2017 and Correction of Error	As Previously Reported July 1, 2016	Effect of GASB 75 Implementation	As Previously Restated July 1, 2016	Correction of the Error	As Restated July 1, 2016
Statement of Net Position:					
Deferred outflows of resources	\$ -	\$ 2,181,990	\$ 2,181,990	\$ -	\$ 2,181,990
Net OPEB obligation	\$ -	\$ 96,286,721	\$ 96,286,721	\$(12,710,261)	\$ 83,576,460
Unrestricted net position	\$ (16,789,257)	\$ (94,104,731)	\$ (110,893,988)	\$ 12,710,261	\$(98,183,727)

FY 2018 Correction Error	As Previously Reported at June 30, 2018	Correction of the Error	As Restated at June 30, 2018
Statement of Net Position:			
Deferred outflows of resources	\$ 12,267,234	\$ (1,307,720)	\$ 10,959,514
Net OPEB obligation	\$ 98,032,317	\$ (11,354,583)	\$ 86,677,734
Deferred inflows of resources	\$ 13,048,344	\$ (2,873,767)	\$ 10,174,577
Unrestricted net position	\$ (124,947,671)	\$ 12,920,630	\$ (112,027,041)

Statement of Revenues and Expenses:

Operating Expenses	\$ 183,907,860	\$ (210,369)	\$ 183,697,491
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Note 3 - **Cash and Cash Equivalents and Deposits**

The carrying amounts of the University's cash and cash equivalents and deposits, net of amounts in transit at June 30, 2018 and 2017 were \$18,580,905 and \$16,941,514 respectively. This includes amounts held in deposit at MMDT of \$13,619,472 and \$11,672,504, as of June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the University had deposits of \$5,064,476 and \$5,026,475, respectively, held in a money market account which was insured by a third party up to a maximum of \$5 million.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Cash and Cash Equivalents and Deposits - Continued**

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. The occurrence of such an event would limit the University's recovery of funds deposited with the institution to those amounts covered by the Federal Deposit Insurance Corporation ("FDIC") and other third-party insurance in effect at the time of the failure. The University's goal is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized.

The University places funds with the MMDT, which is an instrumentality of the Treasurer of the Commonwealth and therefore is not covered by FDIC insurance and its political sub-divisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments.

The University does not have a formal policy with respect to the custodial credit risk. Custodial credit risk is that, in the event of a failure of the counterparty, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Amounts remaining that may be exposed to custodial risk at June 30, 2018 and 2017 were \$422,245 and \$541,734, respectively, which are primarily maintained as part of the University's investment portfolio.

The University maintains a \$50,000 target balance in its clearing account which is fully covered under FDIC limits. Any amounts greater than the target balance are transferred based on an overnight purchase agreement. The investments in these agreements are U.S. agency issued securities fully backed by the U.S. Government.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 3 - **Cash and Cash Equivalents and Deposits – Continued**

Credit Risk

The University is required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations. The University has also adopted its own formal investment policy, the objectives of which are: safety of principal; liquidity for operating needs; and return on investment. The University's investment policy generally limits the maturities of investments to not more than seven years. The University may also appoint a professional fund manager and invest in equity and bond funds. Eligible investments shall be consistent with those permitted by State Statutes.

As of June 30, 2018, and 2017, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were \$13,619,472 and \$11,672,504, respectively. At June 30, 2018, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 71% at 30 days or less; 20% at 31-90 days; and 9% at 91-180 days. At June 30, 2017, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 59% at 30 days or less; 25% at 31-90 days; 14% at 91-180 days; and 2% at 181 days or more.

Note 4 - **Cash Held By State Treasurer**

Cash forwarded by the University to and held by the State Treasurer for payment of so-called "non-appropriated" liabilities at June 30, 2018 and 2017 through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sums of \$2,850,506 and \$1,751,316, respectively.

Liabilities to be funded by state appropriations at June 30, 2018 and 2017 were \$1,106,109 and \$969,059, respectively.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments**

The University investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below. The Foundation follows similar guidance in accordance with Financial Accounting Standards Codification ASC 820-10 which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Observable market prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by observable market data.

Mutual funds and common stock are valued at daily closing prices as reported by the fund while common stocks and corporate bonds are valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager. The stock and mutual funds are classified as Level 1 and are deemed to be actively traded. U.S. Government obligations are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs.

University

The University's investments at fair value measurement are as follows at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 1,044,578	\$ -	\$ -	\$ 1,044,578
U.S. equities	852,932	-	-	852,932
Global equities (US & international)	498,496	-	-	498,496
Corporate bonds	502,235	-	-	502,235
U.S. Treasuries	654,026	-	-	654,026
International emerging	313,863	-	-	313,863
Small Cap equities	306,837	-	-	306,837
Short-term fixed income	207,774	-	-	207,774
Total mutual funds	4,380,741	-	-	4,380,741
Common stocks	6,317,319	-	-	6,317,319
Corporate bonds	-	4,091,290	-	4,091,290
Total investment assets	<u>\$ 10,698,060</u>	<u>\$ 4,091,290</u>	<u>\$ -</u>	<u>\$ 14,789,350</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

The University's investments at fair value measurement are as follows at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
International equities	\$ 792,724	\$ -	\$ -	\$ 792,724
U.S. equities	1,195,212	-	-	1,195,212
Corporate bonds	465,470	-	-	465,470
U.S. Treasuries	455,276	-	-	455,276
International emerging	252,038	-	-	252,038
Mid Cap equities	273,741	-	-	273,741
Short-term fixed income	182,090	-	-	182,090
Total mutual funds	<u>3,616,551</u>	<u>-</u>	<u>-</u>	<u>3,616,551</u>
Common stocks	6,407,622	-	-	6,407,622
Corporate bonds	-	3,494,845	-	3,494,845
U.S. Government obligations	-	25,025	-	25,025
Total investment assets	<u>\$10,024,173</u>	<u>\$ 3,519,870</u>	<u>\$ -</u>	<u>\$13,544,043</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

Foundation

The Foundation's investments at fair value measurement are as follows at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 3,246,112	\$ -	\$ -	\$ 3,246,112
U.S. equities	2,531,940	-	-	2,531,940
Large cap equities	1,204,789	-	-	1,204,789
International emerging	993,606	-	-	993,606
Short-term fixed income	704,492	-	-	704,492
International bonds	658,007	-	-	658,007
Hard assets	654,906	-	-	654,906
Corporate bonds	530,669	-	-	530,669
Fixed income	497,192	-	-	497,192
Small and mid-cap equities	429,136	-	-	429,136
U.S. bonds and notes	250,227	-	-	250,227
Total mutual funds	11,701,076	-	-	11,701,076
Common stocks	9,982,330	-	-	9,982,330
Corporate bonds	-	6,958,125	-	6,958,125
Money market	2,031,476	-	-	2,031,476
U.S. Government obligations	667,272	-	-	667,272
Certificates of deposits	-	116,586	-	116,586
Other	-	500	-	500
Total investment assets	<u>\$ 24,382,154</u>	<u>\$ 7,075,211</u>	<u>\$ -</u>	<u>\$ 31,457,365</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments – Continued**

Foundation - continued

The Foundation's investments at fair value measurement are as follows at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 2,996,051	\$ -	\$ -	\$ 2,996,051
U.S. equities	2,216,383	-	-	2,216,383
Large cap equities	1,019,785	-	-	1,019,785
International emerging	619,887	-	-	619,887
Short-term fixed income	545,401	-	-	545,401
International bonds	632,583	-	-	632,583
Hard assets	629,337	-	-	629,337
Corporate bonds	475,171	-	-	475,171
Fixed income	421,279	-	-	421,279
Small and mid-cap equities	737,405	-	-	737,405
U.S. bonds and notes	197,975	-	-	197,975
Other	328,971	-	-	328,971
Total mutual funds	10,820,228	-	-	10,820,228
Common stocks	9,228,960	-	-	9,228,960
Corporate bonds	-	5,999,953	-	5,999,953
Money market	2,670,673	-	-	2,670,673
U.S. Government obligations	649,922	-	-	649,922
Certificates of deposits	-	116,586	-	116,586
Other	-	500	-	500
Total investment assets	<u>\$ 23,369,783</u>	<u>\$ 6,117,039</u>	<u>\$ -</u>	<u>\$ 29,486,822</u>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2018 and 2017, investments totaled \$14,789,350 and \$13,544,043, respectively. These holdings represent investments that are insured, registered and held by the University's investment agent in the University's name. At June 30, 2018 and 2017, there were no individual investments that represented 5% or more of the University's portfolio. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal policies approved by the University's Board of Trustees.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

Investments of the University are exposed to interest rate and market risk. They are stated at fair market value and consist of the following:

June 30, 2018 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 4,091,290	\$ 248,808	\$ 3,524,627	\$ 317,855	\$ -
Corporate bond funds	502,235	-	14,513	470,422	17,300
Short-term fixed income	207,774	-	207,774	-	-
U.S. Treasuries	654,026	-	347,801	306,225	-
Total fixed income	5,455,325	<u>\$ 248,808</u>	<u>\$ 4,094,715</u>	<u>\$ 1,094,502</u>	<u>\$ 17,300</u>
Equity securities	9,334,025				
Total investments	<u>\$ 14,789,350</u>				

June 30, 2017 Investment Maturity in Years				
Investment Type:	Fair Value	Less than 1	1-5	6-10
Corporate bonds	\$ 3,494,845	\$ -	\$ 2,076,238	\$ 1,418,607
Corporate bond funds	465,470	-	221,602	243,868
U.S. Government obligations	25,025	-	25,025	-
Short-term fixed income	182,090	182,090	-	-
U.S. Treasuries	455,276	-	48,058	407,218
Total fixed income	4,622,706	<u>\$ 182,090</u>	<u>\$ 2,370,923</u>	<u>\$ 2,069,693</u>
Equity securities	8,921,337			
Total investments	<u>\$ 13,544,043</u>			

SALEM STATE UNIVERSITY
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Notes to the Financial Statements –Continued

June 30, 2018 and 2017

Note 5 - **Investments - Continued**

University - continued

The following table summarizes the quality ratings of the University's debt investments at June 30, 2018:

	Quality Ratings							
	Fair Value	Ba2	Baa1	Baa2	A1	A2	A3	Not Rated
Corporate bonds	\$ 4,091,290	\$ 145,671	\$ 1,336,842	\$ 1,762,990	\$ 24,843	\$ 223,610	\$ 597,334	\$ -
Corpoarte bond funds	502,235	-	-	-	-	-	-	502,235
Short-term fixed income	207,774	-	-	-	-	-	-	207,774
U.S. Treasuries	654,026	-	-	-	-	-	-	654,026
Totals	\$ 5,455,325	\$ 145,671	\$ 1,336,842	\$ 1,762,990	\$ 24,843	\$ 223,610	\$ 597,334	\$ 1,364,035

The following table summarizes the quality ratings of the University's debt investments at June 30, 2017:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	A1	A2	A3	AGCY	Not Rated
Corporate bonds	\$ 3,494,845	\$ 147,185	\$ 1,034,966	\$ 1,008,232	\$ 231,042	\$ 354,301	\$ 719,119	-	-
Corpoarte bond funds	465,470	-	-	-	-	-	-	-	465,470
U.S. Government obligations	25,025	-	-	-	-	-	-	25,025	-
Short-term fixed income	182,090	-	-	-	-	-	-	-	182,090
U.S. Treasuries	455,276	-	-	-	-	-	-	455,276	-
Totals	\$ 4,622,706	\$ 147,185	\$ 1,034,966	\$ 1,008,232	\$ 231,042	\$ 354,301	\$ 719,119	\$ 480,301	\$ 647,560

Investment Income, net

The following schedule summarizes the investment income in the statements of revenues and expenses for the University and Foundation for the years ended June 30:

	University 2018	University 2017	Foundation 2018	Foundation 2017
Interest and dividends	\$ 696,883	\$ 502,758	\$ 689,064	\$ 598,409
Net realized and unrealized gains	882,074	1,312,778	1,680,080	2,254,172
Investment fees	(67,540)	(60,060)	(107,118)	(94,807)
Total investment income	\$ 1,511,417	\$ 1,755,476	\$ 2,262,026	\$ 2,757,774

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 6 - **Accounts, Grants and Other Receivables**

The accounts, grants and other receivables balances were comprised of the following at June 30:

	2018	2017
Student accounts	\$ 12,535,024	\$ 11,452,495
Grants	752,514	620,278
Other	894,959	1,067,392
Total gross receivables	14,182,497	13,140,165
Less: allowance for doubtful accounts	(7,675,596)	(7,181,405)
Total accounts, grants and other receivables, net	\$ 6,506,901	\$ 5,958,760

Note 7 - **Pledges Receivable and Notes Receivable**

Pledges Receivable - Foundation

Pledges receivable for the Foundation consisted of the following as of June 30 and are expected to be realized as follows:

	2018	2017
Within one year	\$ 672,225	\$ 1,303,299
Between one to five years	4,320,771	4,696,662
More than five years	17,417	103,417
Total pledges receivables	5,010,413	6,103,378
Less:		
Allowance for doubtful accounts	(85,000)	(85,000)
Discount to net present value at 3%	(396,094)	(540,523)
Pledges receivable, net	4,529,319	5,477,855
Less: current portion of receivable	(672,225)	(1,303,299)
Long-term pledges receivable, net	\$ 3,857,094	\$ 4,174,556

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued
June 30, 2018 and 2017

Note 7 - **Pledges Receivable and Notes Receivable - Continued**

Notes Receivable - Foundation

During 2014, the Foundation provided a loan of \$600,000 to the Assistance Corporation to be used to purchase a property that was then leased to the University. The loan consisted of two notes: the first in the amount of \$200,000, requiring monthly principal payments of \$5,555 plus interest at 1.25%, maturing in August 2016; the second in the amount of \$400,000, requiring monthly principal payments of \$3,333 plus interest at 6.98% through August 2018, at which point the interest will be adjusted to the Federal Home Loan Bank of Boston Classic Rate for five-year maturities (3.17% and 2.28% at June 30, 2017 and 2016, respectively) plus 475 basis points. This note matures in August 2023. Funding was provided from the Foundation's investment portfolios and all repayments, including principal and interest, will be reinvested therein.

Note 8 - **Loans Receivable and Payable**

Loans receivable and payable consist primarily of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Loan Program ("NSL"). The Federal Government originally provided the majority of the funds to support these programs. The portion of the Perkins and NSL Programs provided by the Federal Government is refundable to the Federal Government upon the ending ("liquidation") of the University's participation in the programs.

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

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 8 - **Loans Receivable and Payable - Continued**

Loans receivable from students include the following at June 30:

	2018	2017
Perkins	\$ 1,363,700	\$ 1,433,891
Nursing	589,093	573,197
Other	10,651	20,620
Total loans receivable	1,963,444	2,027,708
Less: amount due in one year	(250,410)	(221,611)
Long-term loan receivables	\$ 1,713,034	\$ 1,806,097

As of June 30, amounts that are expected to be repaid to the Federal Government by the University upon ending of the University's participation in the program (liquidation), are as follows:

	2018	2017
Perkins	\$ 1,374,294	\$ 1,425,966
Nursing	771,154	761,207
Total loans payable	\$ 2,145,448	\$ 2,187,173

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets**

University

Capital asset activity for the University for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Additions/ (Reductions)</u>	<u>Transfer to Capital Assets</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	<u>6,371,516</u>	<u>6,160,286</u>	<u>(12,345,178)</u>	<u>\$ 186,624</u>
Total capital assets not depreciated	<u>8,907,689</u>	<u>6,160,286</u>	<u>(12,345,178)</u>	<u>2,722,797</u>
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	136,949,564	(214,963)	11,928,838	148,663,439
Furniture and equipment	<u>30,401,235</u>	<u>-</u>	<u>416,340</u>	<u>30,817,575</u>
Total capital assets depreciated	<u>257,480,734</u>	<u>(214,963)</u>	<u>12,345,178</u>	<u>269,610,949</u>
Total capital assets	<u>266,388,423</u>	<u>5,945,323</u>	<u>-</u>	<u>272,333,746</u>
Less: accumulated depreciation:				
Buildings	26,826,030	1,928,975	-	28,755,005
Building improvements	41,060,591	5,720,256	-	46,780,847
Furniture and equipment	<u>25,853,713</u>	<u>1,253,614</u>	<u>-</u>	<u>27,107,327</u>
Total accumulated depreciation	<u>93,740,334</u>	<u>8,902,845</u>	<u>-</u>	<u>102,643,179</u>
Capital assets, net	<u>\$ 172,648,089</u>	<u>\$ (2,957,522)</u>	<u>\$ -</u>	<u>\$ 169,690,567</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	20,361,280	17,167,580	(31,157,344)	6,371,516
Total capital assets not depreciated	<u>22,897,453</u>	<u>17,167,580</u>	<u>(31,157,344)</u>	<u>8,907,689</u>
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	106,433,382	-	30,516,182	136,949,564
Furniture and equipment	29,507,734	252,339	641,162	30,401,235
Total capital assets depreciated	<u>226,071,051</u>	<u>252,339</u>	<u>31,157,344</u>	<u>257,480,734</u>
Total capital assets	<u>248,968,504</u>	<u>17,419,919</u>	<u>-</u>	<u>266,388,423</u>
Less: accumulated depreciation:				
Buildings	24,897,058	1,928,972	-	26,826,030
Building improvements	35,878,971	5,181,620	-	41,060,591
Furniture and equipment	24,487,488	1,366,225	-	25,853,713
Total accumulated depreciation	<u>85,263,517</u>	<u>8,476,817</u>	<u>-</u>	<u>93,740,334</u>
Capital assets, net	<u>\$ 163,704,987</u>	<u>\$ 8,943,102</u>	<u>\$ -</u>	<u>\$ 172,648,089</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

Assistance Corporation

Capital asset activity of the Assistance Corporation for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets not depreciated:			
Land	\$ 8,161,482	\$ -	\$ 8,161,482
Total capital assets not depreciated	<u>8,161,482</u>	<u>-</u>	<u>8,161,482</u>
Capital assets depreciated:			
Buildings	1,785,560	-	1,785,560
Building improvements	4,214,941	17,373	4,232,314
Furniture and equipment	191,112	6,518	197,630
Total capital assets depreciated	<u>6,191,613</u>	<u>23,891</u>	<u>6,215,504</u>
Total capital assets	<u>14,353,095</u>	<u>23,891</u>	<u>14,376,986</u>
Less accumulated depreciation:			
Buildings	569,381	44,639	614,020
Buildings improvements	1,843,556	111,248	1,954,804
Furniture and equipment	184,228	5,840	190,068
Total accumulated depreciation	<u>2,597,165</u>	<u>161,727</u>	<u>2,758,892</u>
Capital assets, net	<u>\$ 11,755,930</u>	<u>\$ (137,836)</u>	<u>\$ 11,618,094</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 9 - **Capital Assets - Continued**

Assistance Corporation - continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets not depreciated:			
Land	\$ 7,621,892	\$ 539,590	\$ 8,161,482
Total capital assets not depreciated	<u>7,621,892</u>	<u>539,590</u>	<u>8,161,482</u>
Capital assets depreciated:			
Buildings	1,446,719	338,841	1,785,560
Building improvements	4,214,941	-	4,214,941
Furniture and equipment	191,112	-	191,112
Total capital assets depreciated	<u>5,852,772</u>	<u>338,841</u>	<u>6,191,613</u>
Total capital assets	<u>13,474,664</u>	<u>878,431</u>	<u>14,353,095</u>
Less accumulated depreciation:			
Buildings	533,213	36,168	569,381
Buildings improvements	1,723,433	120,123	1,843,556
Furniture and equipment	174,721	9,507	184,228
Total accumulated depreciation	<u>2,431,367</u>	<u>165,798</u>	<u>2,597,165</u>
Capital assets, net	<u>\$ 11,043,297</u>	<u>\$ 712,633</u>	<u>\$ 11,755,930</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 10 - **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses include the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accounts payable - trade	\$ 2,678,429	\$ 2,230,457
Accrued interest payable	379,470	391,022
Tuition due to state	94,996	77,450
Other	<u>1,332,731</u>	<u>1,336,547</u>
Total accounts payable and accrued expenses	<u>\$ 4,485,626</u>	<u>\$ 4,035,476</u>

Note 11 - **Unearned Revenues**

Unearned revenues include tuition received in advance from students for courses commencing after June 30 primarily for following fiscal year's summer and fall semesters revenue and grant funds received in advance. Unearned revenues of the University include the following at June 30,:

	<u>2018</u>	<u>2017</u>
Tuition and fees	\$ 2,514,395	\$ 2,726,159
Grants	511,227	415,797
Other	-	1,294
Total unearned revenue	<u>\$ 3,025,622</u>	<u>\$ 3,143,250</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities**

Long-term liabilities of the University at June 30, 2018 consist of:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 41,819,483	\$ -	\$ 1,966,115	\$ 39,853,368	\$ 1,968,979
Bond premiums	3,382,940	-	200,892	3,182,048	200,892
Loans payable	2,190,173	-	44,725	2,145,448	-
Note payable	94,244	-	75,212	19,032	19,032
Total bonds, loans and note payable	<u>47,486,840</u>	<u>-</u>	<u>2,286,944</u>	<u>45,199,896</u>	<u>2,188,903</u>
Other long-term liabilities:					
Accrued compensated absences	9,760,216	-	169,011	\$ 9,591,205	5,865,631
Workers' compensaton	1,177,318	33,534	-	1,210,852	263,326
Net pension liability	46,973,396	-	2,409,118	44,564,278	-
Net OPEB liability	83,576,460	3,101,274	-	86,677,734	-
Total other long-term liabilities	<u>141,487,390</u>	<u>3,134,808</u>	<u>2,578,129</u>	<u>142,044,069</u>	<u>6,128,957</u>
Total long-term liabilities	<u>\$ 188,974,230</u>	<u>\$ 3,134,808</u>	<u>\$ 4,865,073</u>	<u>\$ 187,243,965</u>	<u>\$ 8,317,860</u>

Long-term liabilities of the University at June 30, 2017 consist of:

	Beginning Balance	(Restated) Additions	Reductions	(Restated) Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 39,806,037	\$ 3,795,907	\$ 1,782,461	\$ 41,819,483	\$ 1,870,449
Bond premiums	3,583,843	-	200,903	3,382,940	200,892
Loans payable	2,259,532	-	69,359	2,190,173	-
Note payable	161,919	-	67,675	94,244	81,546
Total bonds, loans and note payable	<u>45,811,331</u>	<u>3,795,907</u>	<u>2,120,398</u>	<u>47,486,840</u>	<u>2,152,887</u>
Other long-term liabilities:					
Accrued compensated absences	9,557,763	202,453	-	9,760,216	6,120,020
Workers' compensaton	958,082	219,236	-	1,177,318	222,168
Net pension liability	44,297,126	2,676,270	-	46,973,396	-
Net OPEB liability	-	83,576,460	-	83,576,460	-
Total other long-term liabilities	<u>54,812,971</u>	<u>86,674,419</u>	<u>-</u>	<u>141,487,390</u>	<u>6,342,188</u>
Total long-term liabilities	<u>\$ 100,624,302</u>	<u>\$ 90,470,326</u>	<u>\$ 2,120,398</u>	<u>\$ 188,974,230</u>	<u>\$ 8,495,075</u>

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable - University

Over the past 13 years, the University, in association with the MSCBA, DCAMM and the Massachusetts Development Finance Agency (“MDFA”), has entered into financing and construction agreements for various campus projects. The projects are as follows:

O’Keefe Athletic Complex Fields

During fiscal year 2005, the University entered into an agreement with the MSCBA to initiate a construction project to upgrade the University’s athletic field at the O’Keefe Athletic Complex. The scope of the services provided by MSCBA included planning and design as well as project management and construction. The project was completed during fiscal year 2006. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2005A via First Albany Capital, Public Finance).

Through its agreement with MSCBA, the University has an agreement to re-pay this debt in semi-annual installments, which started June 30, 2005 and ends June 30, 2025 at an annual variable coupon rate averaging approximately 4.25%. The outstanding balance of this obligation including unamortized bond premium was \$1,428,553 and \$1,600,839 at June 30, 2018 and 2017, respectively.

Central Campus Athletic Field and Tennis Court

During fiscal year 2006, the MSCBA issued Project 2006A bonds to support a project for the construction of a multi-purpose athletic field and tennis courts on the Central Campus of the University. The University has an agreement with the MSCBA to re-pay this debt in semi-annual installments, which started May 1, 2006 and ends May 1, 2026, at an annual coupon rate of approximately 4.26%. The outstanding balance of this obligation including unamortized bond premium was \$1,812,335 and \$1,989,833 at June 30, 2018 and 2017, respectively.

Clean Renewable Energy Initiatives

During fiscal year 2008, the MDFA issued Clean Renewable Energy Bonds totaling \$214,500 on behalf of the University. The proceeds from this issue were used to install solar panels on various buildings on campus. Through its agreement with MDFA, the University agreed to re-pay this interest free debt with annual principal installments of \$14,300. The term of the issue is from December 31, 2007 to December 31, 2020. The outstanding balance of this obligation was \$57,200 and \$71,500 at June 30, 2018 and 2017, respectively.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

In September 2010, the Commonwealth of Massachusetts issued Clean Renewable Energy Bonds (“CREBS”) at 3.5%. From this bond issue, the University received \$289,995 for the purpose of acquiring and installing solar panels on the O’Keefe Center. The University makes semi-annual payments of interest and principal. The bond holder is Century Bank. The term of the bond extends to May 2027. The outstanding balance of the obligation was \$153,528 and \$170,585 at June 30, 2018 and 2017, respectively.

Harold E. and Marilyn J. Gassett Fitness & Recreation Center at the O’Keefe Athletic Complex

In January of 2012, the MSCBA issued 2012A Project Bonds. The University was allotted \$16,028,603 for the construction of a Fitness Center as part of the O’Keefe Athletic Complex. The University’s portion of this issue consisted of principal of \$14,230,000 with a premium of \$1,798,603. The term of this debt extends to June 30, 2036 with a true interest cost (“TIC”) of 3.94%. The outstanding balance of this obligation including unamortized bond premium was \$13,615,849 and \$14,114,243 at June 30, 2018 and 2017, respectively.

With this issue, the 2005 and 2006 bond issues were refinanced at the lower TIC. This resulted in lower interest payments on both the 2005 and 2006 bond issues starting with the MSCBA 2012 spring assessment until the respective maturity date of each bond. The Debt Service Reserve for the 2005 bond was also reduced by approximately \$159,000 leaving a balance of \$66,505. A debt service reserve remains for the 2006 bond in the amount of \$245,737, which is unchanged from FY 2012.

Sophia Gordon Center for Creative and Performing Arts Theatre and Other Projects

During January 2014, the MSCBA issued 2014 project bonds on behalf of the University. These bond proceeds along with other University funds are being used to fund the construction of various projects on campus. These projects include the creation of the Student Navigation Center, comprehensive renovations to the Sophia Gordon Center for Creative and Performing Arts Theatre, relocation of the Public Safety station and the development and creation of a parking lot on Assistance Corporation owned land. These bonds consist of principal in the amount of \$19,030,000, issued at a premium of \$2,243,187. The average annual coupon rate is approximately 4.0% over the life of the issue, and the term of this debt extends to June 30, 2033. The outstanding balance of this obligation including unamortized bond premium was \$18,262,953 and \$19,108,461 at June 30, 2018 and 2017, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$1,161,098.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Land Acquisition Bond

In addition to the MSCBA issued 2014 project bonds, the MSCBA held additional bond proceeds for the University to use for future land acquisitions. These bond proceeds were used for land acquisitions on behalf of the Assistance Corporation during the 2016 fiscal year and have been included as a contribution (expense) to the Assistance Corporation in these financial statements under Non-Operating Revenues (Expenses). This bond amount consists of principal in the amount of \$1,090,000, issued at a premium of \$53,758. The average annual coupon rate is approximately 4.8% over the life of the issue, and the term of this debt extends to June 30, 2048. The outstanding balance of this obligation including unamortized bond premium was \$1,093,865 and \$1,110,500 at June 30, 2018 and 2017, respectively.

Clean Energy Investment Program

During July 2013, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' DCAMM to undertake a Comprehensive Energy Performance Contracting Project – Phase 1 (the project). In addition, during February 2014, the University entered into a second Memorandum of Agreement with DCAMM related to the same project but known as Phase 2. The project's goal is to upgrade the University campus wide lighting and lighting controls, water conservation and vending machine controls, motors, steam traps, pipe insulation, kitchen hood controls, energy management system upgrades, high efficiency gas boilers and HVAC modifications.

During March 2016, the University entered into a Memorandum of Agreement with the Commonwealth of Massachusetts' DCAMM to undertake a Comprehensive Energy Performance Contracting Project - Phase 3 (the project). The project's goal is a comprehensive energy and water saving performance contract which includes ice rink renovations, lighting upgrades, EMS and HVAC upgrades.

The total project cost for Phase 1 is \$1,694,560 and is to be repaid over 15 years at 4.0% interest per annum. Annual payments of principal and interest for Phase 1 in the amount of \$152,411 commenced in January 2015. The total project cost for Phase 2 is \$2,291,402 and is to be repaid over 15 years at 3.75% interest per annum. Annual payments of principal and interest for Phase 2 in the amount of \$202,505 commenced in January 2015. The total project cost for the University for Phase 3 is \$2,801,950 and will be repaid over 20 years at 3.0% interest per annum commenced on January 1, 2018. The annual payments of principal and interest for Phase 3 amount to \$188,335 per annum. The outstanding balance of the obligations for Phase 1, 2 and 3 was \$5,831,064 and \$6,160,724 at June 30, 2018 and 2017, respectively.

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Notes to the Financial Statements - Continued

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Property Acquisition - Garage Bond

MSCBA held excess bond proceeds on behalf of the University for future real estate Acquisitions. These bond proceeds were used for property acquisitions on behalf of the Assistance Corporation during June 2017 and have been included as a contribution (expense) to the Assistance Corporation in these financial statements under Non-Operating Revenues (Expenses). This bond amount consists of principal in the amount of \$780,069 and \$875,738 as of June 30, 2018 and 2017, respectively. There was a reduction of this bond by MSCBA during 2018. The average annual coupon rate is approximately 5.0% over the life of the issue, and the term of this debt extends to June 30, 2044.

Debt Service Reserves

Total debt service reserves held by the MSCBA for past bond issuances amount to \$1,473,340 at June 30, 2018 and 2017.

Bond Payable Maturities

Maturities of the bonds payable subsequent to June 30, 2018 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2019	\$ 1,968,979	\$ 200,892	\$ 1,873,236	\$ 4,043,107
2020	2,064,279	200,892	1,788,802	4,053,973
2021	2,153,821	200,892	1,696,180	4,050,893
2022	2,243,219	200,892	1,604,842	4,048,953
2023	2,334,294	200,892	1,498,991	4,034,177
2024-2028	12,132,725	980,307	5,767,371	18,880,403
2029-2033	12,210,502	952,698	2,892,042	16,055,242
2034-2038	3,945,271	228,295	558,724	4,732,290
2039-2043	453,667	8,145	149,647	611,459
2044-2048	346,611	8,143	43,530	398,284
Total	<u>\$ 39,853,368</u>	<u>\$ 3,182,048</u>	<u>\$ 17,873,365</u>	<u>\$ 60,908,781</u>

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Note Payable University

During September 2013, a note payable was acquired for \$363,653 to purchase various equipment for use in the Gasset Fitness Center. The note payable term is for five years, requires monthly payments of \$6,364, has an average interest rate of 2% and is payable through August 2018. As of June 30, 2018 the outstanding balance on this note was \$19,032.

Long-term Liabilities - Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2018 consisted of:

	Beginning Balance	Reductions	Ending Balance	Current Portion	Non-Current Portion
Notes Payable	\$ 1,422,166	\$ 68,563	\$ 1,353,603	\$ 66,127	\$ 1,287,476
Bonds payable	1,647,691	505,112	1,142,579	366,725	775,854
Total	<u>\$ 3,069,857</u>	<u>\$ 573,675</u>	<u>\$ 2,496,182</u>	<u>\$ 432,852</u>	<u>\$ 2,063,330</u>

Long-term liabilities for the Assistance Corporation at June 30, 2017 consisted of:

	Beginning Balance	Reductions	Ending Balance	Current Portion	Non-Current Portion
Notes payable	\$ 1,507,857	\$ 85,691	\$ 1,422,166	\$ 70,135	\$ 1,352,031
Bonds payable	2,136,400	488,709	1,647,691	350,010	1,297,681
Total	<u>\$ 3,644,257</u>	<u>\$ 574,400</u>	<u>\$ 3,069,857</u>	<u>\$ 420,145</u>	<u>\$ 2,649,712</u>

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities - Continued**

Notes Payable Assistance Corporation

The Assistance Corporation has a promissory note outstanding with the Salem State University Foundation (“the Foundation”). Under the terms of this promissory note, the Assistance Corporation agreed to pay the Foundation \$400,000 plus interest accruing at 6.98% per annum. Principal payments in the amount of \$3,333 plus interest are due monthly. Subsequent to June 30, 2018, the University paid the remaining balance of \$206,667 on behalf of the Assistance Corporation.

The Assistance Corporation maintains a loan with a bank. The loan is a five-year adjustable rate mortgage due September 2022 with a 25-year amortization. Payments in the amount of \$6,856, including principal and interest at 3.95% are due monthly through August 2017 at which time the interest rate will be adjusted to 4.625% for the remainder of the term and the payments were reduced to \$6,625. A final balloon payment representing the outstanding balance is due in September 2022. The loan is secured by a mortgage on real estate owned by the Assistance Corporation.

The annual debt service requirements to maturity for the note payable are as follows:

Years Ending June 30,	Principal	Interest
2018	\$ 70,135	\$ 68,187
2019	70,187	65,420
2020	71,613	61,199
2021	73,107	56,893
2022	74,671	52,517
Thereafter	1,062,453	13,724
Total	<u>\$ 1,422,166</u>	<u>\$ 317,940</u>

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 12 - **Long-Term Liabilities – Continued**

Bonds Payable Assistance Corporation

In August 2010, the Higher Education Funding Agency (“HEFA”) issued Revenue Bonds, Salem State University Assistance Corporation Issue, Series 2010A bearing interest at 3.26% with a maturity date of September 15, 2020 in the amount of \$4,700,000. HEFA sold the bonds to TD Bank and loaned the proceeds to the Assistance Corporation.

The loan proceeds were used to acquire additional rental property that would be leased to the University for approximately \$4,500,000 and to pay for associated financing and closing costs. This property is currently being leased under an agreement with Salem State University. Subsequent to June 30, 2018, principal and interest payments on the revenue bond payable for the remaining amounts due are as follows:

Years Ending June 30,	Principal	Interest
2019	\$ 366,725	\$ 31,801
2020	378,860	19,665
2021	396,994	2,973
Total	<u>\$ 1,142,579</u>	<u>\$ 54,439</u>

Note 13 - **Pensions**

Defined Benefit Plan Description

Certain employees of the University participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees’ Retirement System – administered by the Massachusetts State Board of Retirement (the “Board”), which is a public employee retirement system (“PERS”). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers’ payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees’ Retirement System does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth’s financial statements, which is available on-line from the Office of State Comptroller’s website.

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Benefit Provisions

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

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

Contributions

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

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

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$8,336,988, \$7,462,847 and \$6,866,271 the years ended June 30, 2018, 2017 and 2016, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 11.78%, 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2018, 2017, and 2016, respectively. The University contributed \$3,117,853, \$2,716,688 and \$2,446,187 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 68%, 68% and 70% of total related payroll for fiscal years end 2018, 2017 and 2016, respectively.

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

At June 30, 2018 and 2017, the University reported a liability of \$44,564,278 and \$46,973,396 respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. The net pension liability as of June 30, 2017, the reporting date, was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal years 2018 and 2017, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal years. At June 30, 2018 and 2017, the University's proportion was 0.347% and 0.341%, respectively.

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

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

For the years ended June 30, 2018 and 2017, the University recognized pension expense, as a result of GASB 68, of \$3,583,131 and \$4,420,084, respectively. These amounts are reported net of contributions made subsequent to the measurement date of \$3,117,853 and \$2,713,688 during the years ended June 30, 2018, and 2017, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,

	<u>2018</u>	<u>2017</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 1,723,036	\$ 2,231,111
Net differences between projected and actual earnings on pension plan investments	-	3,153,237
Change in plan actuarial assumptions, net	4,637,593	5,209,037
Changes in proportion from Commonwealth	152,634	104,648
Changes in proportion due to internal allocation	4,860,910	6,211,803
Contributions subsequent to the measurement date	<u>3,117,853</u>	<u>2,716,688</u>
Total deferred outflows related to pension	<u>\$14,492,026</u>	<u>\$19,626,524</u>

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

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

	<u>2018</u>	<u>2017</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 1,212,481	\$ -
Net differences between projected and actual earnings on pension plan investments	530,984	-
Changes in proportion from Commonwealth	15,886	22,631
Changes in proportion due to internal allocation	<u>2,988,503</u>	<u>3,867,474</u>
Total deferred inflows related to pension	<u>\$ 4,747,854</u>	<u>\$ 3,890,105</u>

The University's contributions of \$3,117,853 and \$2,716,688 made during the fiscal years ending 2018 and 2017, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2018	\$ 1,974,002
2019	3,265,499
2020	1,701,741
2021	(283,023)
2022	<u>(31,900)</u>
	<u>\$ 6,626,319</u>

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions - Continued**

Actuarial Assumptions

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

Measurement date	June 30, 2017	June 30, 2016
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.50%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2016 and set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected with Scale MP-2016 and set forward 1 year for females
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

For measurement dates June 30, 2016, mortality rates were based on:

- Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 13 – **Pensions – Continued**

Actuarial Assumptions – continued

The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017. The 2017 pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 2016 and rolled forward to June 30, 2016.

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40%	5.00%	40%	6.90%
Core Fixed Income	12%	1.10%	13%	1.60%
Hedge Funds	0%	3.60%	9%	4.00%
Private Equity	11%	6.60%	10%	8.70%
Real Estate	10%	3.60%	10%	4.60%
Portfolio Completion Strategies	13%	3.60%	4%	3.60%
Value Added Fixed Income	10%	3.80%	10%	4.80%
Timber/Natural Resources	4%	3.20%	4%	5.40%
	<u>100%</u>		<u>100%</u>	

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Note 13 – **Pensions – Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

June 30, 2018		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 60,694,691	\$44,564,278	\$ 31,570,844
June 30, 2017		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 61,213,612	\$46,973,396	\$ 34,904,261

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Note 14 – **Other Post-Employment Benefits**

Plan Description

As an agency of the Commonwealth, certain employees of the University participate in the Commonwealth's single employer defined benefit-OPEB plan – the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

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

Benefits Provided

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

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and 2016 and as of the valuation date (January 1, 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Effective beginning in fiscal year 2014, by statute the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal year 2017, 10% of tobacco settlement proceeds or approximately \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal year 2017 was set at 10%, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 8.92% and 7.99% of annual covered payroll for the fiscal years ended June 30, 2018 and 2017, respectively. The University contributed \$2,360,585 and \$2,181,990 for the fiscal years ended June 30, 2018 and 2017, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2018 and 2017, the University reported a liability of \$86,677,734 and \$83,576,460 respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial calculation as of January 1, 2017 rolled back to June 30, 2016. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017.

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June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

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

The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal years ended June 30, 2017 and 2016. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2017 and 2016 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018 and 2017, the University's proportion was 0.496% and 0.441%, respectively.

For the years ended June 30, 2018 the University recognized OPEB expense of \$4,498,327. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

<u>Deferred Outflows of Resources Related to OPEB</u>	
Contributions subsequent to the measurement date	\$ 2,360,585
Changes in the proportion from Commonwealth	181,407
Changes in the proportion due to internal allocation	<u>8,417,522</u>
Total deferred outflows related to OPEB	<u>\$10,959,514</u>
<u>Deferred Inflows of Resources Related to OPEB</u>	
Net differences between projected and actual earnings on OPEB plan investments	\$ 158,141
Differences between expected and actual experience	199,288
Changes in OPEB plan actuarial assumptions	<u>9,817,148</u>
Total deferred inflows related to OPEB	<u>\$10,174,577</u>

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Notes to the Financial Statements

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Note 14 – **Other Post-Employment Benefits - Continued**

Contributions

The University's contribution of \$2,360,585 and \$2,181,990 for the years ended June 30, 2018 and 2017, respectively, are reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending <u>June 30,</u>	
2019	\$ (335,475)
2020	(335,475)
2021	(335,475)
2022	(335,475)
2023	<u>(233,748)</u>
	<u>\$ (1,575,648)</u>

Actuarial Assumptions

The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled back to June 30, 2016. The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2017 and 2016
Inflation	3.00%
Salary increases	4.5% per year
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2015 through December 31, 2016, depending upon the criteria being evaluated. As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 actuarial valuation to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in the Pension footnote number 13.

Discount Rate

The discount rates used to measure the total OPEB liability as of June 30, 2017 and 2016 were 3.63% and 2.88%, respectively. These rates were based on a blend of the Bond Buyer Index rates of 3.58% and 2.85%, respectively as of the measurement dates June 30, 2017 and 2016 and the expected rates of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017 and 2016.

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

June 30, 2018		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 102,893,403	\$ 86,677,734	\$ 73,785,013
June 30, 2017		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.88%	2.88%	3.88%
\$ 99,909,839	\$ 83,576,460	\$ 70,661,429

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 14 – **Other Post-Employment Benefits - Continued**

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents the University's proportionate share of the net OPEB liability, as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Fiscal Year End	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
June 30, 2018	\$ 71,714,801	\$ 86,677,734	\$ 106,368,048
June 30, 2017	69,141,183	83,576,460	102,703,863

(A) - The current healthcare cost trend rates are as follows: 9.0% (June 30, 2017) and 8.5% (June 30, 2016) for medical and 5.0% for both fiscal years 2017 and 2016 EGWP and administrative costs

(B) - The healthcare cost trend rates after a 1% decrease are as follows: 8.0% (June 30, 2017) and 7.5% (June 30, 2016) for medical and 4.0% for both fiscal years 2017 and 2016 EGWP and administration costs

(C) - The healthcare cost trend rates after a 1% increase are as follows: 10.0% (June 30, 2017) and 9.5% (June 30, 2016) for medical and 6.0% for both fiscal years 2017 and 2016 EGWP and administration costs

Note 15 - **Deferred Inflows of Resources**

Service Concession Arrangements

Deferred inflows of resources include contributions made by certain vendors. The University's food service operations are managed under an agreement by an outside party. In accordance with an agreement and subsequent amendments, the vendor has made several contributions over the period from January 2002 through October 2015 totaling \$4,380,000.

The term of the agreement was extended until 2022, and the amortization tables were adjusted accordingly. Either party may terminate this agreement at any time, without cause, by providing sixty days written notice. In the event of termination, the unamortized portion is to be returned. At June 30, 2018 and 2017, the unamortized portion of these contributions approximated \$501,000 and \$658,000, respectively.

Amounts related to agreements with other vendors at June 30, 2018 and 2017 approximated \$245,000 and \$340,000, respectively.

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Note 16 - **Rental Income**

Assistance Corporation

The Assistance Corporation has long-term operating leases with lessees, including Salem State University. Minimum future rentals under the non-cancellable operating leases subsequent to June 30, 2018 are as follows:

Years Ending June 30,	Amount
2019	\$ 1,545,290
2020	1,343,126
2021	1,230,868
2022	769,055
2023	788,281
Thereafter	18,341,902
Total	<u>\$ 24,018,522</u>

The base rent under one of the lease agreements with the University is equal to the monthly debt service on the debt held by TD Bank. The terms of the lease agreement require the University to remit monthly rent directly to TD Bank. The University, at its discretion, may make additional rent payments to be applied to the outstanding debt balance.

Note 17 - **Operating Lease Commitments**

The University has numerous operating leases for property at various locations from the Assistance Corporation and for equipment from outside vendors. These leases contain options to extend from one to five years, and contain escalation clauses for increases in base rent.

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Note 17 - **Operating Lease Commitments - Continued**

These leases expire in various years through 2040. Future minimum payments related to these leases are as follows:

Years Ending June 30,	Assistance Corporation	Outside Vendors	Total
2019	\$ 1,757,506	\$ 364,676	\$ 2,122,182
2020	1,791,377	10,539	1,801,916
2021	1,261,764	10,539	1,272,303
2022	963,398	2,635	966,033
2023	984,655	-	984,655
Thereafter	18,349,751	-	18,349,751
Total	<u>\$ 25,108,451</u>	<u>\$ 388,389</u>	<u>\$ 25,496,840</u>

The rent expense on these leases amounted to approximately \$1,589,909 and \$1,423,000 for fiscal years 2018 and 2017, respectively.

Note 18 - **Restricted Net Position**

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2018	2017
Restricted - nonexpendable:		
Scholarship and fellowship	<u>\$ 866,367</u>	<u>\$ 810,323</u>
Restricted - expendable:		
Scholarship, fellowship loans, research grants and contracts	<u>\$ 5,737,349</u>	<u>\$ 5,174,752</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support.

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Note 19 - **Commitments and Contingencies**

The University 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 Commonwealth is self-insured.

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

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

The University participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for the future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The University is obligated to accept as payment of tuition the amount determined by this Program without regard to standard tuition rates in effect at the time of the individual's enrollment at the University. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the University.

The U.S. Environmental Protection Agency ("EPA") notified the University in August 1998 that it is a potential responsible party with respect to environmental impacts resulting from contaminated soil upon the removal of underground oil tanks in 1991. The EPA has not closed out their investigation. During fiscal year 2018 and 2017, the University paid no remediation costs and received no communication from federal or state agencies. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

Several of the employee collective bargaining agreement contracts have expired. Negotiations for most but not all have been completed. Some retroactive payments will likely be made when all required steps of having the contracts be ratified, signed, formally approved and funded have occurred. The university has not recognized a liability for the retroactive compensation as of the date of these financial statements because the legal requirements to establish the obligation for retroactive payments have not been fulfilled in the entirety as of balance sheet date. The estimated amount of retroactive payments of salary and related fringe benefits is approximately \$2.1 million.

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Note 20 - **Operating Expenses**

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

	<u>2018</u>	<u>2017</u>
Compensation and benefits	\$ 125,842,882	\$ 122,984,490
Supplies and services	38,659,003	37,324,136
Utilities	4,107,227	4,179,198
Depreciation	8,902,845	8,476,817
Scholarships and fellowships	6,185,534	5,626,549
Total operating expenses	<u>\$ 183,697,491</u>	<u>\$ 178,591,190</u>

Note 21 - **Fringe Benefit Program**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension and workers' compensation benefits. Health insurance costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth.

The overall fringe benefit charge increased from 35.16% in 2017 to 36.27% in 2018 which includes 1.66% and 1.41% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 9.95% in 2017 to 11.78% in 2018. In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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Note 21 - **Fringe Benefit Program - Continued**

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2018, 2017, and 2016 were \$5,963,606, \$6,528,137, and \$5,202,742, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Insurance

The Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees, retirees, their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, participating municipalities and retired municipal employees and teachers in certain governmental units.

Health coverage options include an Indemnity plan, Preferred Provider-type Organizations ("PPO"), an Exclusive Provider Organization ("EPO") and multiple HMO plans. The GIC also manages basic and optional life insurance coverage. As part of its UniCare State indemnity and active employee Tufts Health plans, it manages mental health/substance abuse benefits and also manages pharmacy benefits for the indemnity plans.

For active state employees only, the GIC offers a long-term disability ("LTD") program, two pre-tax employee programs - Health Care Spending Account ("HCSA") and Dependent Care Assistance Program ("DCAP"), and for managers, legislators, legislative staff and certain Executive Office staff, a dental/vision plan. The GIC also offers a discount vision and a dental plan for Commonwealth retirees.

The GIC administers a plan included within the State Retiree Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios. The GIC does not issue separately audited financial statements. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

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Notes to the Financial Statements

June 30, 2018 and 2017

Note 21 - **Fringe Benefit Program - Continued**

Insurance – continued

The GIC is a quasi-independent state agency governed by an 17-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2018 and 2017, the GIC provided health insurance for its members through indemnity, PPO and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 22 - **Massachusetts Management Accounting Reporting System ("MMARS")**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, MMARS, using the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

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Note 22 - **Massachusetts Management Accounting Reporting System (“MMARS”) – Continued**

The University’s state appropriations are composed of the following at June 30:

	<u>2018</u>	<u>2017</u>
General Appropriations	\$ 44,505,633	\$43,997,174
Other Appropriations	898,555	938,772
Total Appropriations	<u>\$ 45,404,188</u>	<u>\$44,935,946</u>
 <u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	15,649,915	14,765,927
 <u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(926,090)</u>	<u>(934,235)</u>
Total unrestricted appropriations	<u>\$ 60,128,013</u>	<u>\$58,767,638</u>

A reconciliation between the University and MMARS fund 901 activity as of June 30 is as follows (unaudited):

	<u>2018</u>	<u>2017</u>
Revenue per MMARS	\$ 129,190,586	\$67,280,576
Revenue per University	<u>129,190,586</u>	<u>67,280,576</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 23 - **Pass-Through Student Federal Loans**

The University distributed approximately \$49,009,000 and \$48,492,000 for the years ended June 30, 2018 and 2017, for student loans through the William D. Ford Federal Direct Lending Program. These distributions and related funding sources are not included in the accompanying financial statements.

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June 30, 2018 and 2017

Note 24 - **Massachusetts State College Building Authority (“MSCBA”)**

The MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses. The residence halls are leased from the MSCBA for various terms, allowing for periods of up to 10 years.

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

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

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the years ended June 30, 2018 and 2017 were \$14,354,200 and \$14,049,442, respectively, and are included in auxiliary enterprises and operation and maintenance of plant in the accompanying statements of revenues and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2018	June 30, 2017	June 30, 2016
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2017	January 1, 2016	January 1, 2015
Proportion of the collective net pension liability	0.347%	0.341%	0.389%
Proportionate share of the collective net pension liability	\$ 44,564,278	\$ 46,973,396	\$ 44,297,126
College's covered-employee payroll	\$ 27,303,392	\$ 25,885,577	\$ 23,448,807
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.22%	181.47%	188.91%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 3,117,853	\$ 2,716,688	\$ 2,446,187
Contributions in relation to the statutorily required contribution	<u>(3,117,853)</u>	<u>(2,716,688)</u>	<u>(2,446,187)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 26,467,350	\$ 27,303,397	\$ 25,885,577
Contribution as a percentage of covered-employee payroll	11.78%	9.95%	9.45%

Notes:

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

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Years Ended June 30, 2018, 2017 and 2016

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (“ERI”) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Years Ended June 30, 2018, 2017 and 2016

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2018	June 30, 2017
Measurement date	June 30, 2017	June 30, 2016
Valuation date	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 86,677,734	\$ 83,576,460
College's covered payroll	\$ 27,303,392	\$ 25,885,577
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	317.46%	322.87%
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%	4.37%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 2,360,585	\$ 2,181,990
Contributions in relation to the statutorily required contribution	<u>(2,360,585)</u>	<u>(2,181,990)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 26,467,350	\$ 25,885,577
Contribution as a percentage of covered payroll	8.92%	8.43%

Notes:

Employers participating in the State Retirees' Benefit Trust are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB (Unaudited)

For the Years Ended June 30, 2018 and 2017

Note 1 - **Change in Plan Assumptions**

Assumptions

The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease in the net OPEB liability of approximately \$3.08 billion as of June 30, 2017.

**SUPPLEMENTARY
INFORMATION**

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Cash and equivalents	\$ 1,721,284	\$ 1,608,759
Accounts receivable, net	213,955	169,855
Other receivables, net	3,640	-
	<hr/>	<hr/>
Total Assets	\$ 1,938,879	\$ 1,778,614
	<hr/> <hr/>	<hr/> <hr/>
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable	\$ 85,856	\$ 78,756
Accrued payroll and fringe benefits	122,641	139,944
Accrued compensated absences	254,431	260,155
	<hr/>	<hr/>
Total Liabilities	462,928	478,855
Net Position	<hr/> 1,475,951	<hr/> 1,299,759
Total Liabilities and Net Position	<hr/> \$ 1,938,879	<hr/> \$ 1,778,614
	<hr/> <hr/>	<hr/> <hr/>

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedules of Revenues, Expenses, and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Student fees	\$ 19,747,000	\$ 18,929,872
Less: scholarships and fellowships	(1,225,911)	(1,007,558)
Commissions	62,135	55,501
Rentals	<u>173,852</u>	<u>269,019</u>
Total Revenues	<u>18,757,076</u>	<u>18,246,834</u>
Expenses:		
Regular employee compensation	2,264,418	2,419,958
Regular employee related expenses	413	259
Special employee compensation	782,093	821,780
Pension and insurance related	742,724	831,956
Administrative	824,048	279,957
Facility operational	169,237	182,046
Energy and space rental	1,461,606	1,465,616
Operational services	54,093	33,681
Equipment purchase	73,971	22,232
Equipment maintenance	776,273	726,971
Loans and special payments	12,213,027	11,848,929
Information technology	<u>12,186</u>	<u>8,047</u>
Total Expenses	<u>19,374,089</u>	<u>18,641,432</u>
Excess of Expenses over Revenues Before Transfers	(617,013)	(394,598)
Net Transfers	<u>793,205</u>	<u>450,563</u>
Total Increase (Decrease) in Net Position	<u>176,192</u>	<u>55,965</u>
Net Position, Beginning of Year	<u>1,299,759</u>	<u>1,243,794</u>
Net Position, End of Year	<u>\$ 1,475,951</u>	<u>\$ 1,299,759</u>

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***



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

To the Board of Trustees of
Salem State University
Salem, 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 Salem State University (the "University"), which comprise the statements of net position as of June 30, 2018, the related statements of revenues, expenses and changes in net position, cash flows, the combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise Salem State University's basic financial statements and have issued our report thereon with a dual date of October 12, 2018 and March 18, 2019. We also performed the audit of the Salem State University Foundation and the Salem State University Alumni Association's financial statements, as of and for the year ended June 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salem State University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 determination of financial statement amounts. 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 Organization's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2018, (except for; Management's Discussion and Analysis, Note 2, Note 12, Note 14, Note 20, and Schedule of Proportionate Share of the Net OPEB Liability, as to which the date is March 18, 2019).

Appointment of audit firm O'Connor & Drew, PC to perform audit services for Salem State University for FY2019. (Information only)

The Risk Management and Audit Committee recommended, and the full Board of Trustees approved the appointment of the audit firm O'Connor & Drew, PC to perform audit services for Salem State University for the fiscal years 2018, 2019 and 2020 at their January 24, 2018 and February 7, 2018 meetings respectively.

The motion passed is below.

The Board of Trustees of Salem State University hereby approves the appointment of O'Connor & Drew, PC to perform audit services for FY2018 through FY2020 at the following costs for the base audit:

<u>Year</u>	<u>Base</u>	<u>MOSFA (State Aid)</u>
FY2018	\$79,600	N/A
FY2019	\$82,000	N/A
FY2020	\$84,400	\$5,000

The above base price includes the cost of auditing one major federal program, whereas any additional major programs to be audited are \$4,500 per program to be tested during the Single Audit phase of the engagement.

The university administration is hereby authorized to do all things and take all actions deemed necessary to implement this decision.

The university entered into a contract with O'Connor & Drew PC to perform audit services as referenced in the motion above. The FY2019 audit period is the second year of this contract. This appointment is being presented as an information item, to demonstrate compliance with the RMA committee charter.

SUBJECT: Executive Session Notes for March 27, 2019 - CONFIDENTIAL

The Risk Management and Audit Committee of the Board of Trustees of Salem State University voted unanimously to go into executive session on Wednesday, March 27, 2019 in the Petrowski Room, Marsh Hall located on Central Campus of Salem State University. The purpose for the executive session was to discuss emergency preparedness, deployment of security forces or devices, or strategies with respect thereto, and litigation update.

Staff assistant Beaulieu took the roll at 4:29 pm; voting in the affirmative to enter executive session were Trustees DeSimone, Katzman, Lutts, Mattera and Zahlaway Belsito.

General Counsel Rita Colucci briefed the committee on two litigation matters and an update on a potential case.

Assistant Vice President for Public Safety and Risk Management Labonte gave a further update on deployment of security measures made in response to the Board of Higher Education strong recommendations.

With no further business to be discussed in executive session, Chair Lutts called for a motion to come out of executive session.

Upon a motion duly made by Trustee Zahlaway Belsito and seconded by Trustee DeSimone it was unanimously

VOTED: To adjourn from executive session.

Staff assistant Beaulieu took the roll at 4:57 pm; voting in the affirmative to exit executive session were Trustees DeSimone, Katzman, Lutts and Zahlaway Belsito.

The Risk Management and Audit Committee came out of Executive Session.

SUBJECT: Academic Affairs and Student Life Committee Meeting Report for March 27, 2019

The Academic Affairs and Student Life Committee of the Board of Trustees met on Wednesday, March 27, 2019, in the Paul Petrowski Conference Room of Marsh Hall on the Central Campus of Salem State University.

Present for the Committee were Trustees DeSimone (chair), Zahlaway Belsito, Contreras (via phone), Murphy, and Wilkens; Chair Mattera (ex-officio); President Keenan (ex-officio); Provost Silva (committee liaison), Executive Vice President James (committee liaison), and staff associate Longo, academic affairs.

Trustee DeSimone called the meeting to order at 3:05 pm.

The following items were discussed:

Graduate Certificate in Substance Abuse Disorders and Addiction Program Update

Provost Silva reported that the proposed Graduate Certificate in Substance Abuse Disorders and Addiction is being tabled for discussion until the next Committee meeting (May 2019).

Accreditation & Regulatory Approval Update

Provost Silva updated the Committee on program accreditations and regulatory approvals:

- a) Nursing/BORN. On March 13, 2019, the Massachusetts Board of Registration in Nursing (BORN) voted to continue the Baccalaureate Nursing program status as “approval with warning.” Prior to the BORN’s most recent review and site visit, there were nine regulatory issues that were judged to be out of full compliance. Five have been met; the four areas that are still in need work of work are all administrative. It was reported that the BORN found a lack of cohesion among faculty as to how to work as a team to get the required work done. In addition, policies need to be revised and applied consistently. This is a leadership issue and is being addressed. On April 30 we need to provide BORN with a systematic evaluation plan in the areas of policies and evaluation criteria. On June 30 we need to provide a report that shows reported policies with evidence that they are being applied consistently. The Provost has met with nursing leadership and nursing faculty to address. He will be meeting with nursing leadership again next week for status and will be undertaking more direct accountability over the process.

- b) AACSB. Our AACSB mentor strongly supports our accreditation efforts and is confident that AACSB standards would be upheld long term if/when accredited. AACSB will be voting on this recommendation soon, and if favorable, we will be authorized for a site visit next year. The biggest challenge is in how to reconcile accreditation requirements with the collective bargaining contract so that AACSB requirements regarding faculty research are met.

Faculty Workload

Provost Silva provided the Committee with an overview of faculty workload equivalencies as they appear in Article XII of the MSCA collective bargaining agreement. In a normal year faculty are expected to bear a total of 24 credit hours. Lectures, lab instruction, clinical instruction, and studio instruction are assigned workload at different levels. For example, lectures are given three credit hours per class, whereas labs are given 2 credit hours for every three contact hours. The new bargaining agreement sought to increase the credit hours per lab, clinical and studio instruction to more fully align with the work done in those types of classes. The Commonwealth rejected this because the cost to implement revised equivalencies exceeded the 2% cap placed on the bargaining process. At Salem State we have raised 400 level science labs to 1:1 equivalency and are in process of doing same for 300 level labs. This will require bigger lab sizes so as not to add costs to the university. 100 and 200 level courses are more fiscally challenging. It was reported that business intelligence is being used to reduce inefficiencies across the curriculum.

There being no further business to come before the Committee and on a motion made duly by Trustee Zahlaway Belsito and seconded by Trustee Wilkins, it was unanimously:

VOTED: To adjourn the meeting at 3:55 pm.

Voting in the affirmative: Zahlaway Belsito, Contreras (phone), DeSimone (chair), Murphy, Wilkins

Voting against: None

Prepared by: D. Longo, staff associate, academic affairs

SUBJECT: Institutional Advancement/Marketing & Communication Committee Meeting Report for March 27, 2019

The Institutional Advancement/Marketing & Communications Committee of the Board of Trustees met on Wednesday, March 27, in the Petrowski Conference Room located in Marsh Hall on the Central Campus of Salem State University.

Present for the committee were Trustees Zahlaway Belsito, Butts, Chisholm (chair); Contreras (vice chair), participated via conference call; President Keenan (ex-officio), Vice President McGurren (committee liaison), Associate Vice President Crouse, Executive Vice President James and Staff Associate Shahin.

Trustee Chisholm called the meeting to order at 4:00 pm. In accordance with the Open Meeting Law all votes taken during this meeting, in which a member participated remotely, were by roll call vote.

Institutional Advancement Vice President transition plan

Vice President McGurren discussed the last few months of her transition and the importance of maintaining the momentum achieved during the 10,000 Reasons Campaign and shared that together with president Keenan we were able to develop a smooth transition for the future Time that both she and Crouse expressed gratitude for achieving this transition. Associate Vice President Crouse reviewed the a very high-level update on the reorganization plan developed to continue efficiently running while eliminating one position, which will become effective on April 1, 2019. Crouse reported we are down three major gift officers since the conclusion of the campaign and that is going to be a challenge as we look at going into the next campaign. There was discussion and concern expressed about the level of staffing and if it is sufficient for the campaign but that we had hired Marts & Lundy to access this in relation to the size and scope of the campaign. There was also discussion about the importance of continuing stewardship of those donors, who were part of the 10,000 Reason campaign, as it was noted that position is vacant.

Discussion ensued relative to the importance of involving faculty in the fundraising efforts. Crouse responded that whenever appropriate, we partner with someone who is the expert on the topic being discussed with a donor and Vice President McGurren spoke to the work we did in 10,000 Reasons in building relationships with faculty and ensuring transition when new leadership particularly chairs of academic departments understand this work.

Campaign II - update

Crouse provided an update on the work done thus far by Marts & Lundy. They were on campus on March 11 and 12 and met with 20 members of IA staff, the President, President's Executive Council and other academic leaders. We have provided over 350 documents, and data files that will help them access and conduct a trends analysis. President Keenan has recruited members for the Ad Hoc Committee, which will consist of the President of the Foundation, Chair of the Board of Trustees, Chair of Institutional Advancement and M+C of the Board of Trustees, and Chair of the Foundation Fundraising and Engagement Committee and a number of business leaders and major supporters of Salem State University. This is all in preparation for the feasibility study. It was noted that Marts & Lundy have suggested a joint meeting of the Trustees and the Foundation Board of Directors in September and January/February time frames.

Fundraising Report

Associate Vice President Crouse reported due to new hires in gift services, we have had a delay in producing our monthly fundraising report for the period ending February 2019. The report which the Trustees had received is for the period ending January. Crouse reported \$220,000 was raised in honor of Vice President McGurren's retirement and major gift of \$150,000 brings our total raised well over \$370,000. Viking Warrior Day is being held on May 2. Discussion ensued about getting 100% participation from the Trustees on Viking Warrior Day and could IA leverage this to some benefit for the mini-campaign. Associate Vice President Crouse thought that definitely could be leverages and agreed to take the idea back to the team and to be back in touch with the Board with an update.

A Motion was made by Belsito, seconded by Butts, and unanimously voted to adjourn the meeting. Trustee Chisholm asked for a roll call vote.

Teri Chisholm – yea

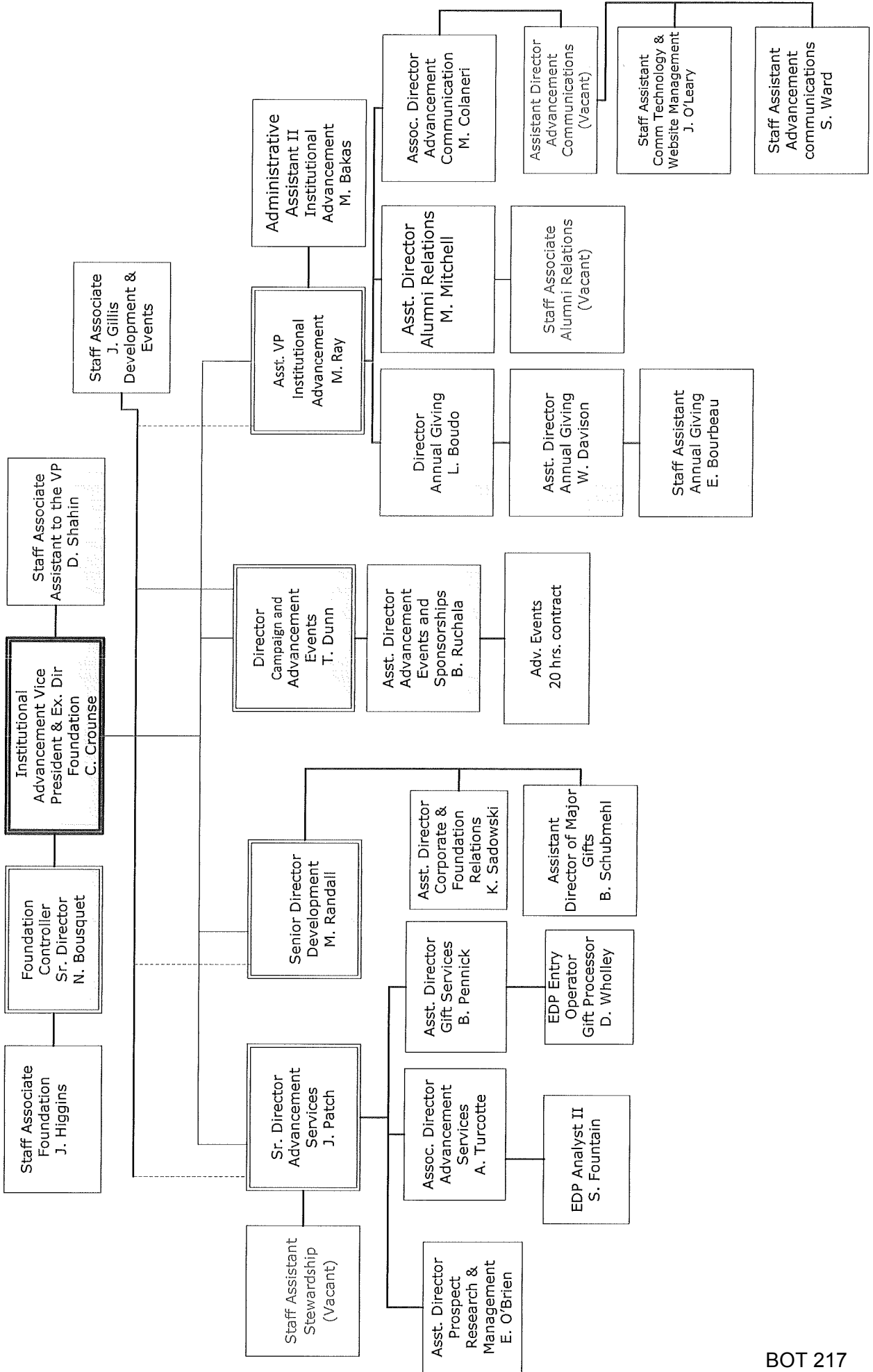
Magnolia Contreras – yea (on call)

Jamie Zahlaway Belsito – yea

Cherie Butts – yea

The meeting was adjourned at 4:20 pm.

**Institutional Advancement
Effective April 1, 2019**



Goals: due to budgetary constraints and our need to continue gaining momentum in the pre-planning phase of the campaign, we abolished the Associate Vice President (AVP) position and restructured the IA team use a portion of those savings. The plan shifts responsibilities of the AVP to across the IA team with a keen focus on maximizing the time of the remaining gift officers (3 FTEs) (the vice president being one of those FTEs).

Effective April 1:

- Mandy Ray, Assistant Vice President, Institutional Advancement
 - Managing oversight of IA Operations out of Associate VP job description, back-up to VP, adding Annual Giving team, and relocating Advancement Events.
 - Direct reports: Michael Mitchell, Michael Colaneri, Lori Boudo and Maria Bakas
- Taylor Dunn, Director, Campaign and Advancement Events
 - Responsible for all duties currently in the Associate VP description related to the management of campaign efforts in addition to events portfolio.
 - Direct reports: Brenna Ruchala and Joan Gillis
- Jeannie Patch, Senior Director, Advancement Services
 - Oversight of Stewardship and responsibilities from AVP job description.
 - Direct reports: Amy Turcotte, Emily O'Brien, Assistant Director, Buffy Pennick, Gift Services, and Staff Assistant, Stewardship (vacancy – frozen)
- Nicole Bousquet, Senior Director and Controller for the Salem State University Foundation
 - Increase level of duties and shift responsibilities from Executive Director role
 - Direct reports: Staff Associate, Foundation (Judy Higgins)
- Joan Gillis, Staff Associate
 - Support expanding to the entire IA leadership staffers, and oversight of administrative functions related to the campaign and stewardship functions. Directly reporting to Taylor Dunn and supporting: Mandy Ray, Jeannie Patch, and Mike Randall.
- Brenna Ruchala, Assistant Director, Advancement Events and Sponsorships
 - With Taylor taking on more of the campaign function, increased level of responsibility for Advancement Events and sponsorships.
 - Direct report: create a CO9 out of AVP salary savings to support events.
- Michael Mitchell, Assistant Director, Alumni Relations
 - With Mandy stepping up her role in fundraising and IA operations, she'll shift the Alumni Board to Mike Mitchell and high-level management of the budget related to Alumni Relations.
 - Direct report: Staff Associate (vacancy – Frozen), posting a CO9 position
- Mike Randall, Senior Director, Development
 - Responsibilities for the tactical and strategic oversight of MG work from AVP job description.
 - Direct reports: Katie Sadowski and Brian Schubmehl
- Michael Colaneri, Associate Director, Advancement Communications
 - Moved responsibilities from Taylor's job description related to the strategic direction and implementation of all email communication, net community technology and web content management.

Salem State University

Institutional Advancement Reorganization proposal

- Direct reports: Assistant Director, Advancement Communications (vacant – frozen), Jayne O’Leary and Sarah Ward, Staff Assistant, Advancement Communications
- Lori Boudo, Director of Annual Giving will report to Mandy Ray
- Jayne O’Leary, Staff Assistant Web and Technology will report to Michael Colaneri
- Diane Shahin, Staff Associate, Vice President and Executive Director of the Foundation will report to Cheryl Crouse

Monthly Fundraising Snapshot
Fiscal Year 2019 as of January 2019

Fundraising To-date

FY19 Goal	\$2,250,000
Total for FY19	<u>\$985,888</u>
Balance	\$1,264,112

Total Fundraising break-out by Campaign – Year-to-Date Comparison, New Pledges & Cash in

	FY19 to January	FY18 to January
	7/1/2018 to 1/31/2019	7/1/2017 to 1/31/2018
	Total	Total
Gift campaign		
Annual Restricted	\$361,491	\$336,125
Annual Unrestricted	\$123,018	\$316,686
Endowments	\$472,260	\$380,210
Annual Restricted 25K up	\$0	\$317,517
Sponsorships *	\$29,118	\$0
	<u>\$985,888</u>	<u>\$1,350,538</u>

*New sponsorship coding in FY19

Total Fundraising break-out by Campaign – Monthly Comparison

	January	January
	1/1/2019 to 1/31/2019	1/1/2018 to 1/31/2018
	Total	Total
Gift campaign		
Annual Restricted	\$7,219	\$94,166
Annual Unrestricted	\$11,639	\$143,767
Endowments	\$165,669	\$41,505
Annual Restricted 25K and up	\$0	\$0
Sponsorships	\$833	\$0
	<u>\$185,360</u>	<u>\$279,438</u>

Total Unrestricted Cash Raised – Year-to-Date Comparison

	FY19 to January	FY18 to January
	7/1/2018 to 1/31/2019	7/1/2017 to 1/31/2018
	Total	Total
Gift campaign		
Annual Unrestricted **	<u>\$136,370</u>	<u>\$204,348</u>

** includes pledge payments from prior years

SUBJECT: Finance & Facilities Committee Meeting Report for March 27, 2019

The Finance & Facilities Committee of the Board of Trustees met on Wednesday, March 27, 2019, in the Petrowski Room, Marsh Hall on the Central Campus of Salem State University.

Present for the Committee: Trustees Katzman (chair), Murphy (vice chair), Butts, Wilkens, Chair Mattera (ex-officio), President Keenan (ex-officio). Also present and participating: Vice President House (committee liaison) and staff associate Beaulieu.

Absent for the Committee: Trustees Lutts, Russell, Gadenne (advisory member)

Trustee Katzman, committee chair, called the meeting to order at 4:59 pm.

Review FY18 financial results – ratios (Attachment A)

The ratios presented were based on the reissued audited financial statements.

Review of FY19 Q2 financials (Attachment B)

It is anticipated that revenues will fall short due to enrollment decline. However, the impact of the hiring freeze in place since last May has reduced expenses and a positive managed net income is projected for the fiscal year. Collective bargaining retroactive pay increases have been paid out except for the MSCA day faculty, given that their collective bargaining contract has not yet been finalized.

Dashboard (Attachment C)

There was some discussion of deferred maintenance, which is not a captioned financial statement item and is not shown on the dashboard. According to the 2017 Sightlines assessment, there is approximately \$253 million in deferred maintenance for Salem State's facilities which are owned by various parties. MSCBA owns the residence halls and the parking garage; the Commonwealth, via Division of Capital of Asset Management and Maintenance, (DCAMM) owns most of the academic and administrative spaces; and SSUAC owns selected spaces. Funding from DCAMM to partially address deferred maintenance is reflected in the Multi Year Financial Plan (MYFP). The amount varies from year to year and will be \$8.2 million over a five-year period which began in FY19, matched with \$4.8 million in Salem State funding over that period. A static visual representing deferred maintenance will be added to the dashboard in future editions. Any other items the trustees would like to see on the dashboard should be communicated to Trustee Katzman.

A deeper dive into deferred maintenance is planned at the next Finance and Facilities Committee business model meeting scheduled for April 10, 2019 at 3:30 pm. All trustees are welcome to attend.

Discussion ensued regarding visibility into new revenue sources for the future. The finance team works with academic and executive leadership to provide financial

analysis of new program ideas. The leadership team prioritizes initiatives that will increase net revenues.

There was discussion about advocacy for funding for the university and public higher education.

Accounts receivable write-off (Attachment D)

Accounts receivable will be reduced in the next audited financial statements due to the write-off described in the meeting materials. No questions or concerns were expressed.

Investment Services RFP process (Attachment E)

Former Associate Vice President Joseph Donovan has been hired on a part time basis to manage the investment service RFP process. Trustees volunteering to participate include Trustees Butts, Katzman, Lutts (nominated in absentia), Murphy and Wilkens.

Delegation of approval of dining contract (Attachment F, G)

Vice President House described the dining RFP process which had been preceded by an assessment of dining services at the university. The university is being assisted by an independent third-party consultant. Expectations for the operator's performance and new requirements will be in the contract, including metrics. Proposals are due from offerors on March 29, 2019 at 4:30 pm and the contract award will be finalized in early May.

A motion was made by Trustee Murphy and seconded by Trustee Butts:

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding delegation of approval to execute a new 10-year dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees. The value of this contract is approximately \$7.5-\$8 million per year, paid predominantly by student board fees.

Recommended motion

The Board of Trustees delegates approval to execute the new dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees.

The motion passed unanimously.

FY20 budget planning (Attachment H)

Assumptions for planning the FY2020 budget were discussed as presented in the meeting materials. The FY2020 budget and fee recommendations will be provided at the committee meeting in May.

Graduate and continuing education fees for FY20 (Attachment I).

Executive Vice President Scott James participated in the discussion regarding the graduate and continuing education fees proposed for FY20. Regarding the Occupational Therapy Master's program in the Graduate School, which is in Price Group 3, trustees indicated that the proposed 12% increase may not be optimum. Given market demand and pricing of other universities for similar programs, Salem State should perhaps consider a more aggressive price point for that program. Via an amendment to the proposed motion, management was directed to bring forward an alternative proposal for the Board's consideration in the April 10 meeting.

A motion was made by Trustee Mattera and seconded by Trustee Murphy:

MOTION

Amend the proposed tuition and fee rates for academic year 2019-2020 and summer 2020 per Exhibit I for the graduate and continuing education students to include two meaningful alternatives for graduate price group 3 rates, for the full board to vote on at the April 10, 2019 meeting.

The motion passed unanimously.

Capital projects status update (Attachment J)

The DCAMM Science Teaching Lab (STL) Readiness Project, which is intended to deliver an actionable plan for updated science labs and partially address deferred maintenance in one of three existing buildings, was discussed. DCAMM and their consultants are evaluating Horace Mann, Meier Hall and Sullivan buildings. Faculty and administrators are involved in this project. Various ideas for funding the science labs were discussed including partnerships with science-based companies highlighting workforce opportunities and our diverse student population; proceeds from sale of South Campus; and fundraising campaign, possibly including building unrestricted endowment that could be used to offset debt service. The Readiness Project is scheduled to be completed by early August to support a draft funding submission peer review process scheduled for late summer and early fall. The final funding submission is due by the end of December; funding allocation decisions will be announced in early summer 2020.

The Finance and Facilities Committee work plan (Attachment K) approved in September by the committee was provided in the mailing.

There being no further business to come before the committee, Trustee Wilkens **MOVED** and Trustee Murphy **SECONDED** a motion to adjourn.

MOTION: to adjourn the meeting.

The motion passed.

The meeting adjourned at 6:27 pm.

Prepared by: D. Beaulieu, staff associate, finance and facilities



Salem State University

Ratio Calculations & Other Measurements

As of June 30, 2018

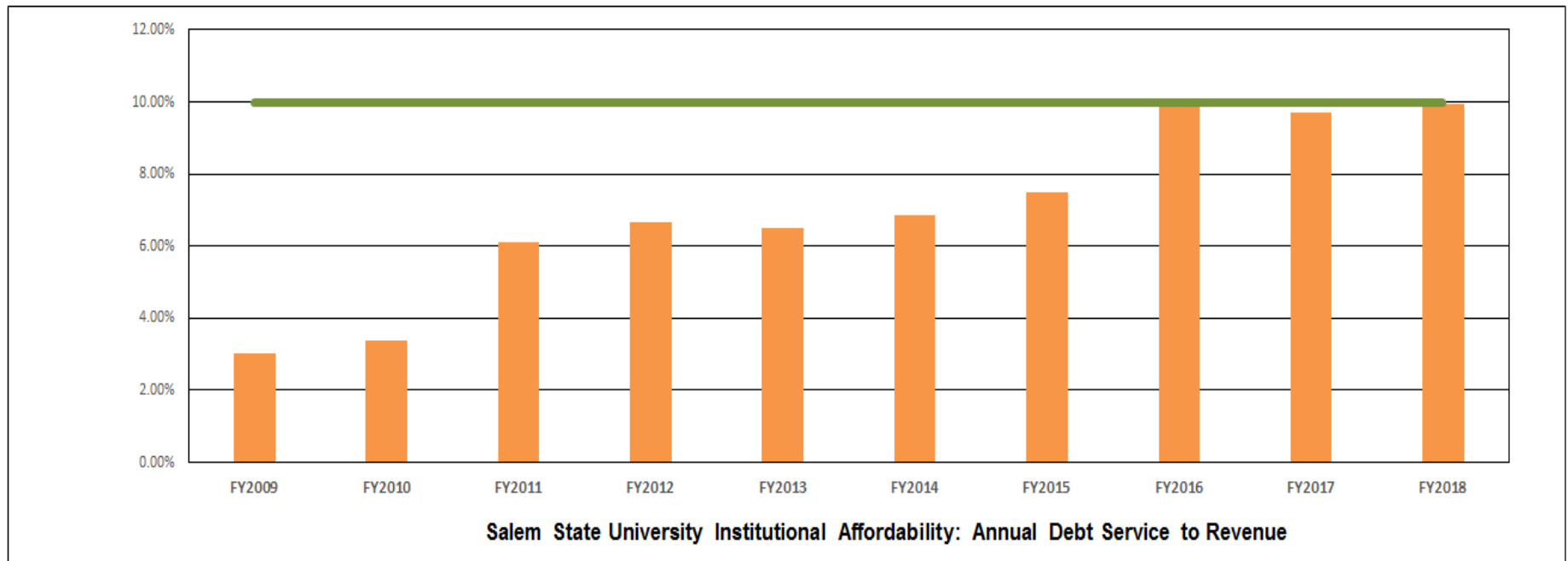
Introduction

- ❑ Calculations were prepared by PFM from FY2011 through FY2016. Salem State University prepared the calculations prior to 2011 and for FY2017 and FY2018 based on audited figures.
- ❑ Calculations do not include the Foundation or Assistance Corporation units of Salem State University.
- ❑ Calculations are based on Moody's scorecard methodology.
- ❑ Calculations include all debt that is owed for both on and off (MSCBA) the University's books.
- ❑ Calculations that require operating revenues include appropriations which is in accordance with Moody's. Whereas, the University's operating revenues as disclosed in our financial statements exclude appropriations from operating revenues in accordance with Governmental Accounting Standards.

Annual Debt Service Burden (Debt Service to Revenue)

Measures the University's ability to repay its debt obligations from operating revenue. Calculated as Total Annual Debt Service divided by Total Operating Revenue. As a general guideline, this ratio should be no higher than 10% as depicted by green line in the graph below.

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Annual Debt Service: Total	\$ 3,588,400	\$ 4,054,113	\$ 8,484,165	\$ 8,974,656	\$ 8,975,468	\$ 9,900,620	\$ 11,408,212	\$ 15,936,951	\$ 16,393,677	\$ 17,332,503
Total Operating Revenue	\$ 118,083,680	\$ 119,452,676	\$ 138,594,588	\$ 134,442,702	\$ 137,672,616	\$ 144,253,046	\$ 152,503,412	\$ 160,621,207	\$ 169,062,145	\$ 174,338,471
Debt Service to Revenue (Total Debt)	3.04%	3.39%	6.12%	6.68%	6.52%	6.86%	7.48%	9.92%	9.70%	9.94%

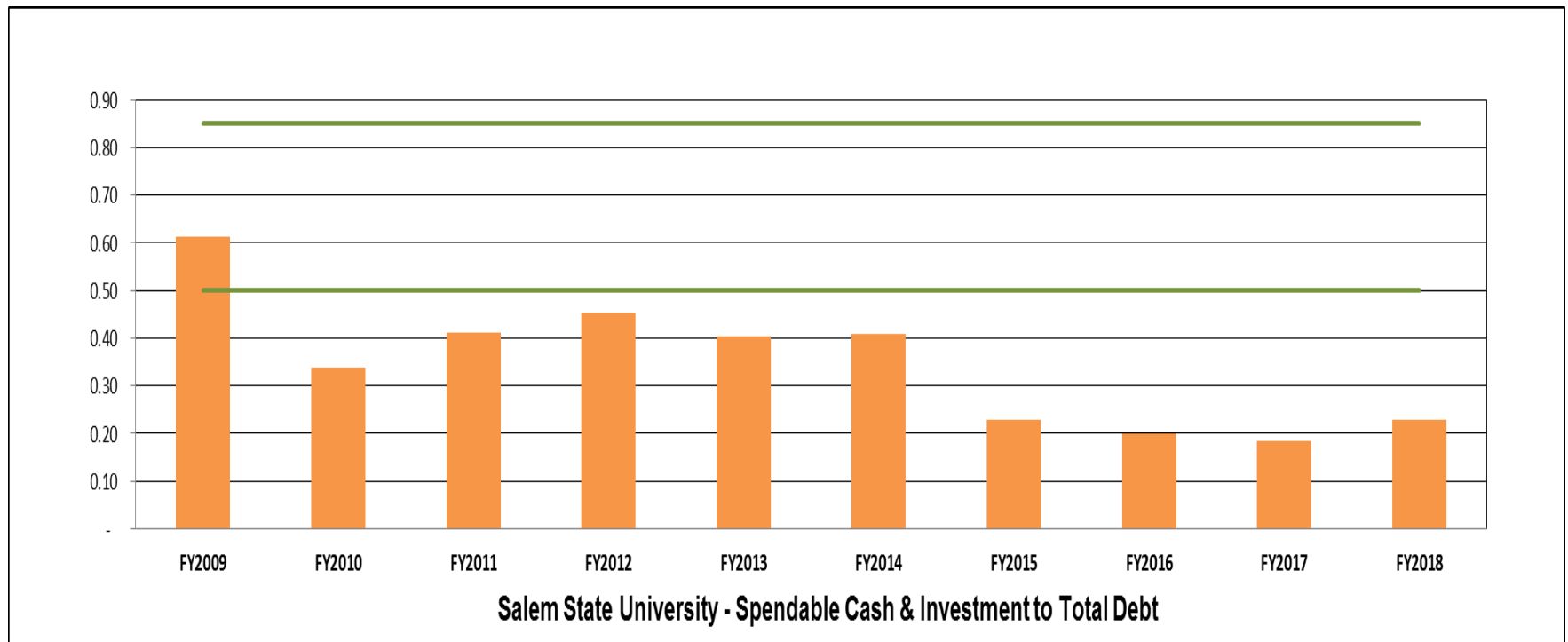


Note: Prior calculations of this measurement have been restated due to the prepayment of principal. These principal payments made in advance were in order to avoid a balloon payment that was due in the near future.

Spendable Cash & Investments to Total Debt

Measures the University's ability to repay its debt obligations from wealth that can be accessed over time or for a specific purpose. Calculated as cash and investments plus funds held in trust by others plus pledges receivable reported in permanently restricted net position less funds permanently restricted by third parties (permanently restricted net position) divided by total debt (principal) outstanding. This ratio should range between 0.50x and 0.85x as depicted by the green lines in the graph below.

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Spendable Cash & Investments	\$ 43,290,532	\$ 47,081,014	\$ 58,757,295	\$ 71,293,218	\$ 62,171,400	\$ 70,851,338	\$ 57,020,184	\$ 48,831,409	\$ 44,860,975	\$ 51,051,154
Total Debt Outstanding (Total Debt)	\$ 70,696,391	\$ 139,514,233	\$ 143,059,239	\$ 156,832,951	\$ 154,290,929	\$ 173,292,405	\$ 248,762,940	\$ 244,277,530	\$ 242,184,323	\$ 223,208,506
Spendable Cash & Investments to Total Debt (Total Debt)	0.61	0.34	0.41	0.45	0.40	0.41	0.23	0.20	0.19	0.23



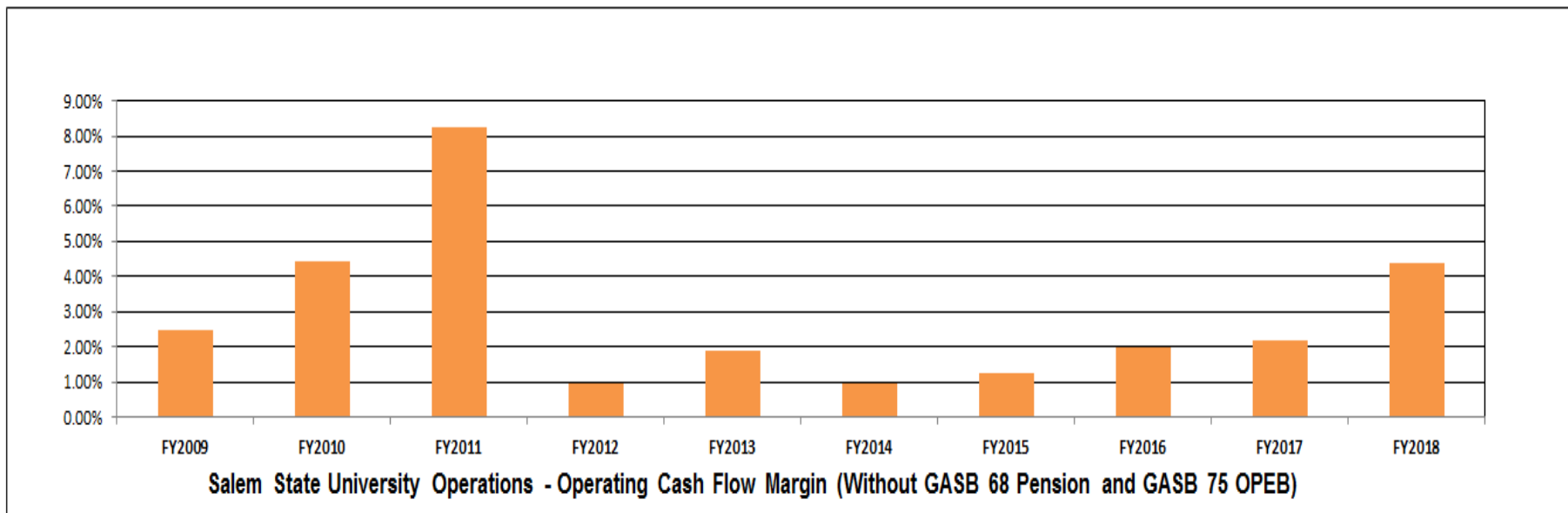
FF 8 of 69 **Note:** Prior calculations of this measurement have been restated to exclude federal loans payable.

BOT 228

Operating Cash Flow Margin

Measures net income (before non-cash expenses) relative to operating revenue to indicate the amount of cash the University generates to support its strategic and capital investments. Calculated as operating revenue less operating expenses plus depreciation, and any additional, unusually large non-cash expenses (GASB 68 Pension and GASB 75 Other Post Employment Benefits), divided by operating revenue. This ratio should show an improving, positive trend over the course of multi-year period.

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Operating Cash Flow	\$ 2,912,792	\$ 5,317,622	\$ 11,448,244	\$ 1,312,231	\$ 2,614,998	\$ 1,359,426	\$ 1,920,987	\$ 3,162,927	\$ 3,658,791	\$ 7,625,281
Operating Revenue	\$ 118,083,680	\$ 119,452,676	\$ 138,594,588	\$ 134,442,702	\$ 137,672,616	\$ 144,253,046	\$ 152,503,412	\$ 160,621,207	\$ 169,062,145	\$ 174,338,471
Operating Cash Flow Margin without GASB 68 and GASB 75	2.47%	4.45%	8.26%	0.98%	1.90%	0.94%	1.26%	1.97%	2.16%	4.37%

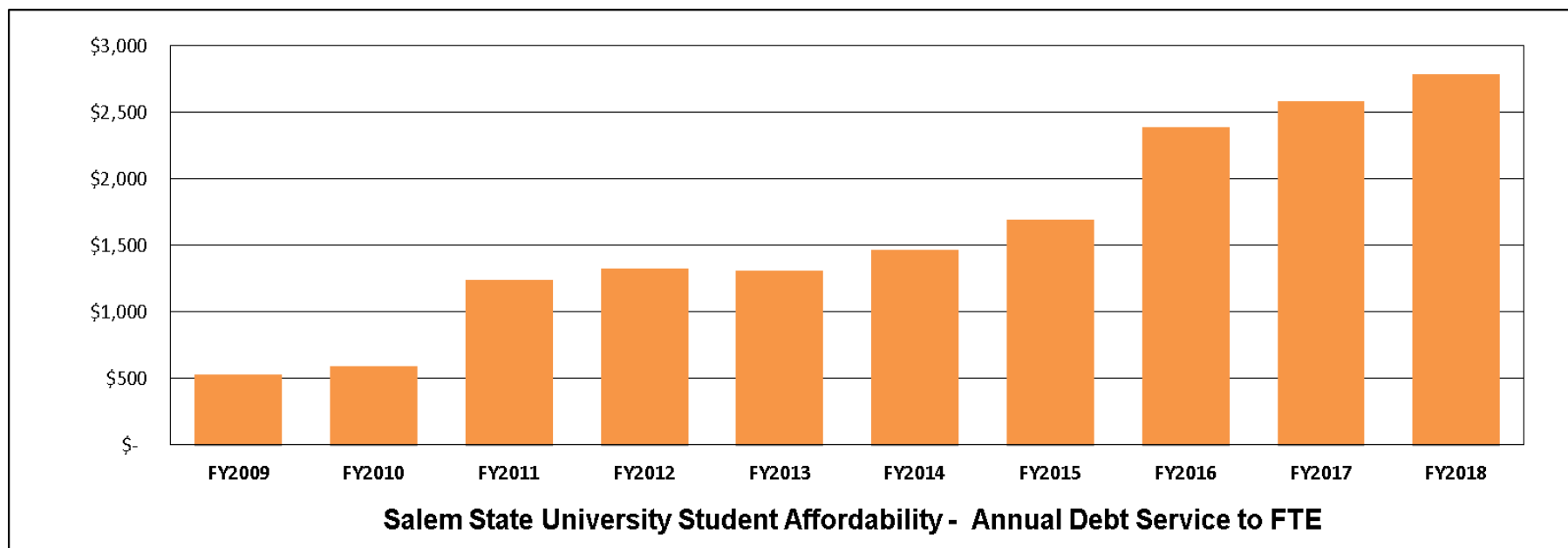


Note: The increases in FY2010 and FY2011 are primarily due to additional revenue from ARRA funding under a federal stimulus plan (\$3.9 million in FY2010 and \$7.4 million in FY2011). Additionally, during FY2011 the opening of Marsh Hall for the first time added 525 beds to the campus (\$4.2 million) and there was an increase in Appropriations (\$4.6 million) for FY2011.

Annual Debt Service to Full Time Equivalent (FTE) Undergraduate Enrollment

Measures the effective amount of the University's debt obligations that each undergraduate student is effectively covering in any given year. Calculated as Annual Debt Service divided by Undergraduate FTE.

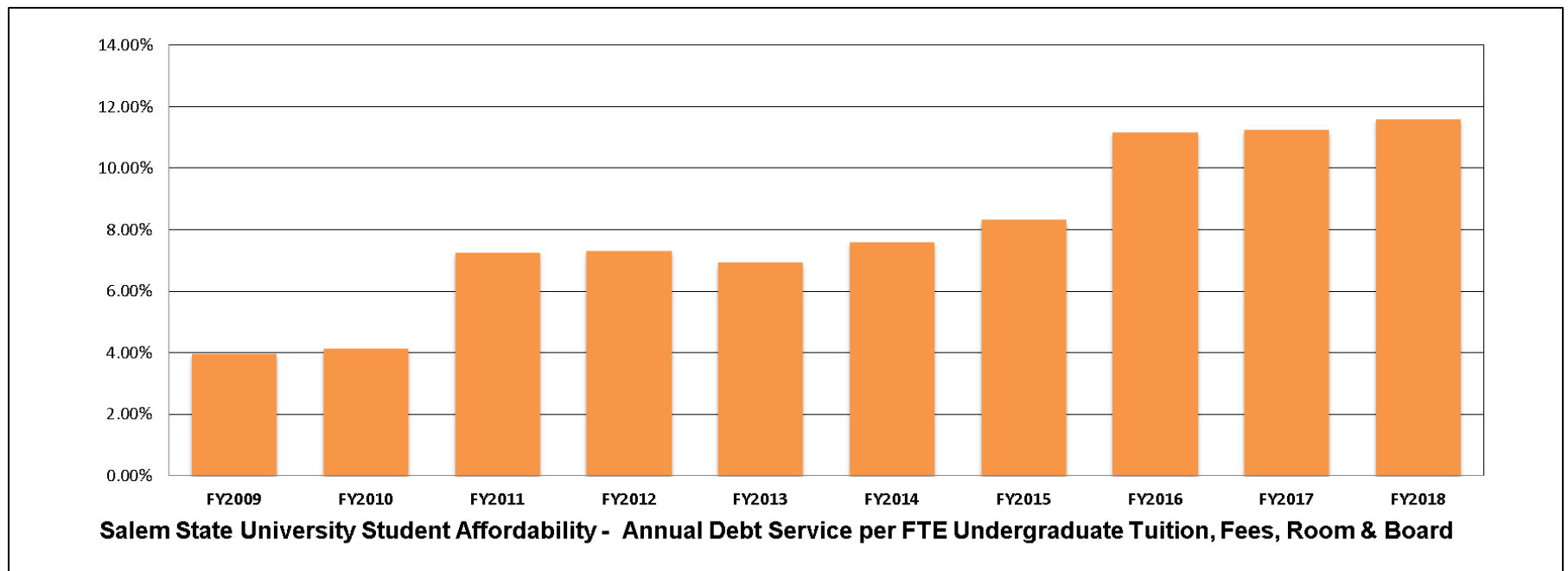
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Annual Debt Service (Total Debt)	\$ 3,588,400	\$ 4,054,113	\$ 8,484,165	\$ 8,974,656	\$ 8,975,468	\$ 9,900,620	\$ 11,408,212	\$ 15,936,951	\$ 16,393,677	\$ 17,332,503
Annual FTE Undergraduate Enrollment	6,797	6,887	6,865	6,773	6,870	6,753	6,757	6,674	6,358	6,231
Debt Service per FTE Undergraduate	\$ 528	\$ 589	\$ 1,236	\$ 1,325	\$ 1,306	\$ 1,466	\$ 1,688	\$ 2,388	\$ 2,578	\$ 2,782



Annual Debt Service per FTE as related to Undergraduate Tuition & Fees

Measures the proportion of the annual debt service as a percentage of Undergraduate student rates.

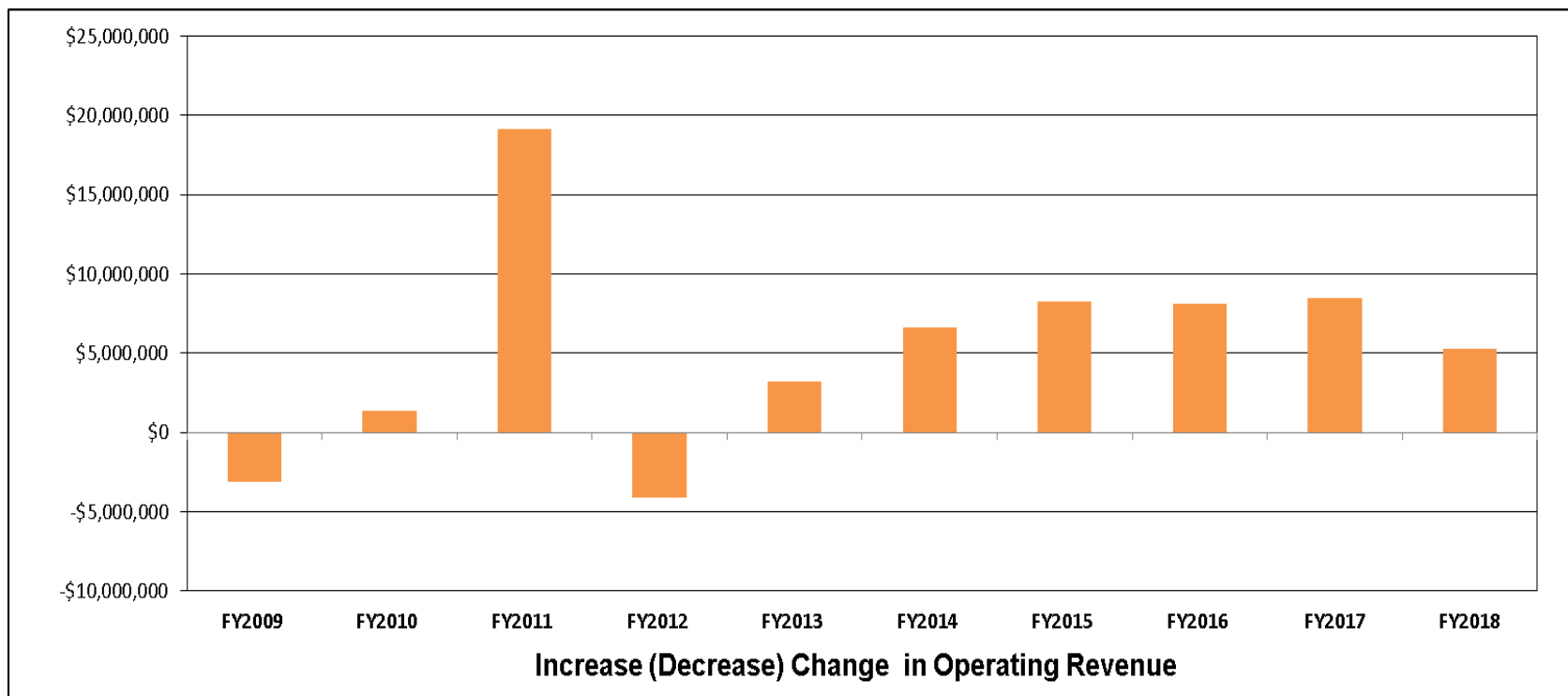
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Annual Debt Service per FTE Undergrad (Total Debt)	\$ 528	\$ 589	\$ 1,236	\$ 1,325	\$ 1,306	\$ 1,466	\$ 1,688	\$ 2,388	\$ 2,578	\$ 2,782
Tuition + Mandatory Fees + Average Housing + Meal Rates	\$ 13,328	\$ 14,220	\$ 17,014	\$ 18,116	\$ 18,804	\$ 19,294	\$ 20,252	\$ 21,391	\$ 22,934	\$ 24,009
Annual Debt Service per FTE Undergraduate	3.96%	4.14%	7.26%	7.31%	6.95%	7.60%	8.34%	11.16%	11.24%	11.59%



Change in Operating Revenue

The increase or decrease in operating revenues from the prior year is depicted below.

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Change in Operating Revenue from Prior Year	\$(3,096,402)	\$1,368,996	\$19,141,912	\$(4,151,886)	\$3,229,914	\$6,580,430	\$8,250,366	\$8,117,795	\$8,440,938	\$5,276,326



Note: The significant amount of operating revenue change from FY 2011 to FY 2012 of \$19.1 million is primarily due to ARRA funding under a federal stimulus plan (\$5.5 million) and the opening of Marsh Hall for the first time that added 525 beds to the campus (\$4.2 million).

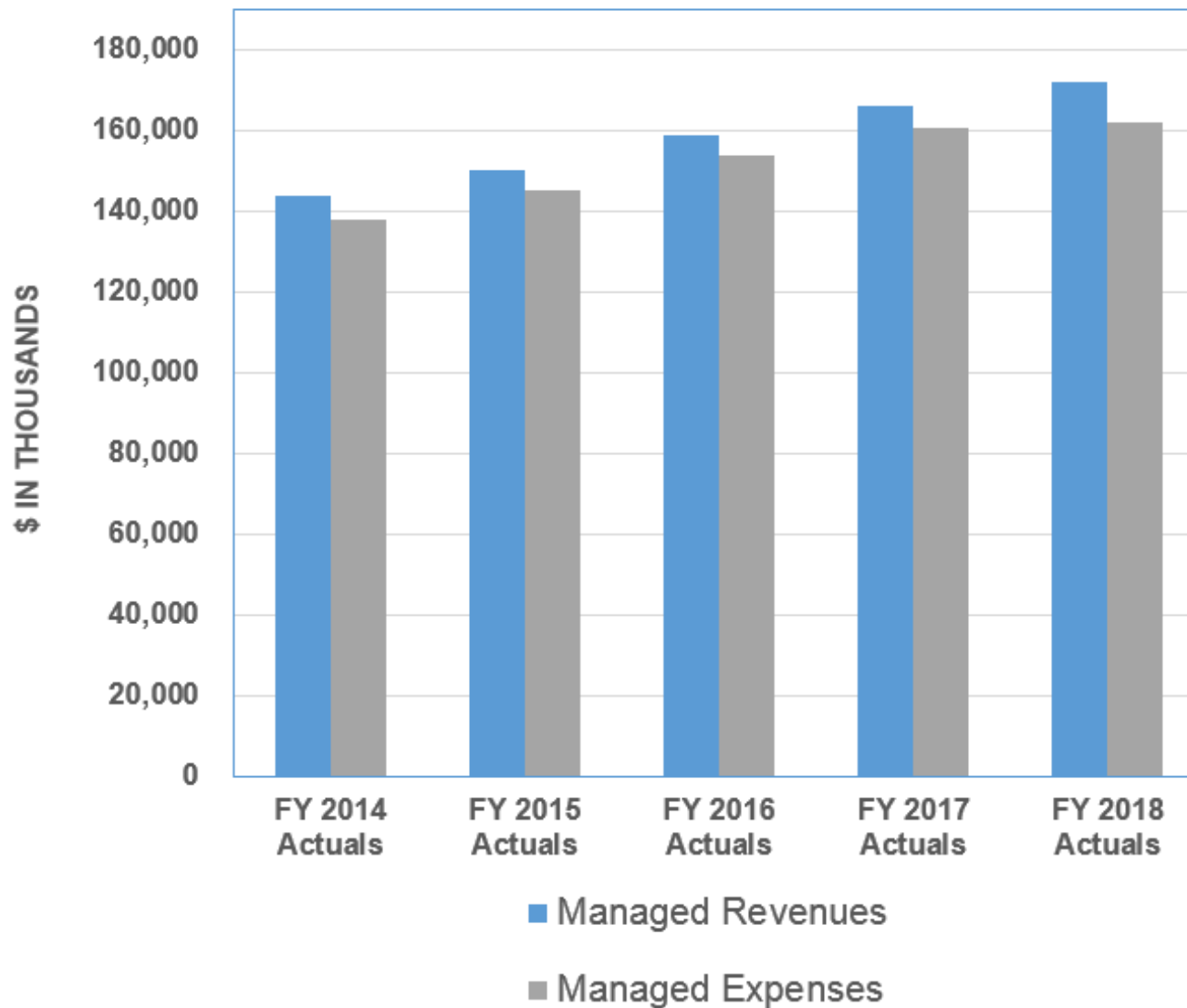
Appendix

Managed Revenues and Expenses

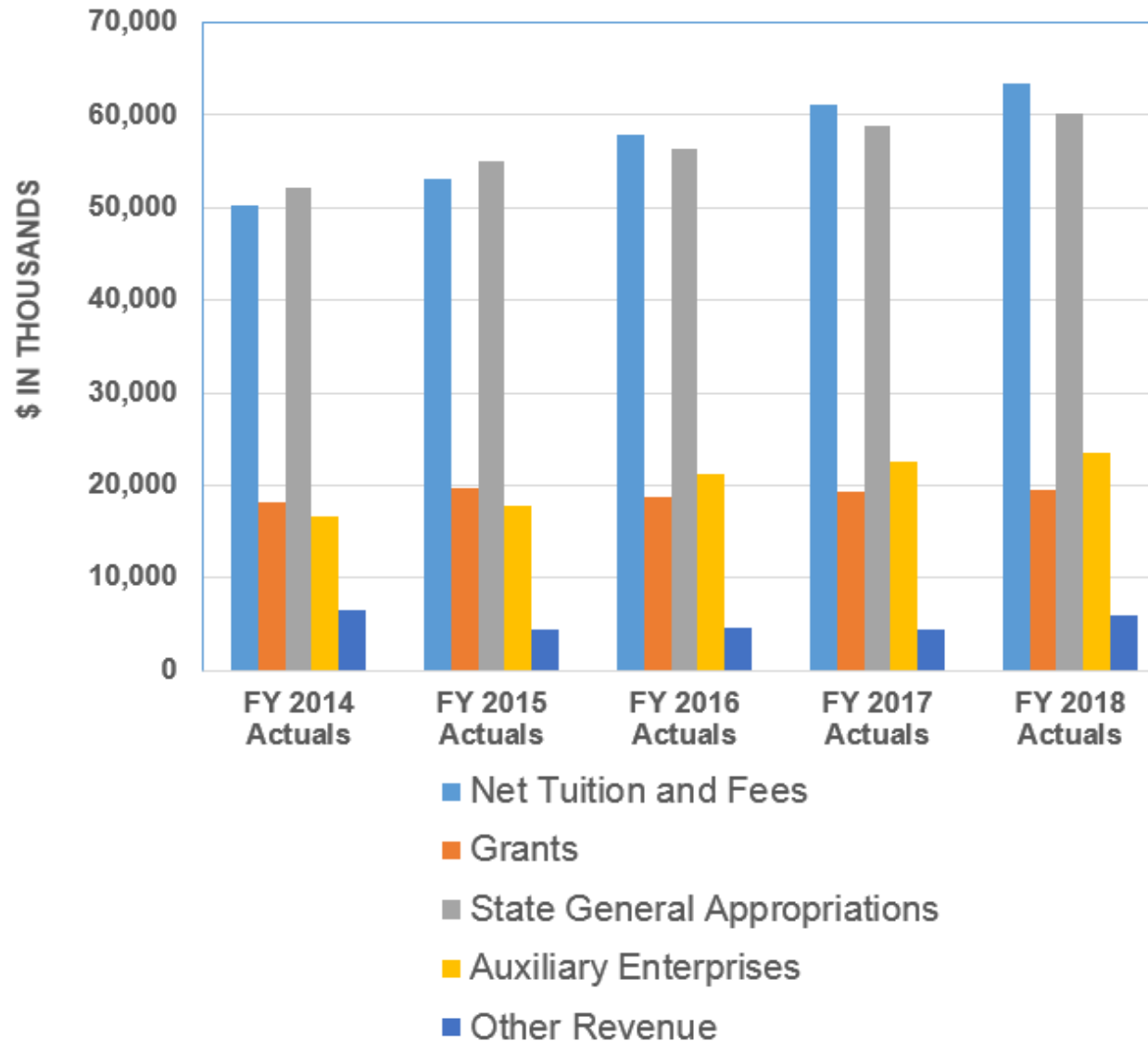
Managed Revenue and Expenses FY 2014 thru FY 2018 (in thousands)

Account Description	FY 2014 Year End	FY 2015 Year End	FY 2016 Year End	FY 2017 Year End	FY 2018 Year End
Managed Revenues:					
Net Tuition and Fees	50,204	53,089	57,896	61,239	63,381
Federal, State, Private Grants	18,233	19,782	18,820	19,306	19,472
Auxiliary Enterprises	16,555	17,822	21,149	22,519	23,423
State General Appropriations	52,156	55,064	56,416	58,768	60,128
Other Revenue	6,593	4,365	4,593	4,422	5,858
Total Managed Revenues	143,740	150,122	158,874	166,254	172,263
<i>Year over Year Change</i>	<i>-9.3%</i>	<i>4.4%</i>	<i>5.8%</i>	<i>4.6%</i>	<i>3.6%</i>
Managed Expenses:					
Compensation	101,273	107,510	112,436	118,273	117,761
Support	17,549	17,842	18,568	17,991	18,365
Facility-related	19,133	20,096	22,934	24,669	26,138
Total Managed Expenses	137,955	145,448	153,939	160,934	162,264
<i>Year over Year Change</i>	<i>6.4%</i>	<i>5.4%</i>	<i>5.8%</i>	<i>4.5%</i>	<i>0.8%</i>
Managed Net Income	5,785	4,674	4,935	5,320	9,998
Management Cash Flow Ratio	4.0%	3.1%	3.1%	3.2%	5.8%
Non-Cash Revenues/(Expenses):					
Capital Grants	14,252	846	783	7,711	2,950
Depreciation	(6,899)	(7,655)	(7,877)	(8,477)	(8,903)
Contributions to SSUAC			(911)	(896)	
Unrealized Gains/Losses	1,096	(421)	(487)	738	(438)
Gains/Losses on Disposal of Plant Facilities		(941)			
GASB 68 Pension		473	(4,368)	(4,711)	(3,583)
GASB 75 OPEB					(4,498)
Total Non-Cash Revenues/(Expenses)	8,449	(7,698)	(12,859)	(5,636)	(14,472)
<i>Year over Year Change</i>	<i>-296.8%</i>	<i>-191.1%</i>	<i>67.1%</i>	<i>-56.2%</i>	<i>156.8%</i>
Total Increase/Decrease in Net Position	14,234	(3,024)	(7,925)	(316)	(4,474)

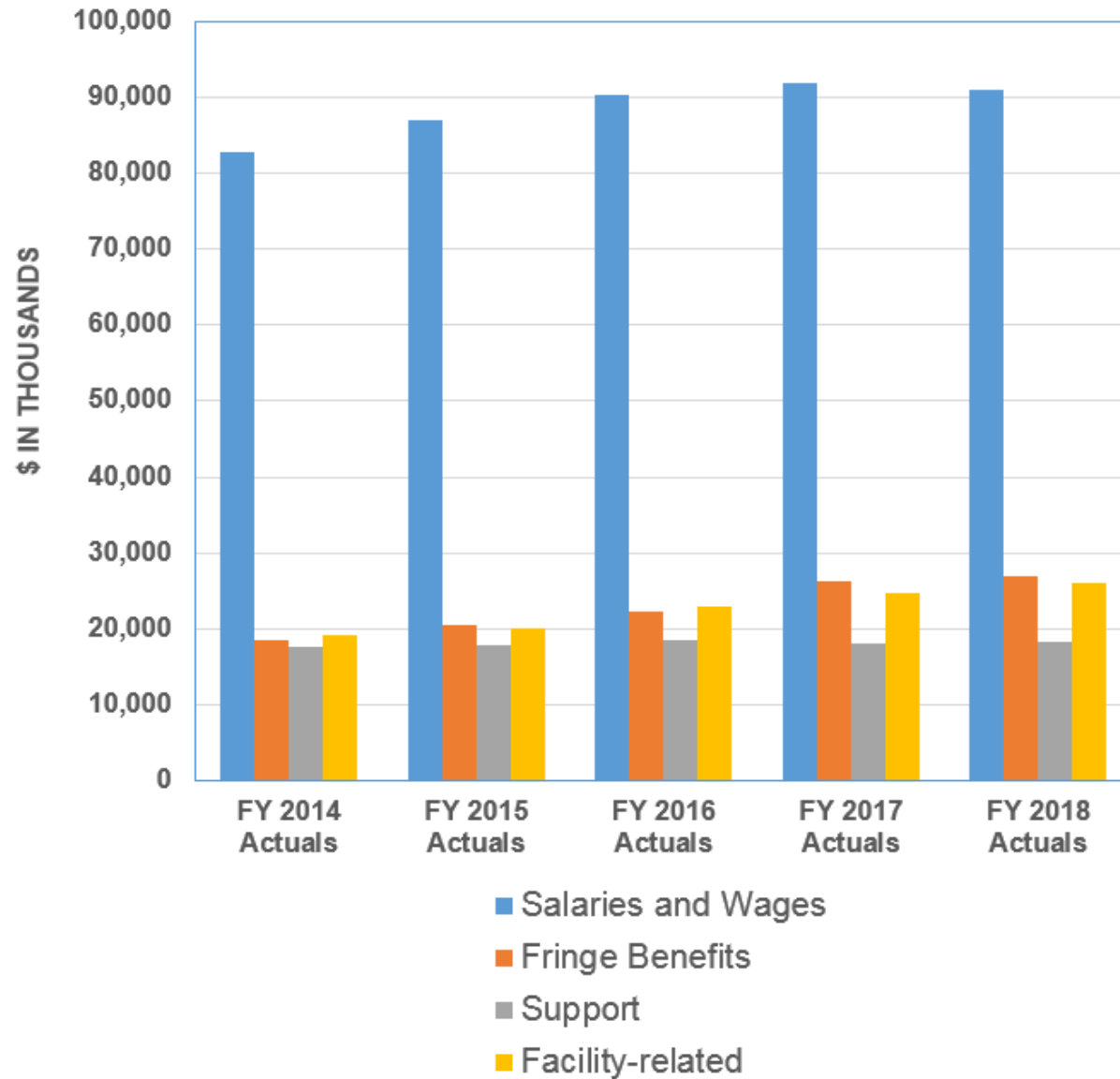
Five-Year Managed Revenue & Expense Trends



Five-Year Managed Revenue Trends



Five-Year Managed Expense Trends

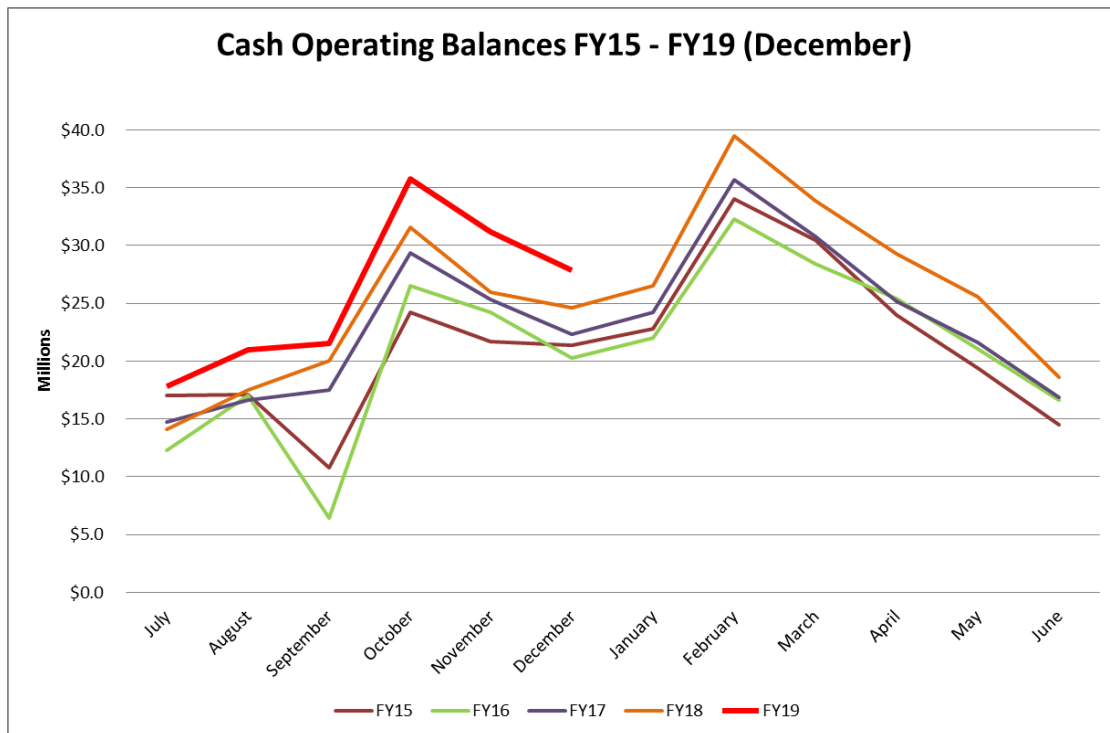


Salem State University Interim Financial Review through the Second Quarter (Q2) of FY19 (12/31/18) Commentary

Introduction – The attached package includes a summarized Management Revenue & Expense Report that distinguishes between managed and non-cash revenue and expense activity, in addition to the traditional GAAP-style financial statements. Thus, the package for the period ending December 31, 2018, includes the following unaudited financial statements:

- Management Revenue & Expense Report
- Financial Statements by Trust Fund
- Statements of Net Position
- Statement of Cash Flows
- Statements of Revenues, Expenses and Changes in Net Position by Natural Classification

KEY ITEMS SUMMARY:



Note: Operating Cash excludes cash with state and other agencies

Summary Financial Information for FY18Q2 and FY19Q2

	<i>(In Thousands)</i>				Budget	Projection
	FY18Q2	FY19Q2	\$ Change	% Change	FY19	FY19
Managed Revenues	\$ 129,282	\$ 130,595	\$ 1,313	1.0%	\$ 172,318	\$ 171,416
Managed Expenses	78,506	77,000	(1,506)	-1.9%	172,318	169,550
Managed Net Income	50,776	53,595	▲ 2,819	5.6%	-	▲ 1,866
Non Cash Revenue/(Expenses)	(3,616)	(5,506)	▼ (1,890)	52.3%	(9,319)	(9,319)
Total Increase/(Decrease) in Net Position	\$ 47,160	\$ 48,089	▲ \$ 929	2.0%	\$ (9,319)	▲ \$ (7,453)

Balance Sheet – Cash and cash equivalents increased \$7.2 million since June 30, 2018 due to timing of payments. At December 31, 2018, the accounts receivable balance stood at \$48.8 million, an increase of \$42.3 million since June 30, 2018 due to the billing of the Spring semester. The December 2018 accounts receivable balance is comparable to the second quarter of the previous year. Capital assets have decreased \$2.8 million primarily due depreciation taken through the second quarter, offset by additions. Investments have decreased by 5.0% or \$0.7 million to \$14.1 million since June 30 due to market conditions. No new debt was incurred during the first two quarters of FY19.

Cash Operating Balances FY15 through FY19 (December) — The cash graph displays operating cash balances by month and excludes cash with State and other agencies. Operating cash flows are cyclical as depicted in the cash graph, especially after October. MSCBA assessments and financial aid receipts have fallen on various sides of September 30. Operating cash on hand at December 31, 2018 is higher than over the past five years.

Managed Revenue and Expense - For the six months ending December 31, 2018 (FY19), Salem State's net position increased by \$48.1 million overall which is a slight increase of \$0.9 million compared to the same period in FY18. For managed net income, the YTD result through the second quarter of FY19 is \$53.6 million and increased by \$2.8 million or 5.6% from the same period in FY18. For the six months ending December 31, 2018 (FY19), tuition and fee revenue net of scholarships and fellowships decreased 0.3% or \$0.2 million year over year. This is predominately due to the increase in University fee rates offset by decreases in enrollment. Auxiliary enterprise revenue was 2.7% or \$0.6 million lower due to decreased occupancy in the Residence Halls. Managed expenses decreased 1.9% or \$1.5 million as compared to the same period as last year.

Changes in Non-Cash Revenues and Expenses – Non-cash revenues and expenses for through the second quarter of FY19 was \$5.5 million (expense) vs. \$3.6 million (expense) for FY18. This increase in expense of \$1.9 million is primarily due to market losses on investments due to deteriorating market conditions.

Comparison of Current FY19 Projection to Approved FY19 Budget –

Managed Revenue and Expense Activity:

- An unfavorable variance of \$2.1 million in net tuition and fees is projected, related to Spring Undergraduate headcount and Graduate credit hours falling short of the budget target, an increase in Continuing Education non-bill courses, and a higher proportion of in-state students compared to budget. Institutional financial aid is projected to be approximately \$0.2 million above budget.
- A favorable variance of \$2.4 million in State appropriations is caused by the final General Appropriations Act (GAA) appropriation amount being \$0.7 million higher than budget estimates, funding for the Association of Professional Administrators contract of \$0.7 million that was not included in the Commonwealth's original budget, \$0.3 million in state assistance with fringe benefits and \$0.6 million in other appropriations.
- A favorable variance of \$2.2 million in compensation is primarily attributable to effective management of vacant positions and a 0.5% favorable variance in the final fringe benefit rate established after the budget was finalized.
- An unfavorable variance of \$1.2 million in Auxiliary revenue is due to occupancy in the residence halls being lower than budgeted.

- Facility related expenses are \$0.4 million favorable to budget, primarily attributable to actual fall and spring MSCBA Assessment's being lower than budget.

Non-Cash Revenue and Expenses:

- As is the university's practice, the budget does not include a calculation of the impact of GASB 68 pension and GASB 75 OPEB liability adjustment for FY19. Information to book these adjustments is maintained by and received from the Commonwealth as the books are closed for the fiscal year. As the University has not received any estimate for these amounts from the Commonwealth, the projection does not include any estimate for GASB 68 or GASB75.

The Management Revenue & Expense Report displays the year to date activity through the applicable quarter of the prior year compared to the current year. The Statement of Net Position and related analysis compares the prior year's fiscal year-end balance to the balance at the end of the applicable quarter in the current year. This is done in order to focus on what changed in the current fiscal year. Similarly, the Statement of Cash Flows is presented through the end of the applicable quarter in the current year and shows the change in cash from the end of the prior fiscal year.

Financial reports and information herein are hereby certified by the President or designee, VP for Finance and Facilities Karen House, that all records were maintained in accordance with proper procedures, including documentation of receipts, disbursements and bank accounts, and that all expenditures were made to advance Salem State University's mission. The information is for the University without the inclusion of the Assistance Corporation and Foundation and is derived from the financial system of record (PeopleSoft) as the numbers stood when the period being reported was closed.

Management Revenue & Expense Report
(In Thousands)

	2nd Qtr FY 2018 (\$K)	2nd Qtr FY 2019 (\$K)	Change from FY 2018 2nd Qtr (\$K)	Change %	Year End FY 2018 (\$K)	Original Budget FY 2019 (\$K)	Projection FY 2019 (\$K)
Managed Revenues:							
Tuition and Fees	\$ 78,891	\$ 79,318	\$ 427	0.5%	\$ 88,009	\$ 89,686	\$ 87,846
Less: Scholarships, Fellowships & Waivers	(12,770)	(13,428)	(658)	5.2%	(24,628)	(25,424)	(25,639)
Net Tuition and Fees	66,121	65,890	(231)	-0.3%	63,381	64,262	62,207
Federal, State, Private Grants	9,641	9,717	76	0.8%	19,472	19,180	19,140
Auxiliary Enterprises	21,951	21,361	(590)	-2.7%	23,423	24,383	23,166
State General Appropriations	29,175	31,445	2,270	7.8%	60,128	60,767	63,135
Other Revenue	2,394	2,182	(212)	-8.9%	5,858	3,726	3,768
Total Managed Revenues	(A) 129,282	130,595	1,313	1.0%	172,262	172,318	171,416
Managed Expenses:							
Compensation	56,624	55,985	(639)	-1.1%	117,761	123,561	121,331
Support	8,362	9,112	750	9.0%	18,364	21,303	21,219
Facility-related	13,520	11,903	(1,617)	-12.0%	26,138	27,454	27,000
Total Managed Expenses	(B) 78,506	77,000	(1,506)	-1.9%	162,263	172,318	169,550
Managed Net Income	(A-B)=(C) 50,776	53,595	2,819	5.6%	9,999	-	1,866
Non-Cash Revenue/(Expenses):							
Capital Grants	-	-	-	-	2,950	-	-
Depreciation	(4,442)	(4,614)	(172)	3.9%	(8,903)	(9,183)	(9,183)
Unrealized Gains/(Losses)	826	(892)	(1,718)	-208.0%	(437)	(136)	(136)
GASB 68 Pension	-	-	-	-	(3,583)	-	-
GASB 75 OPEB	-	-	-	-	(4,499)	-	-
Total Non-Cash Revenue/(Expenses)	(3,616)	(5,506)	(1,890)	52.3%	(14,472)	(9,319)	(9,319)
Total Increase/Decrease in Net Position	\$ 47,160	\$ 48,089	\$ 929	2.0%	\$ (4,473)	\$ (9,319)	\$ (7,453)
Management Cash Flow Ratio	(C)/(A)				5.80%	0.00%	1.09%

Management Revenue & Expense Report by Trust Funds
 December 31, 2018

Account Description	FY 2018 Year-End (\$K)	Unrestricted Auxiliaries	Educational & General Funds	Grants	Gifts & Contributions	Residence Halls	Restricted Other	Total Restricted Endowments	Net Invested in Capital Assets	FY 2019 YTD-Dec Actuals (\$K)
Managed Revenues:										
Net Tuition and Fees	\$63,381		\$75,435	(\$8,559)	(\$289)	(\$1,241)	\$544			\$65,890
Federal, State, Private Grants	19,472			9,717						9,717
Auxiliary Enterprises	23,423	\$1,423	337			19,452	149			21,361
State General Appropriations	60,128		31,334	111						31,445
Other Revenue	5,858	187	768	35	\$1,133		51	\$8		2,182
Total Managed Revenues	172,262	1,610	107,874	1,304	844	18,211	744	8	-	130,595
Managed Expenses:										
Compensation	117,761	59	53,134	948	104	1,725	15			55,985
Support	18,364	89	8,279	236	108	167	233			9,112
Facility-related	26,138	(224)	6,042	18	21	7,035	70		(1,059)	11,903
Total Managed Expenses	162,263	(76)	67,455	1,202	233	8,927	318	-	(1,059)	77,000
Managed Net Income	9,999	1,686	40,419	102	611	9,284	426	8	1,059	53,595
Non-Cash Revenues/(Expenses):										
Capital Grants	2,950									
Depreciation	(8,903)								(4,614)	(4,614)
Unrealized Gains/(Losses)	(437)		(845)	(3)				(44)		(892)
GASB 68 Pension	(3,583)									
GASB 75 OPEB	(4,499)									
Total Non-Cash Revenue/(Expenses)	(14,472)	-	(845)	(3)	-	-	-	(44)	(4,614)	(5,506)
Total Increase/(Decrease) in Net Position	(\$4,473)	\$1,686	\$39,574	\$99	\$611	\$9,284	\$426	(\$36)	(\$3,555)	\$48,089

Statements of Net Position
(In Thousands)

	FY 2018	FY 2019 YTD	Change	
	Year End	December 31	\$	%
Assets:				
Cash	\$ 18,581	\$ 27,894	\$ 9,313	50.1%
Cash with State and other agencies	4,928	2,860	(2,068)	-42.0%
Accounts and other receivables	6,507	48,831	42,324	650.4%
Capital assets	169,691	166,845	(2,846)	-1.7%
Investments	14,789	14,054	(735)	-5.0%
Loans receivable, net	1,964	1,953	(11)	-0.6%
Debt Service Reserve	1,473	1,473	-	0.0%
Other Assets	46	1	(45)	-97.8%
Total Assets	217,979	263,911	45,932	21.1%
Deferred Outflows	25,452	25,452	-	0.0%
Total Assets and Deferred Outflows of Resources	\$ 243,431	\$ 289,363	\$ 45,932	18.9%
Liabilities:				
Accounts payable and accrued expenses	\$ 4,486	\$ 7,229	\$ 2,743	61.1%
Accrued Payroll	7,851	5,120	(2,731)	-34.8%
Bonds and notes payable	43,054	42,935	(119)	-0.3%
Compensated absences	9,591	9,591	-	0.0%
Loan payable, federal financial assistance programs	2,145	2,145	-	0.0%
Other liabilities	4,598	2,650	(1,948)	-42.4%
Net Pension Liability	44,564	44,564	-	0.0%
Net OPEB Liability	86,678	86,678	-	0.0%
Total Liabilities	202,967	200,912	(2,055)	-1.0%
Deferred Inflows	15,668	15,566	(102)	-0.7%
Total Liabilities and Deferred Inflows of Resources	218,635	216,478	(2,157)	-1.0%
Net Position:				
Invested in capital assets	130,219	126,664	(3,555)	-2.7%
Restricted	6,604	16,988	10,384	157.2%
Unrestricted	(112,027)	(70,767)	41,260	-36.8%
Total Net Position	24,796	72,885	48,089	193.9%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 243,431	\$ 289,363	\$ 45,932	18.9%



Statement of Cash Flows
(In Thousands)

	YTD 12/31/18 FY 2019
	<u> </u>
Cash flow from operating activities:	
Tuition and fees (net)	\$ 33,046
Grants and contracts	10,150
Payments to vendors, employees and students	(41,704)
Auxiliary and other receipts	<u>669</u>
Net cash used in operating activities	<u>2,161</u>
Cash flow from non-operating activities:	
State appropriations (net)	7,065
Gifts, investment and other sources	<u>403</u>
Net cash provided by non-operating activities	<u>7,468</u>
Cash flow from capital, financing and investing activities:	
Purchases of capital assets	(1,897)
Debt service payments on bond payables	(849)
Investment activities (net)	<u>362</u>
Net cash used in capital financing, and investing activities	<u>(2,384)</u>
Net increase in cash and cash equivalents	7,245
Cash and cash equivalents at beginning of period	23,509
Cash and cash equivalents at end of period	<u><u>\$ 30,754</u></u>

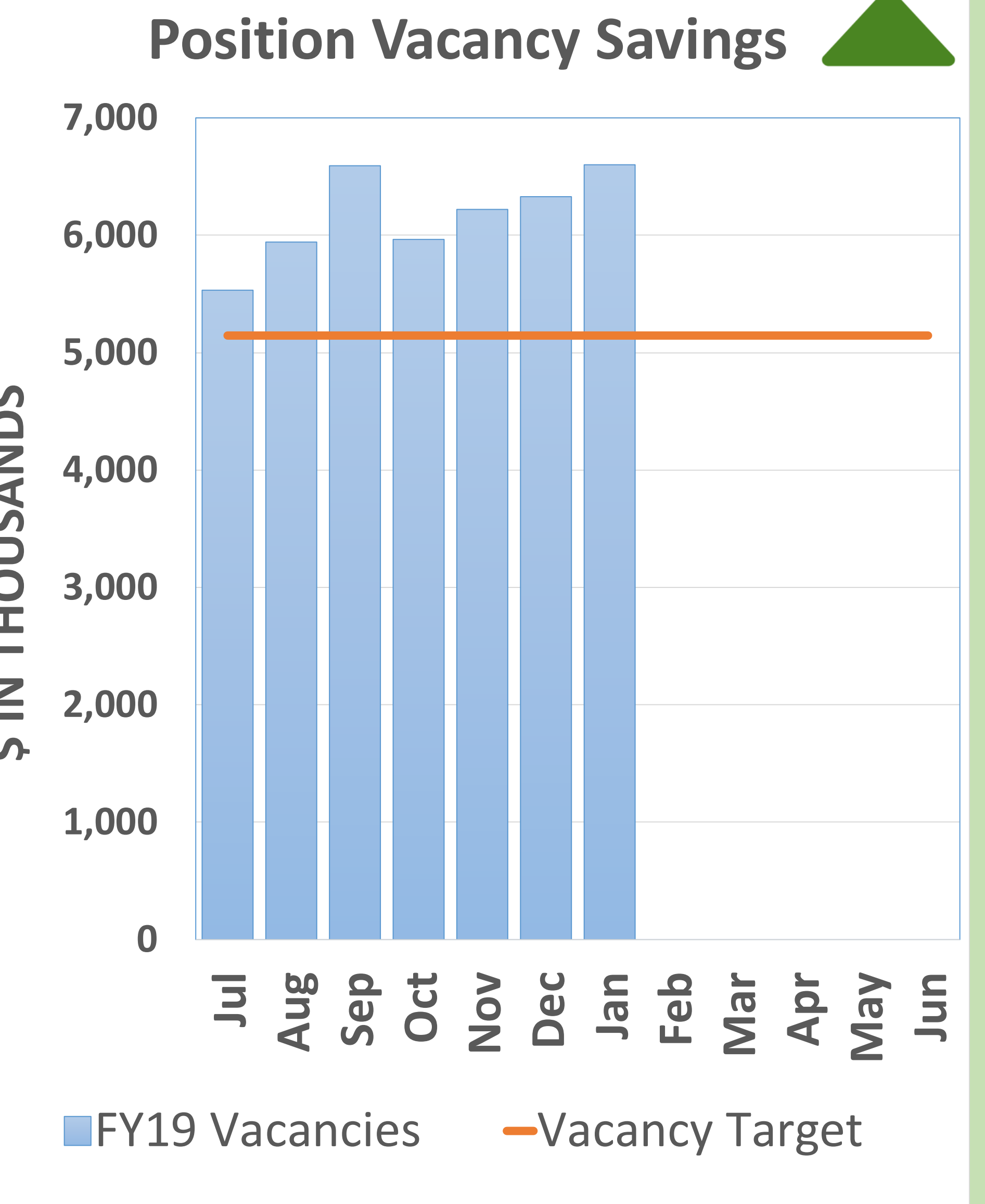
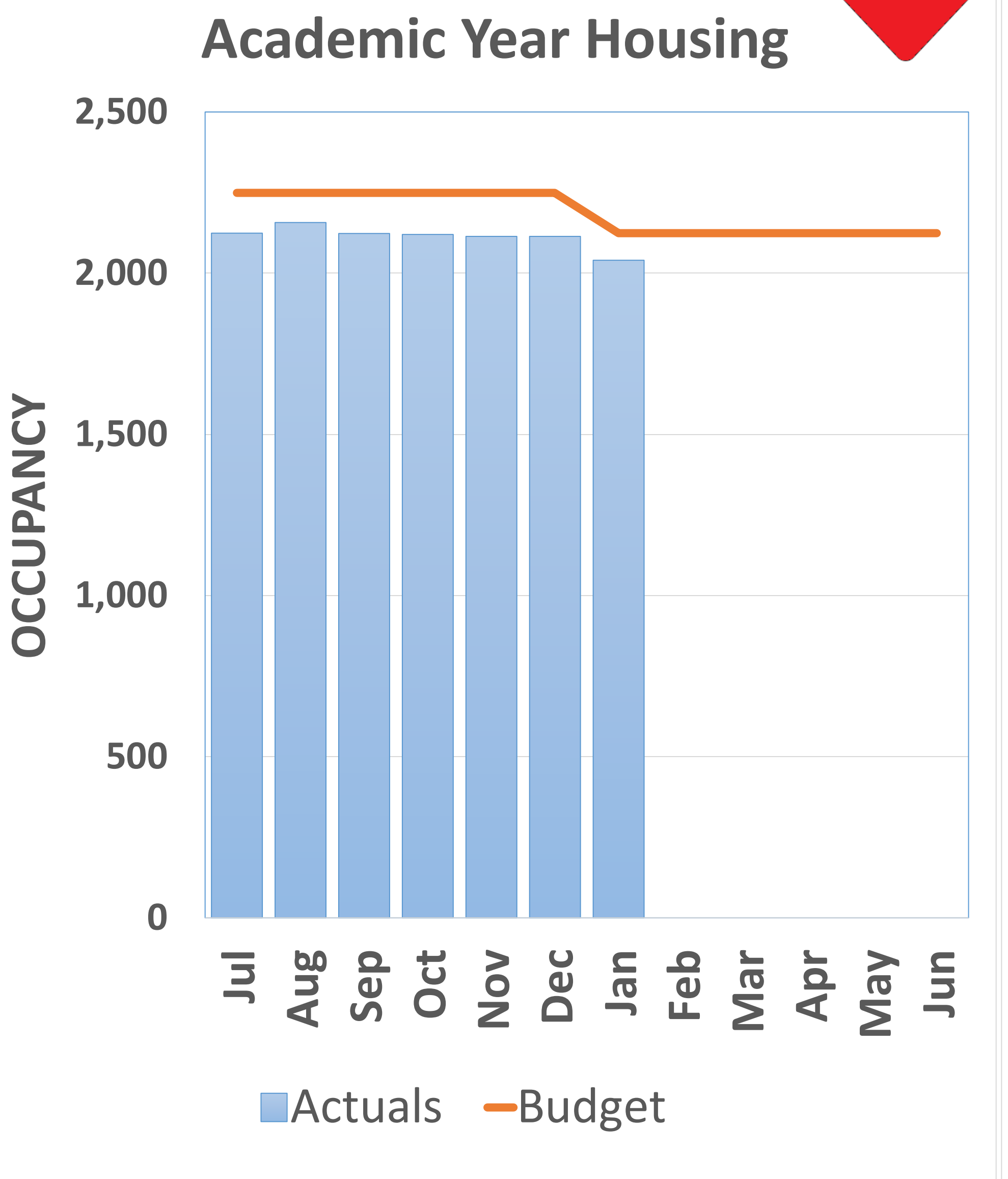
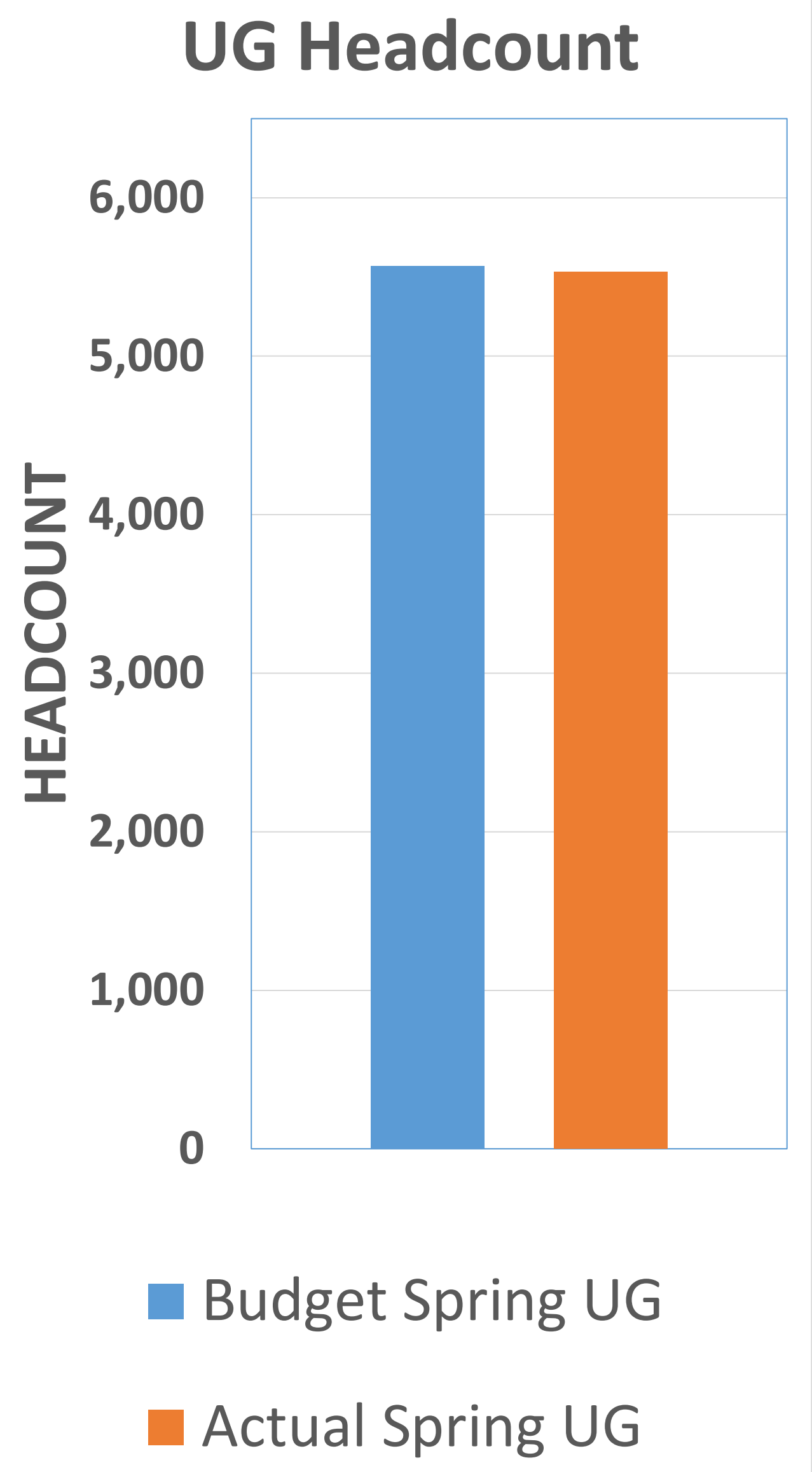
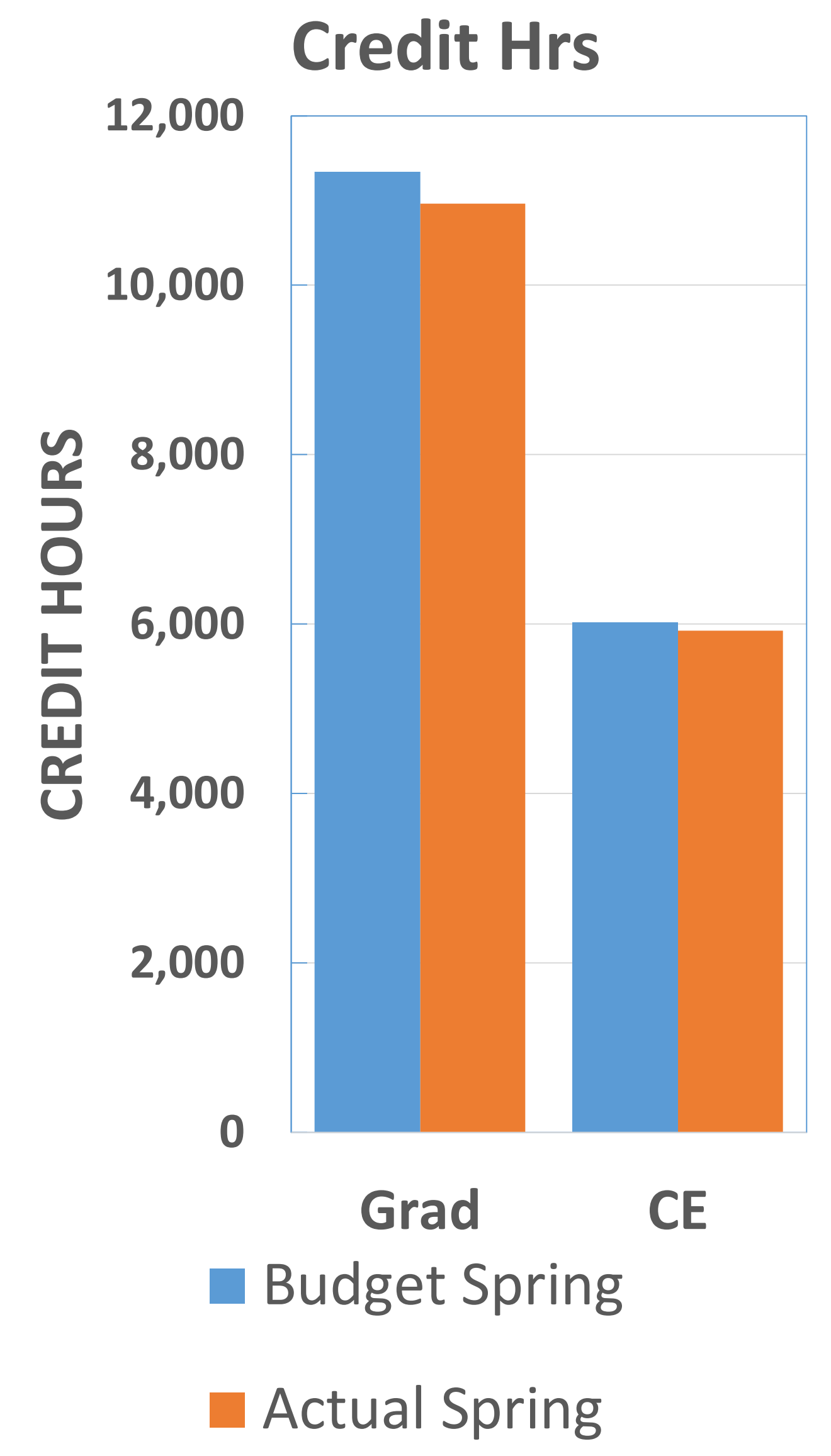
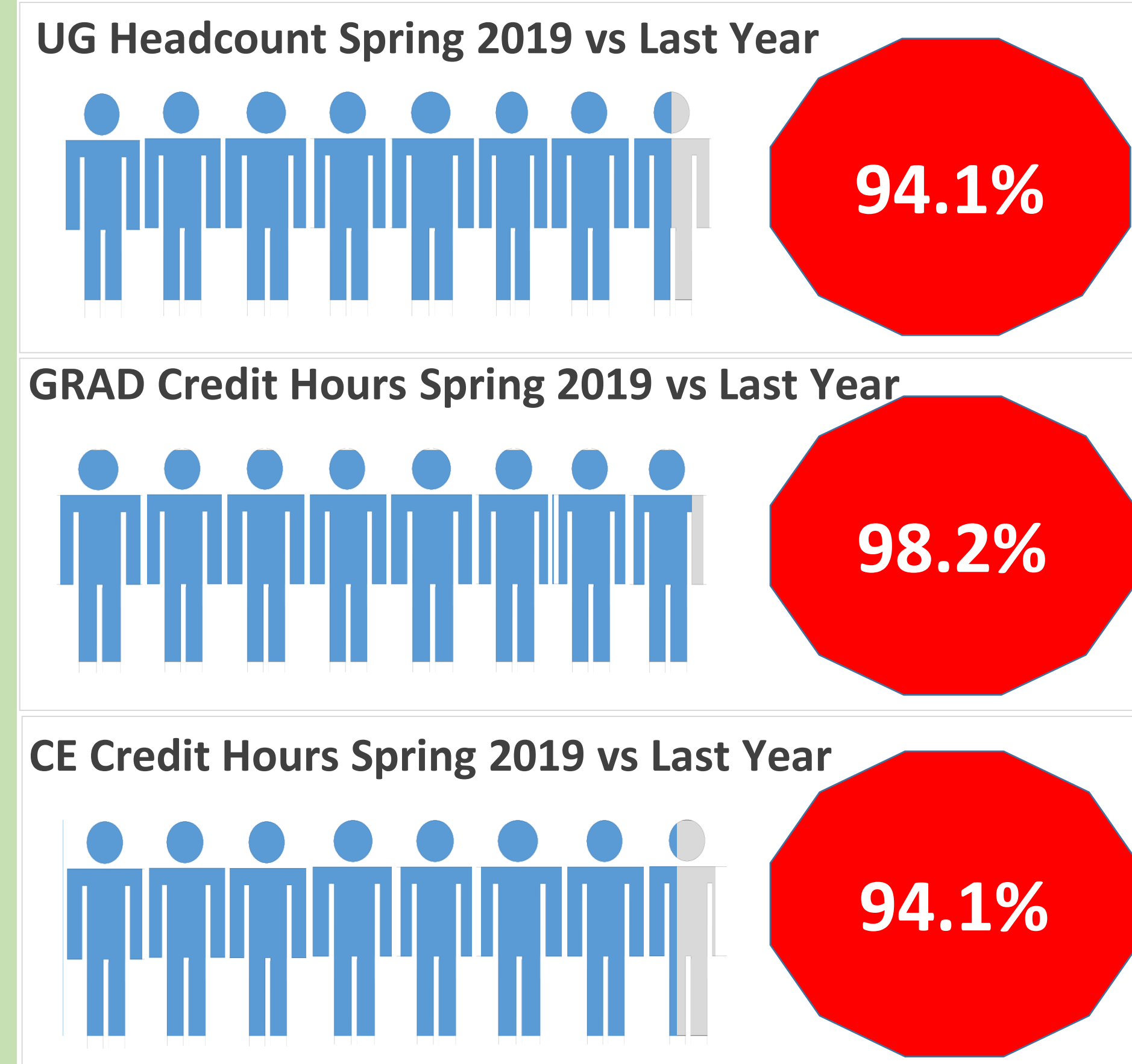


Statements of Revenues, Expenses and Changes in Net Position by Natural Classification
(In Thousands)

	Year to Date through December 31		Full Fiscal Year		
	FY 2018	FY2019	FY 2018	FY2019	FY2019
	Actual	Actual	Actual	Budget	Projection
Operating Revenues:					
Tuition and fees	\$ 78,891	\$ 79,318	\$ 88,009	\$ 89,686	\$ 87,846
Less: scholarships and fellowships	(9,459)	(9,754)	(18,443)	(18,969)	(19,209)
Net tuition and fees	69,432	69,564	69,566	70,717	68,637
Federal, state and private grants	9,641	9,717	19,472	19,180	19,140
Sales and services of educational departments	718	473	1,296	1,139	1,139
Auxiliary enterprises	21,951	21,361	23,423	24,383	23,166
Other operating revenues	37	4	453	281	361
Total Operating Revenues	101,779	101,119	114,210	115,700	112,443
Operating Expenses:					
Compensation and benefits	56,624	55,985	125,842	123,561	121,331
Supplies and services	19,612	18,757	38,658	42,693	42,156
Utilities	1,388	1,428	4,107	4,208	4,208
Depreciation	4,442	4,614	8,903	9,183	9,183
Scholarships and fellowships	3,312	3,675	6,186	6,455	6,430
Total Operating Expenses	85,378	84,459	183,696	186,100	183,308
Non-Operating Revenues/Expenses:					
State appropriations, net	29,175	31,445	60,128	60,767	63,135
Gifts	1,188	1,177	2,160	2,044	2,007
Investment income	1,278	(363)	1,511	125	125
Interest expense on bonds & other debt	(882)	(830)	(1,736)	(1,855)	(1,855)
Net Non-Operating Revenues/Expenses	30,759	31,429	62,063	61,081	63,412
Capital grants	-	-	2,950	-	0
Total Increase (Decrease) in Net Position	\$ 47,160	\$ 48,089	\$ (4,473)	\$ (9,319)	\$ (7,453)
Operating Cash Flow Ratio			19.6%	15.7%	9.1%

Salem State University Financial Dashboard

Statistics



Key Managed Revenues as of 1/31/2019 (current fiscal year) and January month end, closed (prior fiscal year)

Net Tuition & Fees			State General Appropriations			Auxiliaries		
Full Year 2019 Budget: \$64.3M 37.3% of Total Managed Revenue Budget			Full Year 2019 Budget: \$60.8M 35.3% of Total Managed Revenue Budget			Full Year 2019 Budget: \$24.4M 14.1% of Total Managed Revenue Budget		
▼			▲			▼		
% Attainment	Prior FY	Current FY	% Attainment	Prior FY	Current FY	% Attainment	Prior FY	Current FY
\$ Actual	\$69,587K	\$68,672K	\$ Actual	\$34,112K	\$36,301K	\$ Actual	\$22,217K	\$21,315K

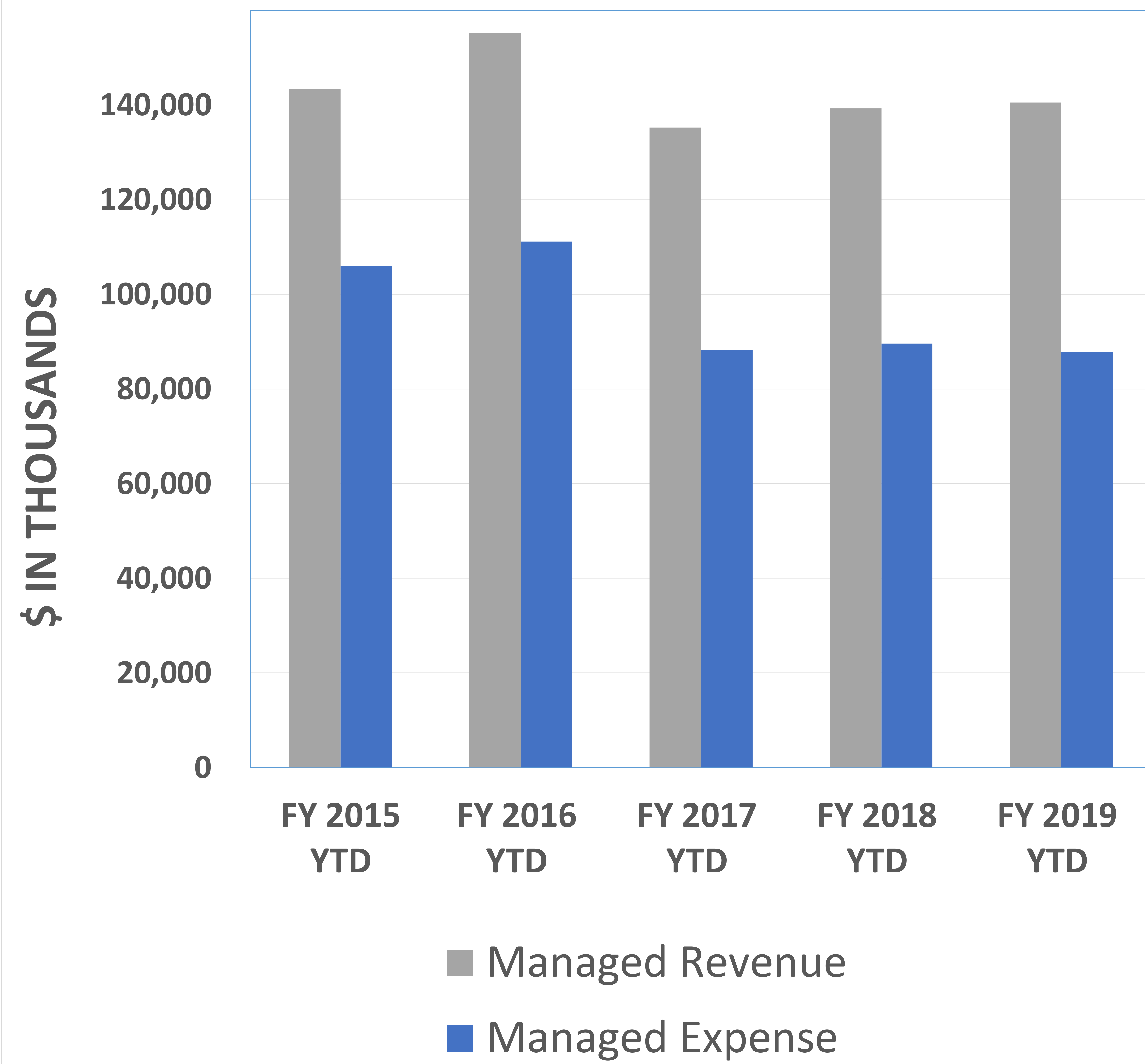
Managed Expenses as of 1/31/2019 (current fiscal year) and January month end, closed (prior fiscal year)

Compensation			Support			Facility Related		
Full Year 2019 Budget: \$123.6M 71.7% of Total Managed Expenses Budget			Full Year 2019 Budget: \$21.3M 12.4% of Total Managed Expenses Budget			Full Year 2019 Budget: \$24.4M 15.9% of Total Managed Expenses Budget		
▲			▲			▲		
% Attainment	Prior FY	Current FY	% Attainment	Prior FY	Current FY	% Attainment	Prior FY	Current FY
\$ Actual	\$64,703K	\$64,277K	\$ Actual	\$10,050K	\$10,345K	\$ Actual	\$14,840K	\$13,249K

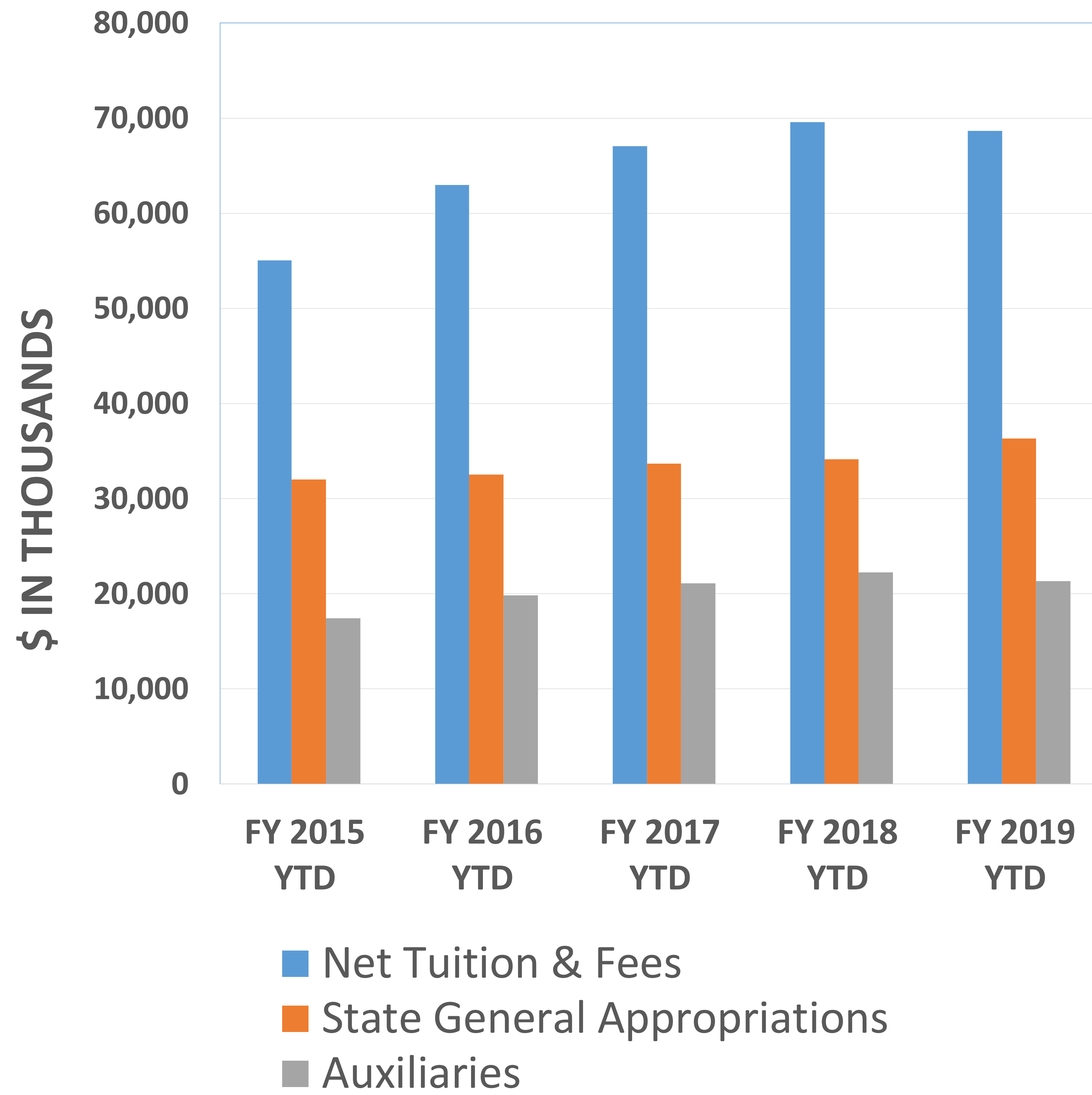
Salem State University Financial Dashboard

Managed Net Income Trends as of 1/31/2019 (current fiscal year) and January Month end, closed (prior fiscal years)

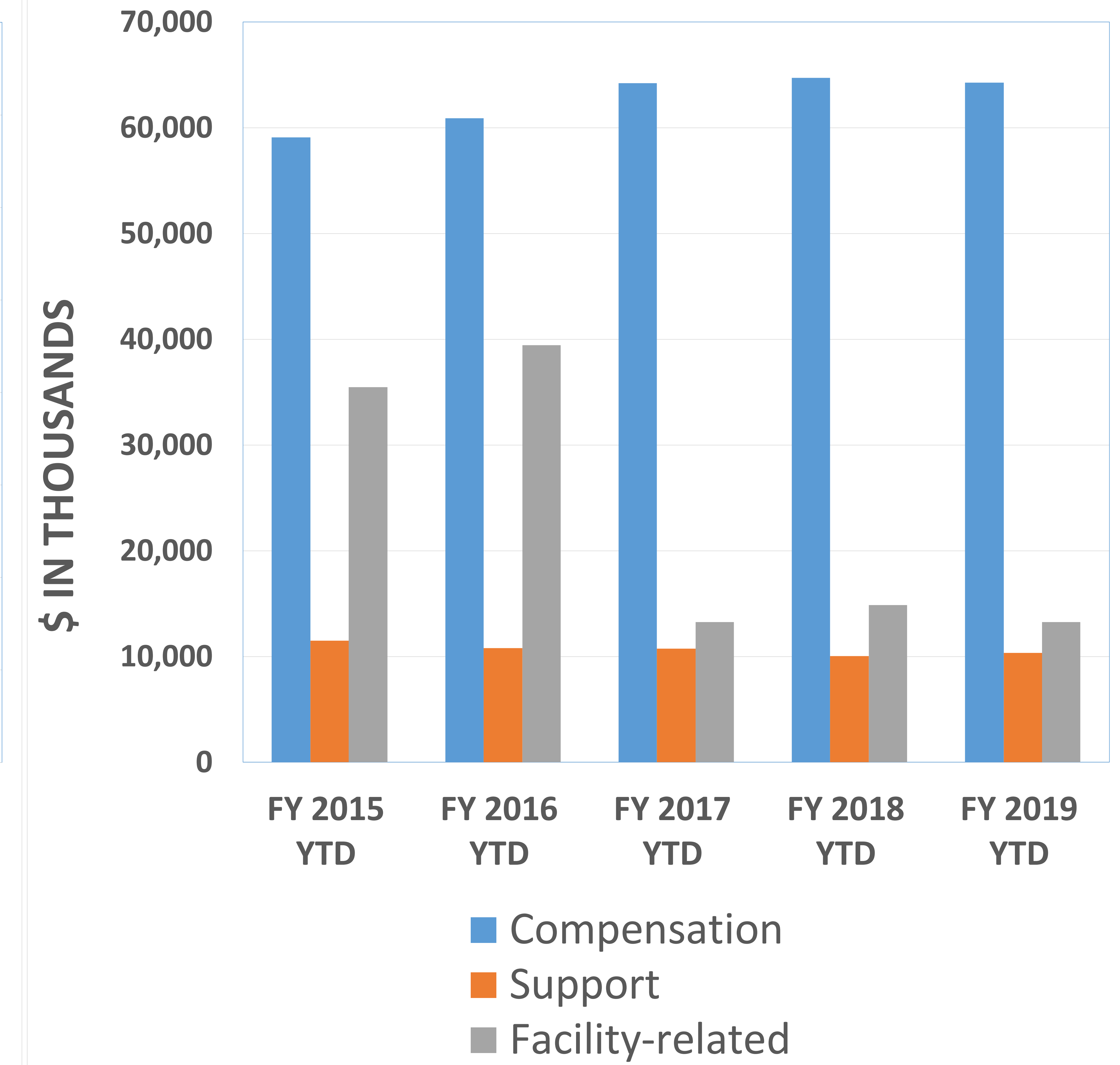
Five-Year Managed Revenue & Expense Trend



Trends - Key Managed Revenues

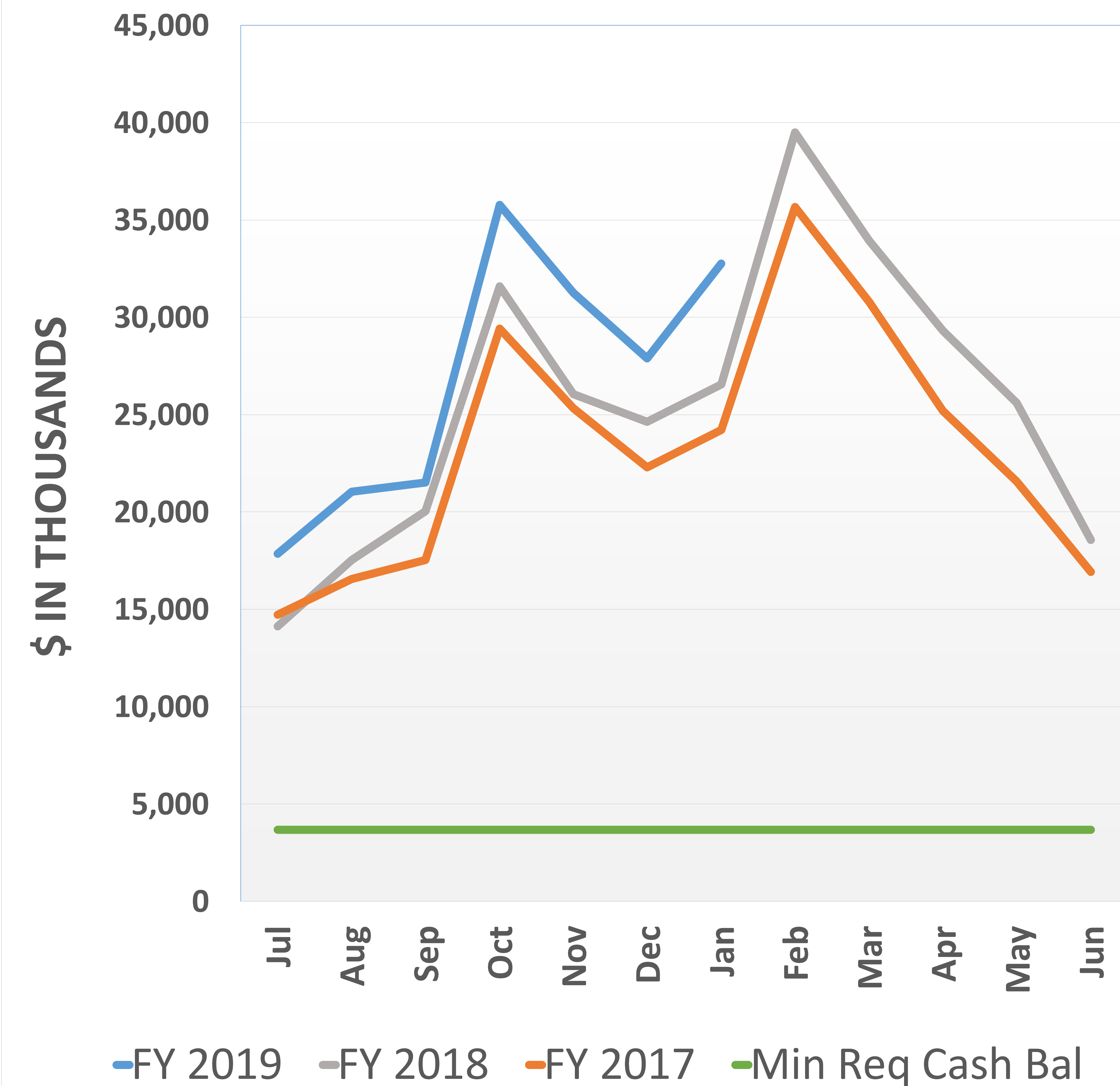


Trends - Key Managed Expenses

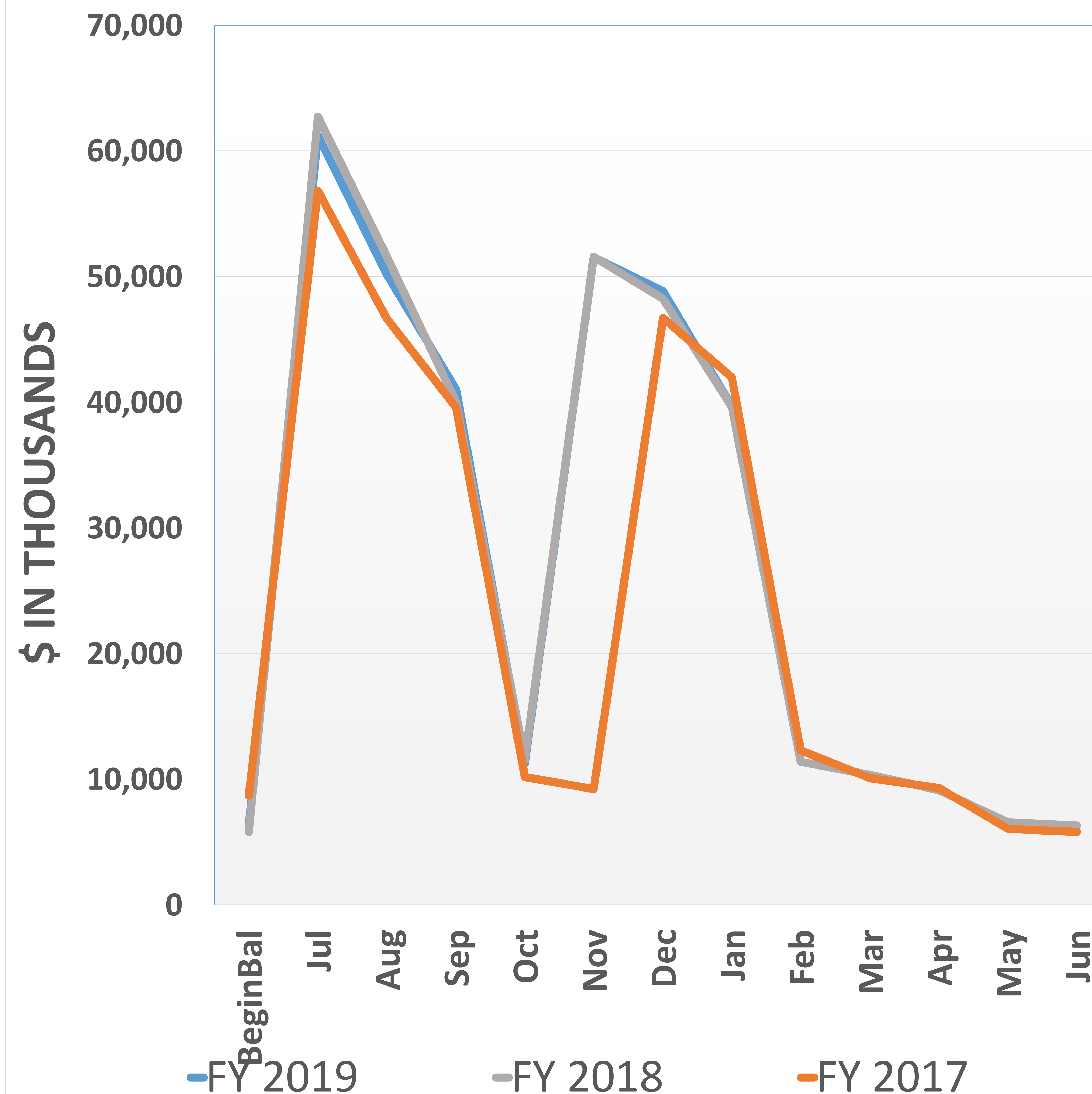


Balance Sheet Trends

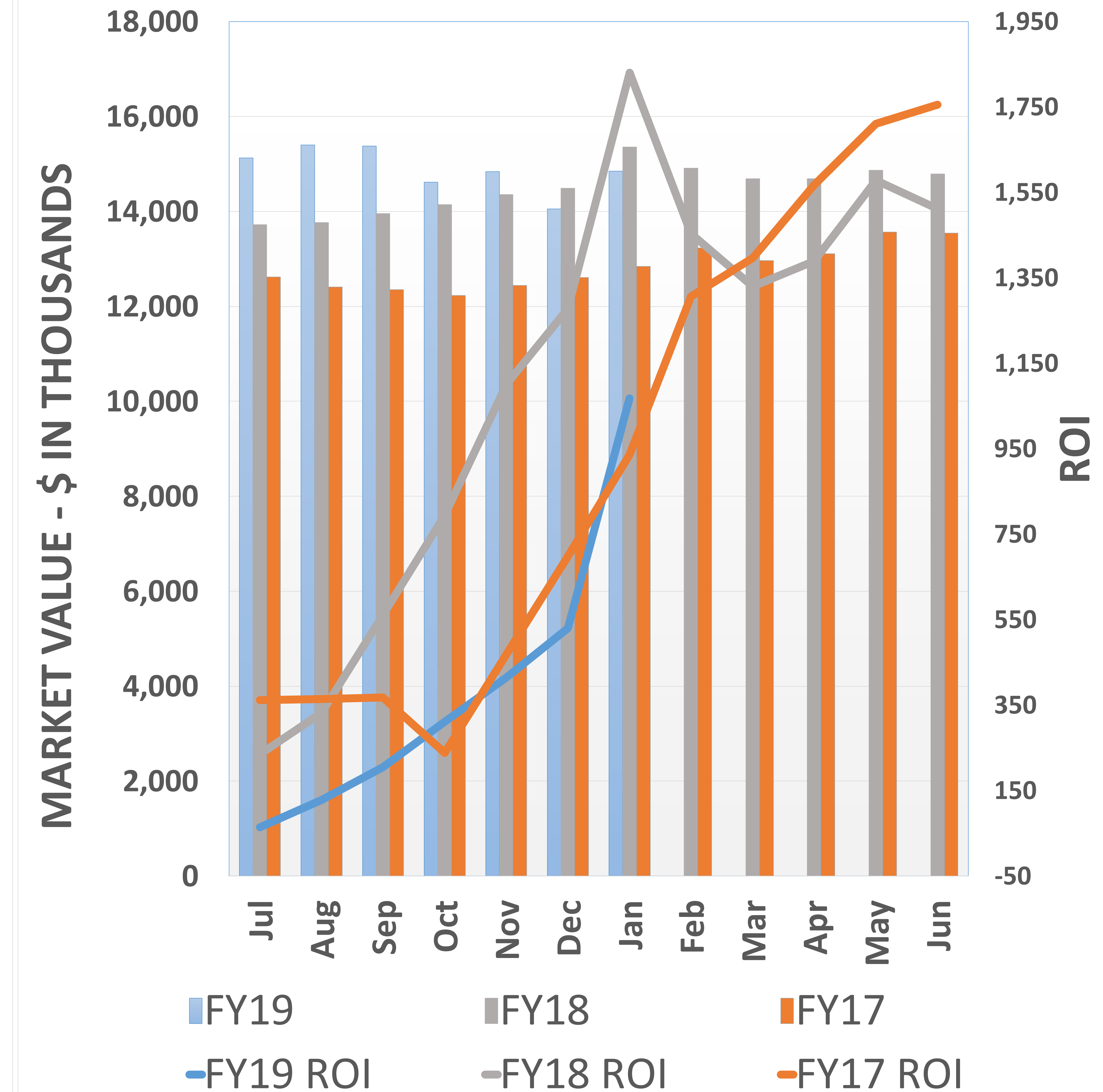
Monthly Cash Balances



Monthly Gross Receivables



Investments



Accounts Receivable Write-off March 7, 2019

Salem State's accounts receivable (A/R) balance varies widely throughout the operating year due to regular operating cycles. At the end of the second quarter for FY18, the A/R balance was \$48.2 million, net of an allowance of \$7.2 million. At the June 30, 2018 balance sheet date, the A/R balance was \$6.5 million, net of an allowance for doubtful accounts of \$7.7 million. At the end of the second quarter for FY19, the A/R balance was \$48.8 million, net of an allowance for doubtful accounts of \$7.9 million.

Writing off uncollectible accounts has been an inconsistent routine practice for a variety of reasons, including a belief that an account written off would no longer participate in the Commonwealth's tax and winnings intercept process. The intercept process diverts tax refunds from a debtor and remits them to the state entity with whom there is an uncollected account. At Salem State, reports with A/R details were rudimentary and contributed to a manual process of working old receivables. A collaborative effort between Student Accounts, General Accounting, and Information Technology Services departments has significantly improved the ability to manage receivables. New business intelligence reports are now available. Further, we have learned that accounts written off do remain eligible for the state intercept process. A detailed review of old balances has been undertaken and the university plans to write off \$3.7 million in receivables. As most of these have already been included in the allowance for doubtful accounts, there will not be a major impairment to the university's net position on the balance sheet. This is a significant balance sheet transaction and so we provide advance notice to the university trustees. Attached for further information is a description of collection and bad debt procedures. A summary of the 1400 accounts that will be written off is below.

Fiscal Year	Sum of Amount	Fiscal Year	Sum of Amount
FY1995 Total	5,359.25	FY2007 Total	232,910.54
FY1997 Total	12,355.34	FY2008 Total	334,929.11
FY1999 Total	164.00	FY2009 Total	353,003.60
FY2000 Total	5,255.18	FY2010 Total	325,294.20
FY2001 Total	5,560.81	FY2011 Total	592,318.26
FY2002 Total	76,348.35	FY2012 Total	473,730.89
FY2003 Total	150,648.48	FY2013 Total	348,206.07
FY2004 Total	137,434.86	FY2014 Total	287,531.38
FY2005 Total	150,111.49		
FY2006 Total	204,046.68	Grand Total	3,695,208.49

**Accounts Receivable Write – off
Bad Debts Procedures**

According to state guidelines as detailed in Regulation 815 CMR 9.00 Collection of Debts, bad debts on accounts receivables must be referred directly to the Office of the State Comptroller (OSC) for write off by any institution.

Institutions are required to file necessary evidence and reports with OSC certifying the bad debt and that diligent effort have been made to collect the debt.

Institutions are allowed to write off bad debts for amounts of \$25.00 or less since the state does not want these amounts to be sent to the state for intercept activity (e.g. tax refunds). These accounts will still go through the collection process.

The University student accounts office follow collection guidelines as stipulated in the state regulations for collecting their outstanding accounts receivable which include:

- Mailing three consecutive dunning notices in 30 day intervals
- Offering payment plans
- Mailing one final notice informing the debtor that the account has been sent to a collection agency that is registered with the state as an approved vendor
- Place the account with state intercept for tax refunds and winnings collection

If an account receivable is returned from the collection agency as uncollectable, it will still remain in state intercept. When the receivable is 5 years old it, this amount will be included in the list of write offs requiring OSC permission. Once approved, the balances in the university's general ledger will be adjusted.

Documentation required by the OSC includes a list of accounts and reasons for the amounts to be written off. Accounts receivable considered for write-off must fulfill the following:

- Completed the dunning process
- Deemed as uncollectable by the collection agency
- Have a balance greater than \$25
- Have a balance that is older than 5 years
- Not have a payment within 6 months of write-off
- Not on an approved SSU payment plan

Even when an account receivable has been written-off, it will remain in state intercept indefinitely, or until the debtor has paid the institution in full.

The University student accounts office will perform a review of all applicable write-off candidates and submit a request to the state Comptroller's office annually.

Investment Services RFP Process March 11, 2019

The current university contract with Eastern Bank Wealth Management for investment management services will expire at the end of December 2019. This contract had a three year term with two optional one year renewals, both of which have been exercised. The university is preparing to undertake an RFP process for a successor contract. We welcome participation by trustees and envision the following areas for involvement:

- (1) Confirming that the existing investment policy will remain largely as is for the beginning of the next investment management firm's engagement.
- (2) Participating in interviews of firms which make the final (short list), following initial screening of all proposals by university administration. Thirty to forty proposals are anticipated.
- (3) Providing input and recommendations based on the finalist interviews and submitted materials.
- (4) Formally approving the new contract through the Finance and Facilities Committee and the full Board of Trustees.

Given the nature of the services and the cost and time required for this type of solicitation, a longer duration contract is desired, likely five years with an optional five-year renewal term. The winning firm will be required to sign a Commonwealth terms and conditions document which does provide reasonable flexibility to the university to exit a contract earlier than initially contemplated if circumstances warrant. Given recent retirement and reorganizations, Vice President House will hire former Associate Vice President Donovan on a part time basis to lead this project.

The draft schedule is below.

Phase 1

Strategic development of RFP process
& participants

March 25-April 12, 2019

Phase 2

Vendor response to RFP

May 1 – 29, 2019

Phase 3

RFP scoring and firm assessment

June 3 – August 15, 2019

Phase 4

Finalist award and contract

September 18 - November 1, 2019

Phase 5

Asset transition (if necessary)

December 2 – 20, 2019

June 7, 2017



Investment Policy

June 7, 2017

Salem State University
Investment Policy

GLOSSARY OF TERMS

ALTERNATIVE AND/OR RENEWABLE ENERGY – is any energy source that is an alternative to fossil fuel. Marine energy, hydroelectric, wind, geothermal and solar power are some examples of alternative sources of energy.

ASSET ALLOCATION – A term used to refer to how an investor distributes his or her investments among various classes of investment vehicles (e.g. stocks, bonds, cash).

BENCHMARK – A standard against which an investment’s performance can be compared, often an index of securities in the same asset class as the investment.

CARBON UNDERGROUND 200 – The “Carbon 200” identifies the top 100 public coal companies (globally) and the top 100 public oil and gas companies (globally), ranked by the potential carbon emissions content of their proven reserves.

CASH/CASH EQUIVALENTS – Cash equivalents are short-term securities, such as Treasury bills, money market mutual funds, or short-term bank certificates of deposit that provide safety and liquidity but historically have only marginally outpaced inflation in terms of return.

CORPORATE BONDS – Generally a promissory note given by a corporation to an investor, involving a promise to pay interest and to repay the par or face amount (also known as the principal) at a certain date. Interest is usually paid every six months, and the par value or face amount is usually \$1,000. The payment date may be a few months or many years in the future. After a bond is issued, it may be bought or sold many times at discounts or premiums to face value depending upon the rate and term of the bond, the remaining term and the prevailing interest rates.

CUSTODIAN BANK – A specialized financial institution responsible for safeguarding client portfolio assets, arranging and accounting for any and all investment transactions, reporting status of investment activity on a regular basis and performing other fiduciary and financial services as directed by the university investment team.

EQUITY INVESTMENTS – Equity always refers to ownership. It is usually used as a synonym for common stock of a publicly traded corporation. There are variations but no maturity.

EXCHANGE TRADED FUNDS (ETF) – A type of investment company whose shares trade on stock exchanges at prices determined by the market.

EXECUTIVE MANAGEMENT – President, Chief Financial Officer, and Associate Vice President of Salem State University, and/or their designees.

FEDERAL AGENCY SECURITIES – Generally a promissory note given by a government agency to an investor, involving a promise to pay interest and to repay the par or face amount (also known as the principal) at a certain date. Interest is usually paid every six months, and the par value or face amount is usually \$1,000. The payment date may be a few months or many years in the future. After a bond is issued, it may be bought or sold many times. This investment is not guaranteed by the US Treasury, but it is generally believed that a default of repayment of principal would never occur.

**Salem State University
Investment Policy**

FEE ONLY- A reimbursement model that pays investment managers or firms an agreed upon amount for agreed upon services.

FEE BASED- A reimbursement model that pays investment managers or firms an agreed upon percentage of portfolio assets for their services.

INVESTMENT ADVISOR(S) – Independent financial advisor and/or firm engaged to advise the University on investment strategies, portfolio selection, and economic forecasts as it relates to university assets. They may act on the university’s behalf to effect trades or transactions as agreed upon between the advisor and university management.

INVESTMENT MANAGER(S) – Investment management firms and/or bank trust departments engaged to manage the University’s portfolio.

INDEX FUNDS – A type of mutual fund or unit investment trust whose investment objective typically is to achieve approximately the same return as a particular equity or bond index by investing in the instruments of issuers included in the index (or a representative sample). Because an index fund is “passively” managed, its fees and expenses are typically lower than those of an actively managed fund.

LONG-TERM INVESTMENTS – May refer to a bond with a maturity of more than one year from the date of purchase.

MANAGED FUNDS – A portfolio of stocks or bonds owned by an individual or institution and managed by (i.e., investment decisions are made by) a professional investment manager.

MUTUAL FUNDS – Funds operated by an investment company that raise money from shareholders and invest it in stocks, bonds, options, commodities, or other money market securities. These funds offer investors the advantages of diversification and professional management. For these services they charge a management fee, typically one percent or less of assets per year.

NASDAQ – The National Association of Securities Dealers Automated Quotation, also called the “electronic stock market.” The NASDAQ composite index measures the performance of more than 5,000 U.S. and non-U.S. companies traded “over the counter” through NASDAQ.

OPERATIONAL PROCEDURES – Used by university managers as implementation and administrative guidelines for the Salem State University Investment Policy.

PORTFOLIO COMPOSITION – The investment holdings of an individual or institutional investor; includes stocks, bonds, options, money-market accounts, etc.

PRUDENT INVESTMENT RULE - Generally refers to discharging of duties in good faith and with that degree of due diligence, care and skill which a prudent person would ordinarily exercise under similar circumstances in a like position.

SECURITIES AND EXCHANGE COMMISSION - A Federal agency established to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

**Salem State University
Investment Policy**

SHORT-TERM INVESTMENTS - May refer to a bond with a maturity of less than one year from the date of purchase.

SECURITIES INVESTOR PROTECTION CORPORATION (SIPC) – Government-sponsored organization created in 1970 to insure investor accounts at brokerage firms in the event of the brokerage firm's insolvency and liquidation. The maximum insurance of \$500,000 per customer, including a maximum of \$100,000 in cash assets, covers losses due to brokerage house insolvencies, not losses caused by security price fluctuations. SIPC coverage is similar in concept to Federal Deposit Insurance Corporation coverage of customer accounts at commercial banks.

U.S. TREASURY SECURITIES - A promissory note given by the US Government to an investor, involving a promise to pay interest and to repay the par or face amount (also known as the principal) at a certain date. Interest is usually paid every six months, and the par value or face amount is usually \$1,000. The payment date may be a few months or many years in the future. After a bond is issued, it may be bought or sold many times. This investment is guaranteed by the US Government and is considered to have no default risk.

**Salem State University
Investment Policy****I. PURPOSE**

This document is intended to be used as a policy and procedural guide for the administration of Salem State University ("University") investment funds. The administration of these funds will comply with MGL Chapter 73, Section 14 as well as with MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. This Policy will also serve as a basis for actions of management in carrying out its investment duties, and for the Board of Trustees of the University in monitoring management's investment activities.

The University shall use the services of one or more investment management firms and/or a bank trust departments ("Investment Manager[s]") to carry out the University's investment activities. The basic responsibility of the Investment Manager(s) will be to keep executive management of the University ("Management") abreast of the economy and market conditions and to invest in a mix of eligible instruments within the context of laws, regulations and this policy. The Investment Manager(s) shall be approved by the Board of Trustees ("Board") as part of this policy. University Management may delegate authority to the Investment Manager(s) to act within the boundaries of this policy

II. OBJECTIVES

The primary objectives of the policy are to provide safety of principal and sufficient liquidity to ensure a reasonable degree of flexibility in the operations of the University, while also achieving long-term capital growth and appreciation for the portfolio. This means that investments will be made which, if necessary, will provide the University with the ability to convert any asset to cash with the least amount of credit or interest rate risk (i.e. loss of principal) within a prescribed period of time as directed by the Board or Management.

All investments made for the purpose of attaining the foregoing objectives shall be made exercising judgment and care consistent with the Prudent Investment Rule, so called, and consistent with all applicable statutes, regulations and generally accepted investment practices.

**Salem State University
Investment Policy**

III. PORTFOLIO COMPOSITION

The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks); (3) cash or cash equivalents.

1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

1. U.S. Treasury and Federal Agency Securities
 - a. Maximum size of portfolio - no limit
 - b. Maximum lot size - no limit
 - c. Maximum average maturity - 7 years
 - d. Mutual funds or ETFs consisting of individual securities that meet the above characteristics

2. Corporate Bonds
 - a. Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
 - b. Maximum maturity – 7 years
 - c. All individual corporate bonds shall have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase
 - d. Mutual funds or ETFs consisting of individual securities that meet the above characteristics
 - e. Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings below Baa/BBB as published by Moody's or Standard & Poor's at the time of purchase

3. Municipal/Other Tax Exempt Issues

Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

**Salem State University
Investment Policy**

2. Equity (stocks):

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

<u>Eligible Securities</u>	<u>Rating Service *</u>	<u>Dividend Policy</u>
Domestic Equities	S & P Stock Guide Rating of B+ or Better	Maximum Reinvestment Enhance Growth
International Equities	MSCI ACWI** Rating of B+ or Better	Maximum Reinvestment Enhance Growth
Total Equities (Blended)	Blend 60/40 S & P and MSCI Rating of B+ or Better	Maximum Reinvestment Enhance Growth
Mutual Funds	Morningstar Three Star or Better	Maximum Reinvestment to Enhance Growth
Exchange Traded Funds	To Be Determined* Three Star or Better	Maximum Reinvestment to Enhance Growth

*At least annually, the Rating Service (i.e. benchmark) will be determined based upon mutual discussion and agreement between the investment manager and University management.

**ACWI is an abbreviation for All-Country World Index, as published by MSCI.

"Alternative Investments" may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered "liquid alternative" mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

3. Cash and Cash Equivalents:

Cash and cash equivalents are instruments that are relatively "liquid" in nature and are available for operational and/or investment opportunities. This component of the portfolio should be minimal.

**Salem State University
Investment Policy**

4. Prohibited Investments:

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy. In addition equity and/or fixed income securities in companies that extract coal and/or tar sands are prohibited.

5. Fossil Fuel and Alternative Investment Strategy:

The university's investment advisors are instructed to consider further divestment from direct holdings in the balance of the Carbon Underground 200 list to the extent the advisers believe it is financially prudent with the goal of achieving full divestment. The advisors are further instructed to invest in alternative and/or renewable energy companies, consistent with the parameters of this investment policy as they may deem financially prudent.

IV. ASSET ALLOCATION

Asset Allocation of the University portfolio should be equivalent to approximately 65% in equities, 35% in fixed income. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

	<u>General Goal</u>	<u>Acceptable Range</u>
Equities	65%	50% – 75%
Fixed Income	35%	25% - 50%
Alternative Investments	---	---
Cash	Minimal	0% - 10%

Any asset allocation not within these ranges should be communicated by the Investment Manager(s) to Management as soon as practicable but no later than the next monthly status report to the University. Unless otherwise directed by Management, the portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration. The Investment Manager is expected to rebalance the portfolio at least annually.

V. INVESTMENT MANAGER(S)

The approved Investment Manager(s) must be fully-licensed and registered by all applicable Federal, State and professional agencies/organizations. The Investment Manager(s) shall be responsible

**Salem State University
Investment Policy**

for managing the portfolio consistent with the overall objectives of the policy. Additional responsibilities will include providing the University with overviews of current economic conditions and market forecasts and timely reports on the University's portfolio, which may affect investment strategies. The Investment Manager(s) shall be advised of the University's operational needs (if any) and projected capital expenditures that may affect the portfolio.

Each year, the Board will review the financial strength, standing, and performance of the Investment Manager(s). During this review, any material changes in the licensing, registration or other information deemed material in the relationship between the University and the Investment Manager(s) should be communicated to the Board.

VI. PORTFOLIO PERFORMANCE

Each Investment Manager engaged by the University to manage all or part of the investment fund shall report to Management on a monthly basis and shall present a report to the Board of Trustees at least semi-annually or as requested by the Board. Reports to the Board shall review the performance of the portfolio in comparison to:

- the performance of established benchmarks and asset allocation goals;
- a targeted return pegged to a pre-determined percentage above the Consumer Price Index (CPI);
- where applicable, the performance of other peer institutions for a comparable and readily available period.

On the basis of the performance report, the Board may direct changes in investment activities or approach.

VII. USE OF INVESTMENT PORTFOLIO

The University's intent in investing in securities is to hold the respective security to its maximum earning potential while addressing the fiduciary responsibility to preserve principal. The Investment Manager(s) is authorized to buy and sell securities to improve yields, quality and marketability or to realign the composition of the portfolio in order to make it consistent with the policies set forth herein. At the direction and with the formal authorization of the Board, monies may be withdrawn from the portfolio to fund unanticipated and/or extraordinary operational expenses of the University, improve the quality of life on campus, and/or capitalize on other opportunities.

**Salem State University
Investment Policy**

VIII. REPORTING AND MONITORING

The Investment Manager(s) will provide the University with on-line tools that allow review of the portfolio on a daily basis, such on-line tools to be in conformity with industry standards relating to data security, and with timely reports (at least monthly) that include all transactions, fees/charges and accumulated earnings and changes in market value for the stated period. In addition, the Investment Manager(s) shall provide a quarterly report to Management. The report should also include purchases and sales of securities, composition, valuation, quality and yield performance of the portfolio for the stated quarter. The Investment Manager should also advise Management as soon as practicable of any material changes to operations including but not limited to: changing economic or political situations, portfolio allocation assumptions; investment management staffing or partnership service arrangements; different investment opportunities not specifically addressed in this statement to name a few.

The Investment Manager(s) will meet with the Board semi-annually to review investment objectives against the portfolio performance vs. established benchmarks, economic forecasts, and strategic asset allocations for future planning purposes. Additional meetings with the Investment Manager(s) may be scheduled at the direction of the Board.

IX. ASSIGNMENT OF RESPONSIBILITIES

Management is responsible for carrying out the investment activities for the cash management and investment funds of the University. Management may delegate authority to the Investment Manager(s) approved by the Board to conduct investment transactions consistent with the goals and objectives of this policy.

X. OPERATIONAL PROCEDURES

The Operational Procedures are intended to be used by Management as implementation and administrative guidelines for the policy. The primary objective of the Operational Procedures is to provide Management with the direction to oversee the investments consistent with the policy. Areas of primary oversight include, but are not limited to the following:

- (a) Review of asset allocations
- (b) Investment Manager(s) selection
- (c) Criteria for Investment Manager(s) performance and evaluation
- (d) Investment Manager(s) compensation
- (e) Conflict of Interest
- (f) Accounting and internal controls

**Salem State University
Investment Policy**

(a) Review of Asset Allocations

Management will review asset allocation by category to ensure consistency between the recommendations of the Investment Manager(s) and the objectives of the University as defined in the policy.

(b) Investment Manager(s) Selection

Management will recommend to the Board of Trustees selection of the Investment Manager(s). The recommendation will have resulted from a Request for Proposal (RFP) process in conformity with the Commonwealth's procurement laws and regulations. Appointment of the Investment Manager(s) shall be made after an RFP process and with the approval of the Board, such appointment being for a period of not more than five (5) years unless directed by action of the Board.

(c) Criteria for Investment Manager(s) Performance and Evaluation:

Management will measure quarterly the performance of the Investment Manager(s). Evaluation criteria may include, but are not limited to, investment returns compared to the stated objectives for the portfolio, or various market indices or benchmarks as are determined to be appropriate. In addition, review of Investment Manager(s) performance and status of investment portfolio will be presented to the Board of Trustees of the University at least semi-annually.

(d) Investment Manager(s) Compensation:

The Investment Manager(s) will be engaged on a fee for services basis. The fee will be determined based on the competitive procurement process (RFP). Specific language for this computation will be clearly defined in the contract between the University and the Investment Manager(s).

(e) Conflict of Interest:

In accordance with Commonwealth statutes and University policy governing financial conflicts of interest, trustees, officers and employees of the University may not have any professional or personal relationship with a securities firm, Investment Manager or employee doing business with the University. Further, trustees, officers and employees of the University may not receive gifts, gratuities or travel expenses from Investment Manager(s), dealers, custodians or others authorized to do business with the University.

(f) Accounting and Internal Controls:

The Investment Manager(s) will report to Management monthly that all of the investments for which it is responsible are in compliance with the investment policy. If any investments do not meet the policy, the Investment Manager(s) will so note and explain the reason for that breach.

The securities will be held at an authorized custodian in separate accounts and not co-mingled in accordance with MGL Chapter 29 Section 34. It will be the responsibility of Management to ensure that appropriate internal controls are in place for the security and handling of all accounts.

**Salem State University
Investment Policy**

The University will record and report all investment activity in accordance with Generally Accepted Accounting Principles. The University's auditors will audit the investment records and reports in accordance with Generally Accepted Audit Standards as part of the annual audit of the University's internal controls and financial statements.

XI. PROCEDURE FOR CHANGING INVESTMENT POLICY & INVESTMENT MANAGERS

This Investment Policy Statement may be changed only by a vote of the Board of Trustees. Management shall report to the Board on an "as needed" basis regarding the desirability of modifying the Investment Policy Statement, however, notwithstanding, the policy shall be reviewed by the Board annually.

At least biennially, the Board will discuss the need to issue an RFP for investment managers and at least every five years an RFP for investment managers will be issued.

Approved and Ordered By

BOARD OF TRUSTEES

Date Approved: June 7, 2017

REQUEST FOR TRUSTEE ACTION

Date: March 12, 2019

To: Board of Trustees

From: Karen P. House, Vice President for Finance and Facilities

Subject: Delegation of approval to execute new dining contract to the vice president for finance and facilities

Requested Action: Approval

Salem State University (University/SSU) retained Porter Khouw Consulting, Inc. (PKC), an independent foodservice management consulting and design firm, to assess our existing dining program and to develop, facilitate, and manage the RFP process for a new dining contract (see <https://www.porterkhouwconsulting.com/>) The University's primary objective is to increase the level of satisfaction and value for students, thereby contributing to their desire to live on campus. A more contemporary dining program has been designed which includes expanded hours of access, emphasis on menu variety, quality, nutrition, and cultural preferences, and refurbishment of key dining venues to provide enhanced opportunities for community engagement. We expect the new program to improve the satisfaction of faculty and staff as well. Further background information is in the attached slides.

Ordinarily, execution of contracts over \$500,000 is authorized via the listing in the annual budget package. Due to timing issues as Chartwells prepares to end its existing contractual relationship with Salem State, the university needs to execute the contract during May and therefore requests delegation of authority to do so.

A Request for Proposals (RFP) was issued Feb. 28, 2019. Six firms were represented at the bidder's conference and site tour held on March 6. Proposals are due March 29. Finalists will be interviewed in April. Negotiation and contract award are expected by mid-May.

MOTION

The Finance and Facilities Committee recommends that the Board of Trustees approve the following motion regarding delegation of approval to execute a new 10 year dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees. The value of this contract is approximately \$7.5-\$8 million per year, paid predominantly by student board fees.

Recommended motion

The Board of Trustees delegates approval to execute the new dining contract to the vice president for finance and facilities, following consultation with the trustee chair of the Finance and Facilities Committee and vice chair of the Board of Trustees.

Committee Assigned: Finance and Facilities

Committee Action: Approved

Date of Action: March 27, 2019

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of the Board of Trustees

Date: _____

Dining Transformation: Update for Leadership Cabinet



Karen House & Ben Szalewicz 3/6/19

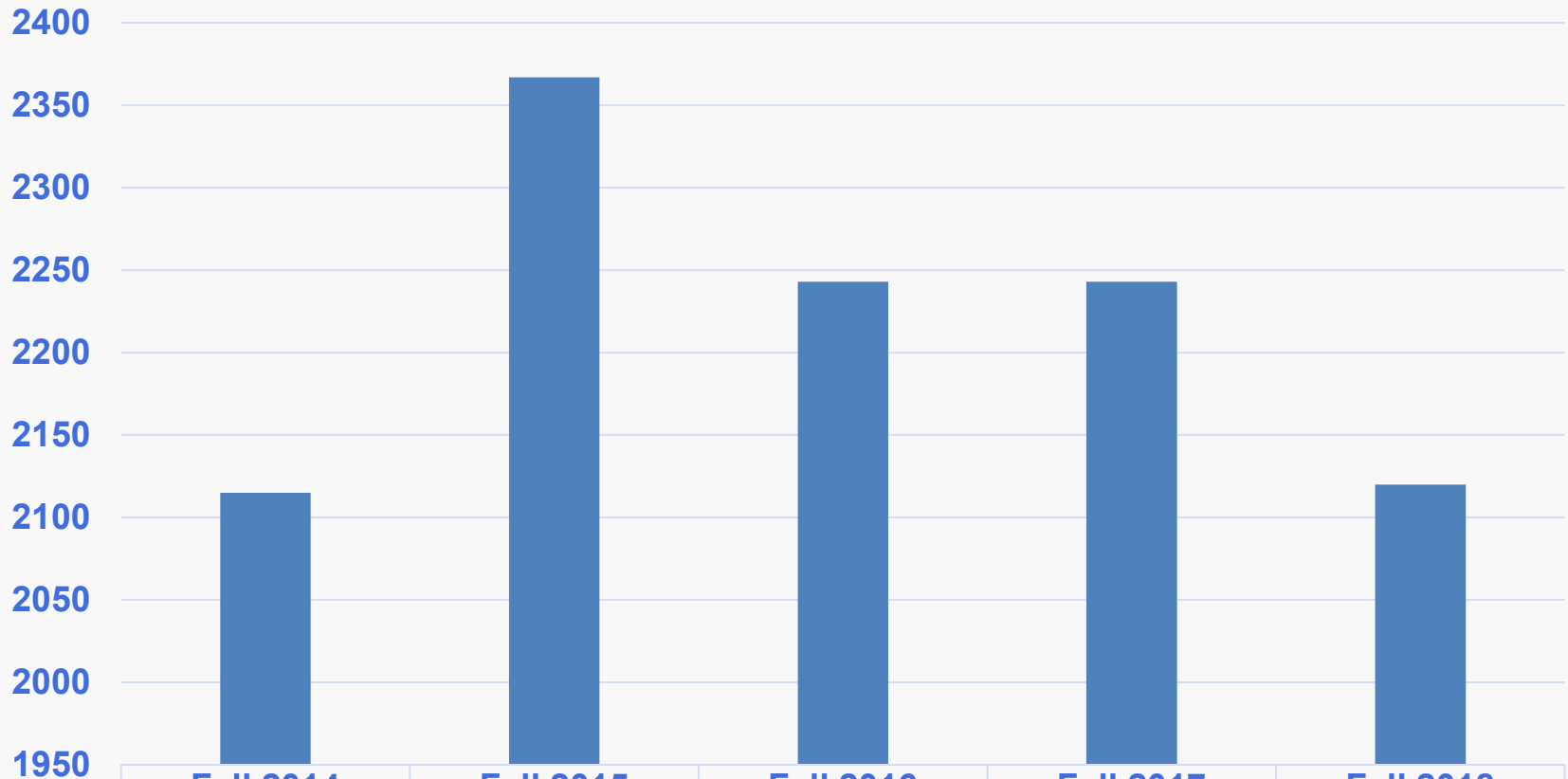
Dining Transformation: A Housing Occupancy and Student Retention Initiative

- Consultant (Porter Khouw Consulting, or PKC) hired to assess existing program
- Findings shared with leadership, SGA (“got it right”)
- Decision to rebid contract; terminate Chartwells early
- Recommendations discussed with Dining Task Force (students, faculty, & staff)
- RFP Process initiated in February



Housing Occupancy Trends

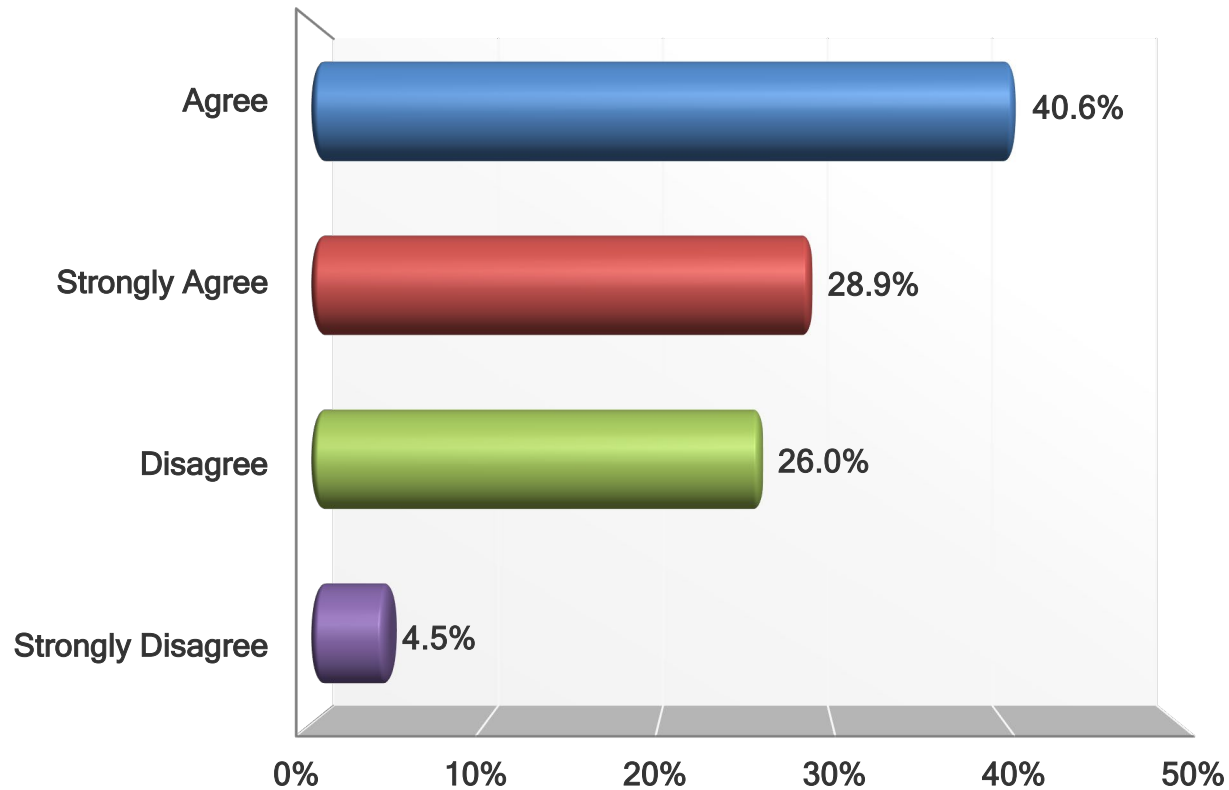
Viking Hall came online Fall 2015 with 353 beds; we were at 103.7% of design occupancy that semester



■ Series1

Almost 70% of survey respondents said current dining plan/program makes it desirable to live off campus

Please respond to the following statement: I believe that the current dining program combined with the requirement to purchase a meal plan makes it more desirable to live off campus.



New Program (all subject to bid responses)

- Menu variety & selection (healthy; cultural)
- Food quality & freshness
- 24/7 dining in Marsh & extended hours at North
 - Anytime dining plan: Resident students eat what & when they want
 - Pricing: (pending bids) Silver Plan 2.5% above current 14 meal plan; BELOW current 19 meal plan
- Block plans for commuters
- Brands:
 - Starbucks, Dunkin Donuts & Burger King to remain
 - Panera Bread on North
- Bagel / Sandwich concept at South
- Eliminate Bertolon Café & Salem Diner (tbd)
- Eliminate hot lunch buffet in staff/faculty dining area (tbd)
- Improve catering
- Job protection for all hourly Chartwells staff at 1/23/19, regardless of who wins the contract

Marsh Dining Hall
– 24/7

Central Campus Food Court
(Bertolon Café) - Close

Starbucks (Viking Hall)



Lower North Dining –
Continuous dining during
all hours of operation

North Retail Dining –

Faculty/Staff Dining
Room – Mandatory
Alternate Bid

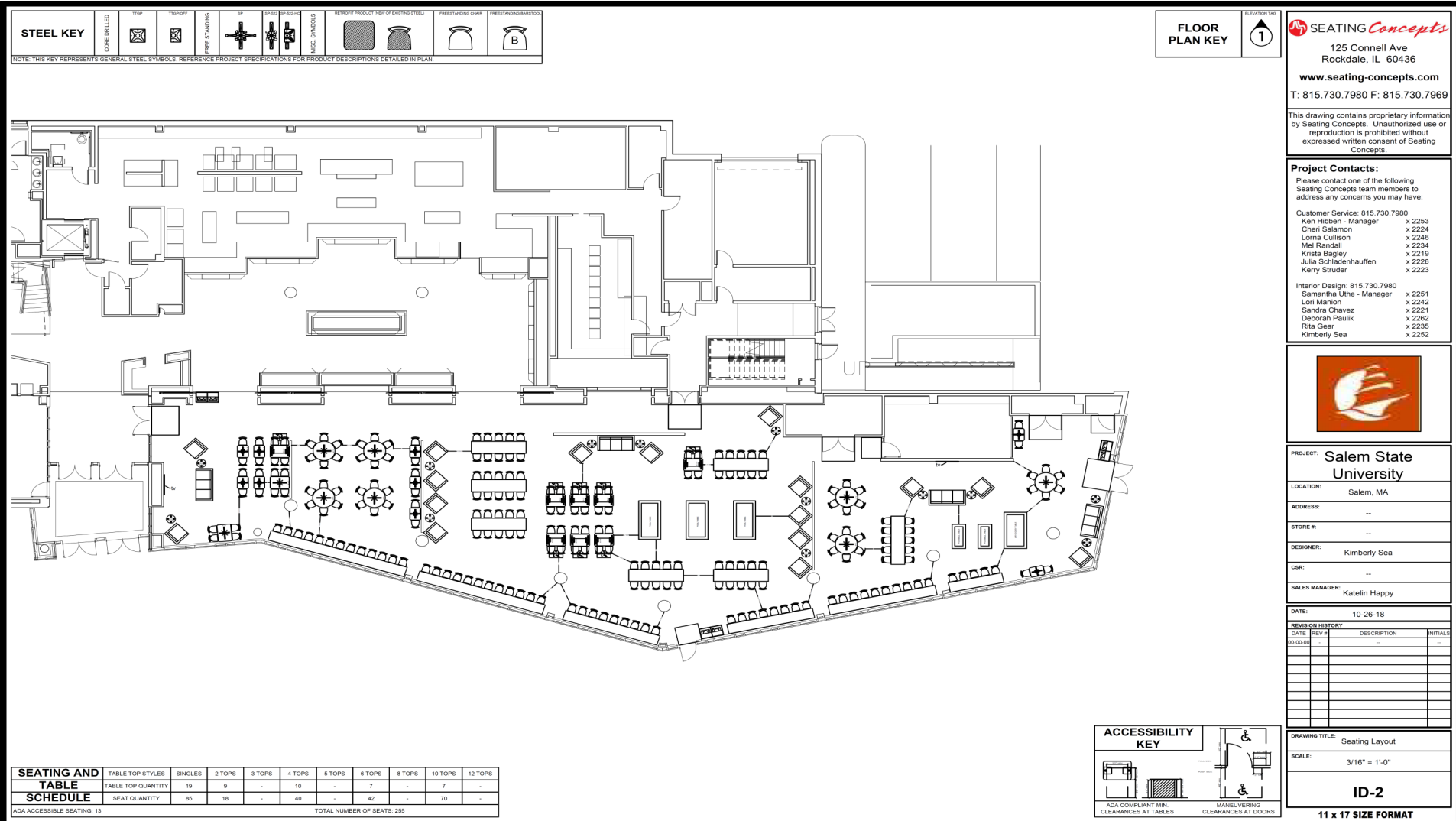
Dunkin' Donuts in Meier Hall

Library Grab n' Go

South Campus Bagel or
Sandwich Concept

Sample seating & amenities - Marsh

Attachment G



Sample seating & amenities – Lower North

STEEL KEY

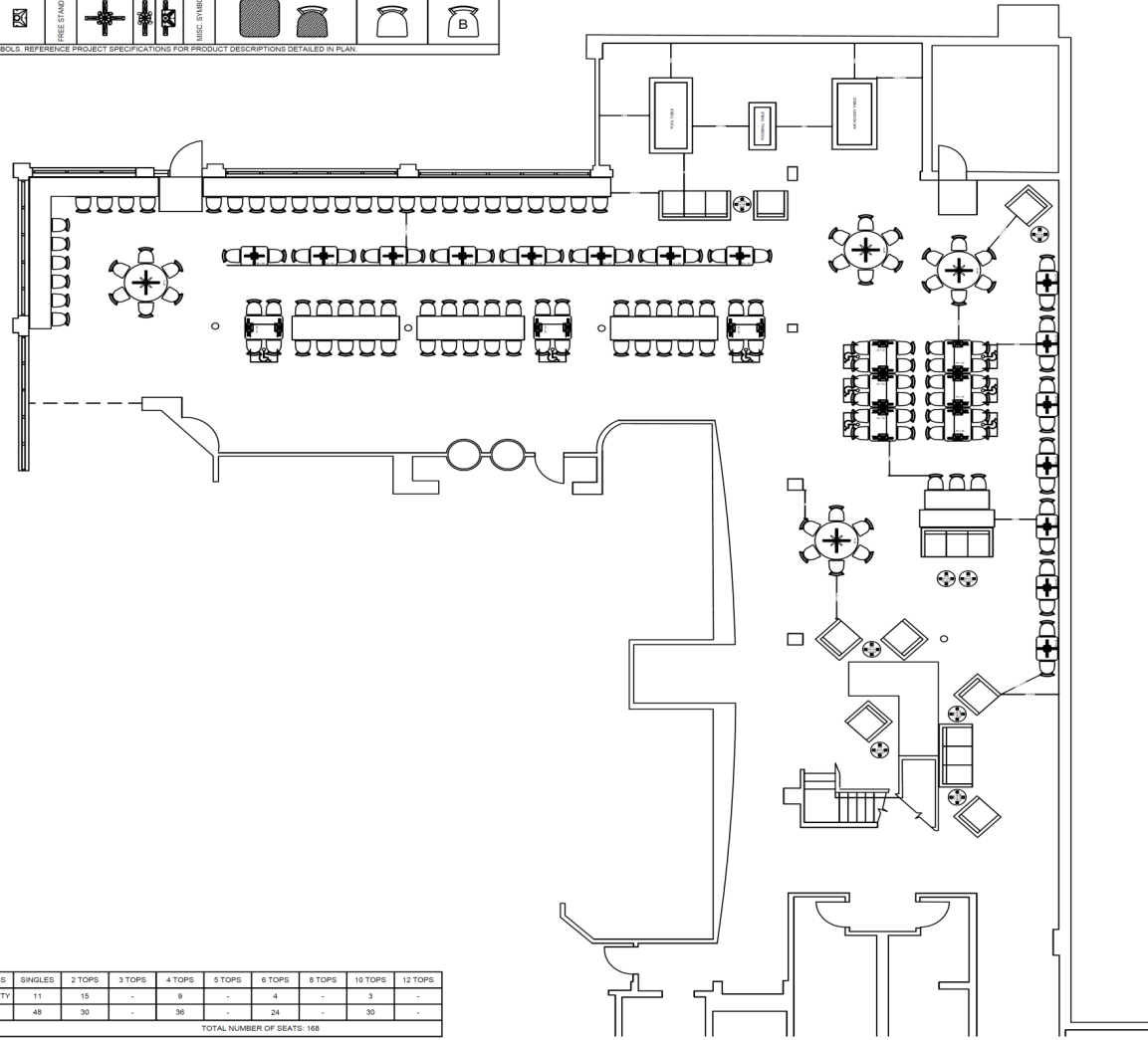
COFFER DRIILLED	TYPE	HYDRANT	FREE STANDING	RF	RF WITH TOP ACCESS	MISC SYMBOLS	RECURRY PRODUCT (LIST OF EXISTING ITEMS)	FREE ACCESS GATE	FREE ACCESS BARRIER

NOTE: THIS KEY REPRESENTS GENERAL STEEL SYMBOLS. REFERENCE PROJECT SPECIFICATIONS FOR PRODUCT DESCRIPTIONS DETAILED IN PLAN.

FLOOR PLAN KEY

ELEVATION TAG

1



SEATING Concepts

125 Connell Ave
Rockdale, IL 60436

www.seating-concepts.com

T: 815.730.7980 F: 815.730.7969

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Project Contacts:

Please contact one of the following Seating Concepts team members to address any concerns you may have:

Customer Service: 815.730.7980

Ken Hibben - Manager	x 2253
Cheri Salomon	x 2224
Lorna Cullison	x 2246
Mel Randal	x 2234
Krista Bagley	x 2219
Julia Schladenhauffen	x 2226
Kerry Struder	x 2223

Interior Design: 815.730.7980

Samantha Uthe - Manager	x 2251
Lori Manion	x 2242
Sandra Chavez	x 2221
Deborah Paulik	x 2262
Rita Gear	x 2236
Kimberly Sea	x 2252



PROJECT Salem State University

LOCATION: Salem, MA

ADDRESS: --

STORE #: --

DESIGNER: Kimberly Sea

CSR: --

SALES MANAGER: Katelin Happy

DATE: 11-01-18

REVISION HISTORY			
DATE	REV #	DESCRIPTION	INITIALS

DRAWING TITLE: Seating Layout

SCALE: 3/16" = 1'-0"

ID-2

SEATING AND TABLE SCHEDULE	TABLE TOP STYLES	SINGLES	2 TOPS	3 TOPS	4 TOPS	5 TOPS	6 TOPS	8 TOPS	10 TOPS	12 TOPS
TABLE TOP QUANTITY	11	15	-	9	-	4	-	3	-	-
SEAT QUANTITY	48	30	-	36	-	24	-	30	-	-

ADA ACCESSIBLE SEATING: 9 TOTAL NUMBER OF SEATS: 168

ACCESSIBILITY KEY

ADA COMPLIANT MIN. CLEARANCES AT TABLES

MANEUVERING CLEARANCES AT DOORS

11 x 17 SIZE FORMAT

Schedule

- RFP issued end of February
- On campus interviews in April
- Vendor selected in May
- New vendor begins July 1*
- Transition will be challenging, but worth it
- Refurbishing:
 - Marsh: summer 2019
 - Retail (North): winter break or summer 2020
 - Lower North: tbd

Dining Transformation: Welcome Home, Vikings!



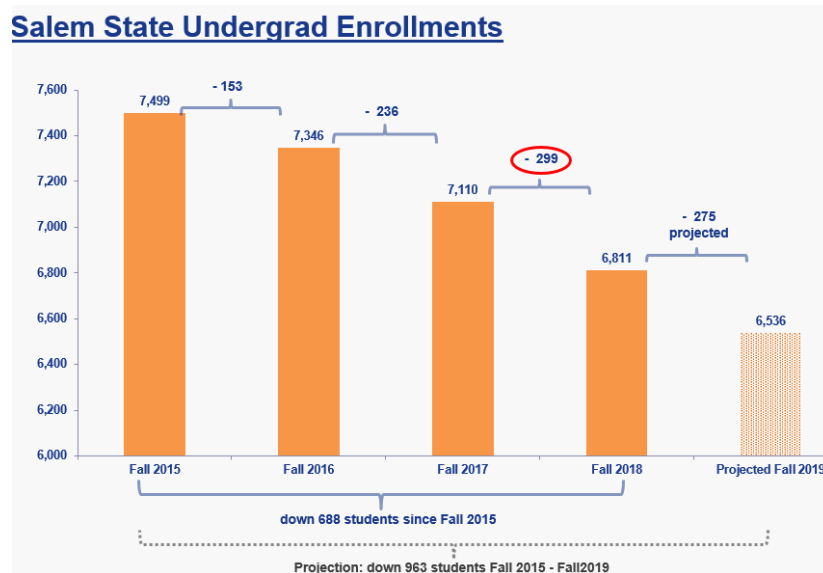
Salem State University Finance and Facilities Committee
 FY 2020 (FY20) University Budget Outlook
 March 12, 2019

Overview:

The FY20 budget is being developed within the challenging context of a multi-year plan that assumes continued enrollment decreases requiring the university to restructure its workforce accordingly. The “softening” of expenses that occurred in FY19, a year of operating within a hiring freeze, will harden, as 67 vacant positions are permanently abolished heading into FY20. This document describes the status of the major components of the balanced annual budget being developed.

Revenue Drivers:

- For FY20 the university’s planning assumption is that the General Appropriation Act (GAA) appropriation will be equal to the Governor’s FY20 budget recommendations (House 1), which is \$1.8 million or 3.9% above FY19, at \$47.8 million. The Governor’s budget request includes an increase of 4.9% in performance funding for the state universities (aka formula funding), to \$2.6 million across all nine campuses. Salem State’s share is estimated at \$443 thousand. The university will know more when the House and Senate release their versions of the FY20 budget later this spring.
- Undergraduate enrollment for FY20 is modeled to decrease by 275 students compared to the FY19 budget. This is a continuation of a multi-year trend as depicted below. Continuing Education and Graduate enrollments (unduplicated headcount) are projected at 857 (21,561 credits) and 1509 (27,924 credits) students respectively.



- The university is modeling fee increases of approximately 3.7% for undergraduate day students, with an offsetting \$2.3 million increase in financial aid for student who most need assistance given the change in our student profile (Pell Grant eligibility for first year students has increased from 32% to the current rate of 51% over the last 10 years).
- A new program will be added to the differential fees program, undergraduate business, at \$250 per semester, with remaining differential programs and fees remaining as charged for FY19.
- Continuing education rates are recommended to increase by approximately 2.7% per credit.
- Graduate student rates will remain assessed in three price groups (1, 2 and 3) with rates increasing 2.5%, 4.0% and 12% respectively. The graduate business program has been moved to price group 3 and the nursing education program has been shifted to price group 2. The assignment of programs to price groups is based on demand and market conditions as well as costs of the programs.
- Room rates will increase by approximately 2.7% (rents and the housing premium, which funds information technology and programming services for residential students). Significant changes are envisioned for the dining program to improve satisfaction and address downward trends in student housing occupancy based on perceived lack of value of the current dining program. The base required residential dining plan (Silver Anytime Dining Plan) is being modeled at a 2.5% price increase over the FY19 rate for a 14 meal plan per week. However, achieving this is dependent on results of the dining contract bid process currently underway.
- The university expects to receive approximately \$770 thousand in new gifts associated with a capital campaign in FY20.
- Sale of a property is anticipated (approximately \$500 thousand) which will partially support the capital projects budget for FY20.

Expense Drivers:

- With compensation the largest expense driver in the university's budget, the budget plan is to permanently eliminate 67 vacant full-time benefited faculty and staff positions. Eighteen newly hired faculty in key, growth-oriented programs will begin employment in Fall 2019. Benefitted employee position count will decrease from 973 to 906 and from salaries of \$77.9 million to \$74.4 million before the usual vacancy savings target associated with regular position turnover.
 - Union contract increases are assumed to be 2.0% for all unions in FY20, however, the MSCA contract has not been finalized as of this date. In addition, the budget for adjunct faculty will decrease by 20% to \$10.0 million.
 - Overall compensation is estimated to decrease by approximately \$2.6M in FY20 compared to the FY19 original budget.

- For FY20, the Commonwealth has communicated a proposed fringe benefit rate of 37.99% (inclusive of Medicare taxes) vs. the current year's rate of 36.62%. This change adds \$1.1 million to the expense budget.
- Support costs are expected to increase by \$1.9 million to \$23.2 million total. The increase is primarily due to incremental investment in strategic initiatives (\$512K), increase in contingency (\$640K) and other increases to maintenance and repairs, administrative expenses and programmatic supplies.
- The second year of DCAMM's five-year critical maintenance plan will generate approximately \$2.1 million in state support, which will be offset by additional spending on deferred maintenance, primarily roof repair projects.
- Total MSCBA Assessment and Interest Expense will decrease by \$80 thousand for a total of \$16.9 million; the new debt service for the Peabody and Bowditch bathroom project is capitalized through FY21.

Next Steps:

- Campus leaders are monitoring enrollment as the admissions cycle continues throughout the spring. Fees and financial aid allocations will be finalized.
- Department managers will review and reallocate their support budget packages as needed.
- It is expected that the House Ways and Means committee will release its FY20 Budget Recommendation in mid-April; the Senate Ways and Means committee will release its FY20 Budget Recommendation in mid-May.
- The Conference Committee will release its FY20 Budget Report in June (tentative).
- Recommended fee rates and the budget will be brought to the Board of Trustees for discussion and approval, through the Finance and Facilities committee, in the May and June meetings.
- The Governor will sign the FY20 Budget into law in July (tentative).
- In the fall, after the Commonwealth's budget has been finalized, adjustments (if needed) will be brought to the Board for consideration and approval.
- The President's Executive Council is working with the campus on a multi-year strategy to address the expected continued trend of declining enrollments.



 REQUEST FOR TRUSTEE ACTION

Date: March 8, 2019

To: Board of Trustees

From: Karen P. House, vice president for finance and facilities

Subject: Graduate and Continuing Education Tuition and Fees for FY 2020

Requested Action: Approval

Rationale: The Board of Trustees must approve the tuition and fees for graduate and continuing education students for FY 2020, including the academic year 2019-20 and the summer of 2020 to provide proper notice to students, assist with billing processes, and enable calculation of revenues to fund the university's operations. In presenting the attached recommended rates, the following important factors were considered.

Graduate Tuition and Fees

- The attached document shows the distribution of all programs across the three price groups. Also attached are competitor prices for the current year.
 - Price Group 2: Nursing MSN moved from Price Group 3
 - Price Group 2: Graduate Certificate for Nursing Education moved from Price Group 3
- The recommended course fee increases for Price Groups 1, 2, and 3 of 2.5%, 4%, and 12%, generate actual all-in cost increases to students of 2%, 3%, and 8% respectively. In-state graduate students in a Price Group 2 course will be charged \$470 per credit while out-of-state graduate students will pay \$560 per credit.

Continuing Education Tuition and Fees

- Continuing education fees are recommended to increase by 3% to \$403.25 for in-state students and increase 2% to \$573.25 per credit hour for out-of-state students.
- For summer 2020, we recommend a 4% course fee increase, which generates an all-in fee increase of 3% for Massachusetts residents, to \$336.05 per credit, and 2% for non-residents, to \$471.05 per credit. Rates for summer, an optional term, remain more affordable than academic year rates.

Revenue for the university

- The university needs to generate increased revenue where it reasonably can. The presented rate increases are intended to do so.
 - The Capital Improvement Fee supports facility related expenses. The rates include an \$.80 increase, to \$16.55 per credit hour.
 - An SGA fee increase is not recommended for FY 2020.
-



MOTION

The Finance and Facilities Committee hereby recommends that the Board of Trustees approve the following rates for the graduate and continuing education students as shown on Exhibit I.

Recommended motion

The Board of Trustees of Salem State University hereby approves the following rates for graduate and continuing education tuition and/or fees for the category of students as shown on Exhibit I.

The new rates shall become effective for the fall term of the 2019-20 Fiscal Year and summer 2020.

Committee Assigned: Finance & Facilities

Committee Action:

Date of Action:

Trustee Action:

Trustee Approval Date:

Effective Date

Signed: _____

Title: Secretary, Board of Trustees

Date: _____



Salem State University
FY 2020 Tuition and Fees
Graduate

	Current AY 2019 and Summer 2019	Proposed AY 2020 and Summer 2020	Overall \$ Change	Overall % Change
GRADUATE				
Price Group 1 2.5% Course Fee increase				
Massachusetts Residents				
Per Credit	\$417.70	\$425.05	\$7.35	2%
Per Course (3 credits)	\$1,253.10	\$1,275.15	\$22.05	2%
Out of State Residents				
Per Credit	\$507.70	\$515.05	\$7.35	1%
Per Course (3 credits)	\$1,523.10	\$1,545.15	\$22.05	1%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%
Price Group 2 4% Course Fee increase				
Massachusetts Residents				
Per Credit	\$457.10	\$470.00	\$12.90	3%
Per Course (3 credits)	\$1,371.30	\$1,410.00	\$38.70	3%
Out of State Residents				
Per Credit	\$547.10	\$560.00	\$12.90	2%
Per Course (3 credits)	\$1,641.30	\$1,680.00	\$38.70	2%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%
Price Group 3 12% Course Fee increase				
Massachusetts Residents				
Per Credit	\$489.80	\$530.70	\$40.90	8%
Per Course (3 credits)	\$1,469.40	\$1,592.10	\$122.70	8%
Out of State Residents				
Per Credit	\$579.80	\$620.70	\$40.90	7%
Per Course (3 credits)	\$1,739.40	\$1,862.10	\$122.70	7%
International Student Supplemental Charge (per semester excluding summer)				
	\$375.00	\$375.00	\$0.00	0%

Note: The rates above include Tuition, Course Fee, and Capital Improvement Fee.

Program	Program
Price Group 1	Price Group 2
Master's Programs	Master's Programs
English (MA)	Behavior Analysis (MS)
History (MA)	Counseling (MS)
Education - Master's Programs	Criminal Justice (MS)
Art (MAT)	Geo-Information Science (MS)
Chemistry (MAT)	Industrial/Organizational Psychology (MS)
Early Childhood Education (MEd)	Mathematics (MS)
Elementary Education (MEd)	Nursing (MSN)
English (MA/MAT)	Social Work (MSW)
English (MAT)	Education - Master's Programs
English to Speakers of Other Languages (ESOL) (MAT)	Higher Education in Student Affairs (MEd)
History (MAT)	School Counseling (MEd)
Leadership in Physical Education & Movement Studies (MEd)	Education - Licensure Only Programs
Library Media Studies (MEd)	School Adjustment Counselor (Initial Licensure Only)
Mathematics (MAT)	School Counseling
Middle School Education (MED)	Graduate Certificate Programs
Middle School Math (MAT)	Applied Behavior Analysis
Physical Education (MAT)	Clinical Trial Management
Reading (MEd)	Computer Science
Secondary Education (MED)	Counseling
Spanish (MAT)	Geo-Information Science
Special Education (MEd)	Nursing Education
Education - Licensure Only Programs	Sport Development and Management
Early Childhood Education	Price Group 3
Elementary Education	Master's Programs
English to Speakers of Other Languages (ESOL)	Accounting (MS)
Mathematics	Business Administration (MBA)
Middle School Education (Initial Licensure Only)	Occupational Therapy – Direct Entry (MS)
Reading	Occupational Therapy (MS)
Special Education	Graduate Certificate Programs
Graduate Certificate Programs	Business
Autism Spectrum Disorders	Financial Planning
Digital Studies	
Global Policy Analysis	
Holocaust and Genocide Studies	
Public History	
Public Policy and Administration	
Strategic Communications	
Teaching English to Speakers of Other Languages	
Writing and Rhetoric Studies	
Teacher Leadership	
Certificate of Advanced Graduate Study (CAGS)	
Educational Leadership	

Competitor Price Comparison - AY 2019

Graduate		
Rank	Institution	Current per Credit
1	Worcester State	\$322.00
2	Framingham State	\$418.33 *
3	Bridgewater State	\$460.00
4	Salem State*	\$475.25 **
5	Cambridge College	\$554.00 ***
6	Endicott College	\$569.00 ****
7	Southern NH University	\$627.00 *****
8	Umass Boston	\$671.70
9	Umass Lowell	\$836.65
10	Boston University	\$1,000.00
11	Merrimack College	\$1,060.00
12	Lesley University	\$1,100.00
13	Simmons College	\$1,100.00 *****
14	Springfield College	\$1,200.00
15	Boston College	\$1,232.00
16	Suffolk University	\$1,466.00

*\$485 per credit for MBA and Nursing

**Average of all Price Groups

***MBA \$636

****MBA \$739

*****on campus day \$700

*****MBA \$1,445

Competitor Price Comparison - AY 2019

Continuing Education		
Rank	Institution	Current per Credit
1	Worcester State	\$281.50
2	Southern NH University	\$320.00
3	Umass Lowell	\$340.00
4	Endicott College	\$370.00
5	Framingham State	\$375.00
6	Merrimack College	\$375.00
7	Salem State*	\$403.25
8	Bridgewater State	\$428.00
9	Cambridge College	\$433.00
10	Springfield College	\$472.00
11	Lesley University	\$555.00
12	Umass Boston	\$590.50
13	Boston University	\$680.00
14	Suffolk University	\$1,100.00
15	Boston College	\$1,200.00
16	Simmons College	\$1,240.00

BOT/Finance & Facilities Update

March, 2019

Capital Projects Status Update

CONSTRUCTION – CURRENT

Marsh Hall solar panel installation

Anticipated completion: Spring 2019

Budget: performance partnership agreement (PPA) with Power Options and DCAMM. \$193,500 grant was also received from DOER to buy down the installation costs for all three installations combined.

- 387 KW photovoltaic system installed between the three buildings.

Bloomberg Lab

Anticipated completion: Summer 2019

Construction Costs: \$140,000

- Fit out of the new Bloomberg Lab
- Bloomberg terminals and licensing fees are not included in this cost.

CONSTRUCTION – COMPLETED

Meier Hall roof replacement - Phase 1

Substantially complete: Winter 2019

Budget: \$1,892,875 (\$753,344 DCAMM funds)

- Replacement of half of the Meier Hall roof
- Additional scope has been added to address water infiltration through masonry walls of the 6th floor.
- Project closeout will continue through the spring.

Berry Library and Gasset Fitness Center solar panel installation

Completed:

Budget: performance partnership agreement (PPA) with Power Options and DCAMM. \$193,500 grant was also received from DOER to buy down the installation costs for all three installations combined.

- 387 KW photovoltaic system installed between the three buildings.

PROJECTS IN PLANNING/STUDIES

DCAMM STLA Readiness Project

Anticipated completion: September 2019

- Kick off meeting held in late February
- Existing conditions assessment is underway
- Final report to be completed late summer in time for next round of funding

Dining improvements

Anticipated completion: Summer 2019

Budget: \$500,000

- New furniture, finishes and amenities in Marsh dining hall
- New furniture and finishes for the North Campus dining hall

BOT/Finance & Facilities Update March, 2019

Meier Hall roof study, phase 3

Anticipated completion: Summer 2019

Budget: \$16,500 (\$16,500 DCAMM funds)

- Study to investigate building envelope issues discovered in phase 1 roof replacement.

Sullivan basement structural repairs

Anticipated completion: Summer 2019

Budget: \$500,000

- Demolition of former coalbunker in parking lot
- Additional scope has been added to improve ADA access to the building
- Currently in design

O'Keefe facility condition assessment and master plan

Anticipated completion: Spring 2019

Budget: \$30,000

O'Keefe roof study

Anticipated completion: Summer 2019

Budget: \$33,320 (\$33,320 DCAMM funds)

- Study for roof replacement and 3rd floor window upgrade.

Administration Building roof replacement study

Anticipated completion: March 2019

Budget: \$26,200

- DCAMM certified study for roofing replacement

Gordon Center HVAC review

Anticipated completion: March 2019

Budget: \$50,000

- Peer review for HVAC system to investigate humidity issues

Berry Library study and repair of HVAC equipment

Anticipated completion: March 2019

Budget: \$200,000

- Study and repair of heat pump system which is failing

Peabody and Bowditch bathroom renovation

Anticipated completion: Summer 19

Budget: \$9 million (MSCBA administered project)

- Structural failures with the plumbing distribution and waterproofing
- A full renovation of the bathrooms is required to replace the plumbing and waterproofing system.

BOT/Finance & Facilities Update March, 2019

Bates building assessment/study

Anticipated completion: Spring 2019 (MSCBA administered project)

Budget: \$80,000 (MSCBA funded)

- Assessment of the complex to understand investment required to keep the facilities operational for the next 5, 10, and 15 years.
- The complex is aging and needs an upgrade of the bathrooms and kitchens to address chronic plumbing issues.

COMPLETED PROJECTS IN PLANNING/STUDIES

Meier Hall roof replacement bid documents, phase 2

Completed, out to bid

Budget: \$90,000

- Bid documents for phase 2 roof replacement for Meier Hall

Finance and Facilities Committee Work Plan for FY19

September 26, 2018 w BOT Oct. 17, 2018

- Organizational
 - Committee charter (action)
 - Committee work plan for the year (discussion)
- Finance and Investment Matters
 - FY18 preliminary results (information)
 - Investment performance for period ending June 30, 2018 (information)
 - Summer conference and hospitality initiative (information)
 - FY18 consulting expenses (information)
 - FY19 budget status (information)
- Monitoring Performance
 - Dashboard-Work in Process (discussion)
 - DHE Performance Measurement (verbal)
- Real estate, facilities, and sustainability
 - DCAMM funding and five-year critical repairs plan (information)
 - Science Teaching Laboratories (discussion)
 - Upcoming residence halls maintenance projects (information)
 - Salem Diner Lease (information)
 - Sustainability update (information)
 - Capital projects status update (information)

Meeting date - TBD

- Residence Hall Repair Bond - Debt issuance (approval)
- Review FY18 financial results – metrics (information)

January 30, 2019 – w/BOT February 13, 2019

- Finance and Investment Matters
 - Investment advisors – 1 of 2 required annual meetings, review calendar 2018 performance (discussion)
 - Review of FY19 Q1 financials (information)
 - FY19 Financial Dashboard (information)
- Real estate, facilities, and sustainability
 - Capital projects status update (information)
 - Sustainability update (information)

March 27, 2019 w BOT April 10, 2019

- Finance and Investment Matters
 - Review of FY19 Q2 financials
 - FY19 Financial Dashboard (information)
 - Investment advisors – 2 of 2 required annual meetings (strategy)
 - Graduate & CE Fees for FY20 (approval)
 - SGA FY20 fees (approval)
 - FY20 budget planning
- Real estate, facilities, and sustainability
 - Capital projects status update

May 22, 2019 w BOT June 5, 2019

- Finance and Investment Matters
 - Review of FY19 Q3 financials
 - FY19 Financial Dashboard (information)
 - Undergraduate Fees for FY20 (approval)
 - FY20 all funds budget (approval) (includes trust funds & contracts > \$500K)
- Real estate, facilities, and sustainability
 - Capital projects status update

*Business model discussions may be conducted at Finance and Facilities Committee meetings at 3:30 pm prior to the following full board meetings: February 13, 2019, April 10, 2019, and June 5, 2019. This is pending with the Board leadership and Secretary.

SUBJECT: Executive Committee Meeting Report – March 27, 2019

The Executive Committee of the Board of Trustees met Wednesday, March 27, 2019, in Marsh Hall, room 210, located on the Central Campus of Salem State University.

Present for the Committee were Trustees Mattera (chair), Chisholm, Murphy and President Keenan (Committee Liaison). Also participating, Secretary to the Board Montague.

Absent: Lutts

Chair Mattera called the meeting to order at 6:25 pm and introduced the matter for discussion, Presidential Review Committee appointments. Chair Mattera explained that for the Board of Higher Education to execute its statutory authority effectively, it has established a coordinated, process to measure and evaluate the annual progress of institutions and it is the Board's responsibility to review the university's president. As last year was President Keenan's inaugural year, no report was required however the president completed a self-assessment and the Board completed its process as a 'best practice'. As board chair, it is Chair Mattera's responsibility to appoint the Presidential Review Committee (PRC). Traditionally, the vice chair has led the committee and accordingly Vice Chair Lutts will again serve as committee chair. Additionally Trustees Belsito Zahlaway and Russell will serve on the committee.

Upon a motion duly made by Trustee Katzman and seconded by Trustee Murphy, it was unanimously

VOTED: To adjourn the meeting at 6:35 pm

Prepared by: L. Montague, Secretary to the Board of Trustees