
SUBJECT: Risk Management and Audit Committee Meeting Report for October 12, 2022

The committee met remotely in accordance with the General Laws of the Commonwealth of Massachusetts, Chapter 30A and An Act Relative to Extending Certain State of Emergency Accommodations, which, among other things, extends the expiration of the provisions pertaining to the Open Meeting Law to March 31, 2023. Specifically, this extension allows public bodies to continue holding meetings remotely without a quorum of the public body physically present at a meeting location, and to provide "adequate, alternative" access to remote meetings. All votes taken during this meeting were by roll call vote.

Present for the Committee: Trustees Russell (chair), Morales (vice chair), Lampassi and Mattera; President Keenan (ex-officio), Vice President House (committee co-liaison), Associate Vice President Labonte (committee co-liaison) and staff associate Beaulieu.

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

FY2022 audits for discussion and acceptance

Representatives from O'Connor & Drew, the university's external auditing firm were present including David DiIulis, managing partner, Zachary Laflash, managing partner, and Ruth Nakawungu, auditing supervisor.

A PowerPoint presentation on the flow of the meeting (Attachment A) was displayed. A high-level overview of the FY22 audited financial statements, notable financial transactions, and the impact on the statements of the implementation of GASB 87 Leases pronouncement were discussed.

The auditors presented their required communications (Attachment B), including an explanation of GASB Statement 87, Leases. They issued an unmodified opinion (clean) for the university's FY22 financial statements (Attachment C) and found no material weaknesses regarding internal controls. They reviewed the FY22 audited financial statements including highlights of the schedules and statements, notes to the statements, and pointed out the impact of GASB 87 including, among others, prior period adjustments, restatement of certain FY21 audited numbers.

The auditors reviewed Salem State University's FY22 uniform guidance report (Attachment D), required compliance for federal expenditures, and that they issued a clean report. There were no findings for the current audit year.

The auditors thanked the Board and Vice President House, Assistant Vice President/Controller Bethoney, and their team.

Vice President House acknowledged, complimented and thanked Controller Russ Bethoney for the amazing job in completing the university pieces of the audits.

Trustee Russell **MOVED** that the Risk Management and Audit Committee hereby approves the following motion pertaining to the FY22 Salem State University audited financial statements, **SECONDED** by Trustee Morales.

MOTION

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion pertaining to the FY22 Salem State University audited financial statements and programs and related materials.

Recommended Motion

The Board of Trustees of Salem State University hereby accepts the following audits:

Salem State University Financial Statements and Management’s Discussion and Analysis June 30, 2022

Salem State University Independent Auditor’s Report as Required by the Uniform Guidance Auditing Standards, June 30, 2022

The RMA Committee acknowledges that Vice President House and her team will submit the audits to the Commonwealth by its October 15, 2022 deadline.

Voting in the affirmative: Lampassi, Mattera, Morales, Russell

Voting against: None

There being no other business a motion was made to adjourn.

Trustee Morales **MOVED** that the Risk Management and Audit Committee meeting adjourn **SECONDED** by Trustee Lampassi.

Voting in the affirmative: Lampassi, Mattera, Morales, Russell

Voting against: None

The meeting adjourned at 4:30 pm.

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

Board Of Trustees Risk Management and Audit Committee Meeting of Oct. 12, 2022 FY22 Financial Statements

Karen House, CPA/CGMA

Vice President for Finance and Facilities/CFO

Revenues & Expenses FY22

Operating Revenue	99,415,616
Operating (Expense)	(175,016,665)
Non-Op Rev/Exp	87,592,138
Capital Grants	2,154,659
Increase in Net Position	<u>14,145,748</u>

Year over Year Results for FY22 (selected figures from SNP)

- Cash \$43.3M, **down** \$0.9M from \$44.2M
- Investments \$43.7M, **up** \$10.0M from \$33.0M
- Capital Assets \$353.7M, **down** \$17.9M from \$371.6M
- L-T Liabilities \$304.3, **down** from \$360.0M
- Net Position \$57.2M, **increase** of \$14.1M

GASBs and impact on net position (NP) in FY22

Overall NP increased **\$14.1M**

- Pension: increased NP \$ 6.6M
- OPEB: increased NP \$10.6M
- Leases: decreased NP (\$13.7)M
- GASB's combined incr. NP **\$ 3.5M**

Other activity for year increased NP **\$10.6M**

Pension & OPEB GASB's

- Improved overall for FY22
- Swings in balances among liabilities and deferred inflows

Pension & OPEB

	FY22	FY21	Change
Pension (GASB 68)			-
Deferred Outflows (like an asset)	3,793,892	7,733,947	(3,940,055)
Net liability	15,782,623	39,993,737	(24,211,114)
Deferred Inflows (like a liab)	24,155,264	10,523,207	13,632,057
Net Position related to Pension	(36,143,995)	(42,782,997)	6,639,002
OPEB (GASB 75)			
Deferred Outflows (like an asset)	7,564,195	13,254,199	(5,690,004)
Net liability	27,710,622	51,462,578	(23,751,956)
Deferred Inflows (like a liab)	56,895,794	49,399,486	7,496,308
Net Position related to OPEB	(77,042,221)	(87,607,865)	10,565,644

GASB 87 - Leases

- Implemented in FY22
- Restated ending balances for FY20 for comparability, but standard was not in effect for FY20
- Restated balances and revenues and expenses for FY21 within the FY22 audit, for comparability
- Fully implemented in FY22

Purpose & Major Impacts of GASB 87

- Increase usefulness of governments' FS
- Establish single model for lease accounting based on principle that leases are financings of the right to use an underlying asset
- Eliminate distinction between operating and capital leases
 - Create an intangible asset that gets amortized
 - Bring off book debt onto the books as a liability
 - Recharacterize payments from operating expense to
 - Reduction of liability
 - Interest and other operating expenses

GASB 87 Timing

- Record amortization of the asset, straight-line over the life of the lease term
- Record the PV of future lease payments as a liability
 - Note: the asset is amortized fully over life of lease over time, but not in an amount each year equivalent to the reduction of the liability
- Therefore GASB 87 impacts Net Position

Key balance sheet numbers in \$1,000's (FY22) - GASB 87 only

- Capital Assets:
 - Capital Assets - Lease \$ 219,437
 - Accumulated Amortization (\$ 18,087)
 - Impact on Assets \$ 201,350

- Lease Liability \$215,030

- Net Position (\$ 13,680)

GASB 87 Impact on Revenues & Expenses – *example* using MSCBA

Previously, payments to lessor were an operating expense. \$14.6M paid to MSCBA in FY22

Now, payments to lessor are a combination of:

- a reduction of the new liability-a balance sheet item \$6.5M
- interest expense \$6.6M (operating expense)
- other expenses \$1.5M (operating expense)

- In addition, we have an operating expense for the amortization of the ROU asset \$9.2M

Auditors present next

Salem State University

October 12, 2022

25 Braintree Hill Office Park, Suite 102
Braintree, MA 02184
617.471.1120

Required Communications

AUDITORS' RESPONSIBILITY UNDER GAAS

- We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- In carrying out this responsibility, we planned and performed the audit to obtain reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.
- An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion.

Required Communications - Continued

AUDITORS' RESPONSIBILITY UNDER GAAS - Continued

- We issued an unmodified opinion on the University's financial statements.
- No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Required Communications - Continued

Significant Accounting Policies and Transactions

- Initial Selection of or Changes in Policies
 - All accounting policies are discussed in Note 1 of the financial statements.
- Significant Transactions:
 - HEERF and SIP funds- In response to the Coronavirus Pandemic the Federal Government awarded the University approximately \$37.8 million in grant funding. Of this total, approximately \$16 million is required to be distributed to students as emergency grants. The remaining \$21.8 million can be used by the University to cover any COVID-19 related costs or lost revenue (institutional costs). As of June 30, 2022 the University has recognized the entirety of these awards. Approximately \$20.3 million, \$11.3 million, and \$6.2 million was recognized as revenue for the years ended June 30, 2022, 2021 and 2020, respectively.
 - Implementation of GASB 87- Recognition of right-of-use assets and lease liabilities of \$223 million at June 30, 2020.

Required Communications - Continued

Significant Accounting Policies and Transactions – Continued

- Independence
 - We are not aware of any relationships between O'Connor & Drew and the University that in our professional judgment may reasonably impact our independence.
 - Related to our audit for 2022, we are independent with respect to the University within the meaning of the pronouncements of the Independence Standards Board, *Government Auditing Standards*, and under Rule 101 of the AICPA Code of Professional Conduct.

- Audit Adjustments and Uncorrected Misstatements
 - There were no audit differences recorded as a result of the audit that are required to be communicated to the Committee.
 - There were no uncorrected misstatements that are required to be communicated to the Committee.

Required Communications - Continued

MANAGEMENT'S JUDGEMENTS AND ACCOUNTING ESTIMATES

- Allowance for doubtful accounts
- Depreciable lives of capital assets
- Fringe benefits
- Net position classifications
- Net pension liability
- Net OPEB liability

OTHER COMMUNICATIONS

- Disagreements with management – None
- Consultation with other accountants/auditors:
 - Auditors for the Massachusetts State Employees' Retirement and OPEB Plans
 - Crowe LLC- GASB 87 Calculations
- Major issues discussed with management prior to retention – None
- Difficulties encountered in performing the audit – None
- Significant written communications between the auditor and management:
 - Engagement letter
 - Management representation letter
 - Uniform Guidance

Required Communications - Continued

MANAGEMENT ADVISORY SERVICES/TAX SERVICES

- No management advisory services were performed by O'Connor & Drew during 2022.
- O'Connor & Drew performed a Single Audit, as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

Financial Statement Fraud Risks

PERVASIVE RISK

- No pervasive financial statement fraud risks were identified.

SPECIFIC RISKS PRESUMED BY AUDITING STANDARDS

- Risk of misstatement relating to revenue recognition
- Risk of management override of controls
 - Journal entries and adjustments
 - Revenue recognition
 - Significant accounting estimates
 - Significant unusual transactions

UNIVERSITY'S SPECIFIC RISKS

- General economic factors affecting all entities

GASB Statement 87, *Leases*

- Effective for periods beginning after June 15, 2021 (Fiscal Year ended June 30, 2022).
 - Required lessees to recognize a right-of-use asset (ROU Asset) and an offsetting lease liability at the earliest period presented on the University's financial statement (For SSU 6/30/2020). Measurement of these amounts is based on the net present value of the future lease payments.
 - ROU Asset- amortized equally over the remaining portion of the lease
 - Lease Liability- reduced by the calculated principal portion of the required lease payments.
 - The adoption of GASB 87 results in a higher expense recorded in the early years of the lease as there is both amortization and interest expense.
 - This includes MSCBA long-term leases for buildings, equipment, and office space.
 - At June 30, 2020: The University recognized ROU Assets and lease liabilities of approximately \$222.87 million of which approximately \$207.77m was related to MSCBA long-term leases.

GASB Statement 87, *Leases* - Continued

- Prior Period Adjustment, June 30, 2021:
 - During the year ended June 30, 2021 the University recorded a prior period adjustment to record the implementation of GASB 87. This adjustment had the following impact for the year ended June 30, 2021:

	Impact (in millions)
Amortization expense- GASB 87	\$ 9.24
Interest expense- GASB 87	7.37
Addback expensed FY2021 MSCBA assessment	<u>(7.48)</u>
FY2021 reduction of Net Position	\$ 9.13
June 30, 2021 Net Position, as previously reported:	<u>46.20</u>
June 30, 2021 Net Position, as restated	<u><u>\$ 37.07</u></u>

GASB Statement 96, *Subscription- Based Information Technology Arrangements (SBITA)*

- Objective is to provide accounting and financial reporting guidance for transactions where the University contracts with a third party for the right to use their software.
- A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
- The University would recognize a right-of-use asset and a corresponding liability (similar to GASB 87 for lease agreements that was implemented on these financial statements).
-

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

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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

Financial Statements

June 30, 2022 and 2021

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-29
Financial Statements:	
Statements of Net Position	30-31
Statements of Revenues and Expenses	32
Statements of Changes in Net Position	33
Statements of Cash Flows	34-35
Statements of Financial Position of Salem State University Foundation	36
Statements of Activities and Changes in Net Assets of Salem State University Foundation	37-38
Notes to the Financial Statements:	
Note 1- Summary of Significant Accounting Policies	39-51
Note 2- Implementation of Newly Effective Accounting Standard	51-53
Note 3- Cash and Cash Equivalents and Deposits	54-55
Note 4- Cash and Deposits Held by State Treasurer	55
Note 5- Investments	56-61
Note 6- Accounts, Grants and Other Receivables	62
Note 7- Pledges Receivable	62
Note 8- Loans Receivable and Payable	63
Note 9- Capital Assets	64-67
Note 10- Accounts Payable and Accrued Expenses	68
Note 11- Unearned Revenue	68
Note 12- Long- Term Liabilities	69-80

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

Note 13- Pensions	80-86
Note 14- Other Post-Employment Benefits	87-94
Note 15- Deferred Inflows of Resources	94
Note 16- Restricted Net Position	95
Note 17- Commitments and Contingencies	95-96
Note 18- Operating Expenses	96
Note 19- Fringe Benefit Program	97-98
Note 20- Massachusetts Management Accounting Reporting Reporting System (“MMARS”)	99-100
Note 21- Pass-Through Student Federal Loans	100
Note 22- Massachusetts State College Building Authority (“MSCBA”)	101
Required Supplementary Information:	
Schedules of Proportionate Share of Net Pension Liability (Unaudited)	102
Schedules of Contributions - Pension (Unaudited)	103
Notes to the Required Supplementary Information - Pension (Unaudited)	104-106
Schedules of Proportionate Share of Net OPEB Liability (Unaudited)	107
Schedules of Contributions - OPEB (Unaudited)	108
Notes to the Required Supplementary Information - OPEB (Unaudited)	109-111
Supplementary Information:	
Schedules of Net Position – Dormitory Trust Fund Report (Unaudited)	112
Schedules of Revenues, Expenses, and Changes in Net Position – Dormitory Trust Fund Report (Unaudited)	113
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	114-115



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units, of the Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "University"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Salem State University, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the University adopted new accounting guidance, *GASB Statement Number 87, Leases*. The adoption of this pronouncement required the University to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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 audits were conducted for the purpose of forming opinions on the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents, which are the responsibility of management, 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 audit 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 11, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022

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

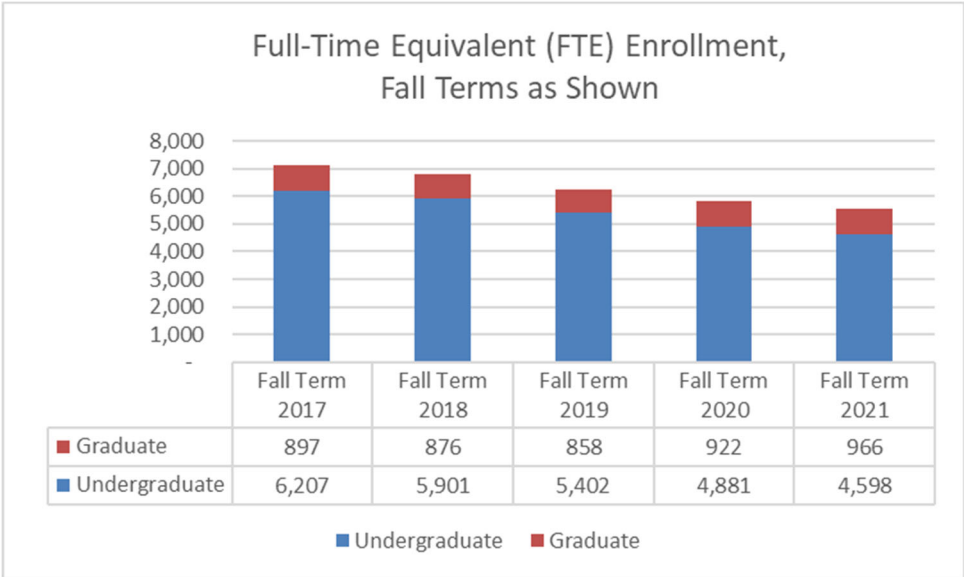
Management’s Discussion and Analysis - Continued
(Unaudited)

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, 2022 and 2021. 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 component unit Salem State University Assistance Corporation (“Assistance Corporation”) along with the University Statements. The Salem State University Foundation, Inc. (“Foundation”) component unit is presented separately.

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, Salem State, which is one of the most diverse state universities in the Commonwealth, thrives as a comprehensive institution of academic strength offering high quality education at the undergraduate and graduate levels. Salem State is located on 115 acres, which is spread across five sites: North Campus, Harrington Campus, South Campus, School of Social Work and International Programs, 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 McKeown School of Education, the School of Social Work, the School of Graduate Studies and the School of Continuing and Professional Studies. For Fall 2021 semester, Full-Time Equivalent (FTE) Enrollments were 4,598 (undergraduate) and 966 (graduate). Total FTE enrollment for the past five years is shown below.



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

University students are diverse, hailing from 40 states and 49 countries. Nearly 40% of our first-year students (freshman and transfer) have self-identified as students of color (fall semester 2021). The approximate gender breakdown is 34% male and 66% female. During FY2022, the university had a right to operate six residence halls with capacity to house 2,282 students. At the end of the fiscal year, the university reduced its capacity to 1,928 when it terminated its lease to operate Bates residence halls. Salem State fields men's and women's teams in 15 sports which compete in the: Little East Conference (LEC), the Massachusetts State College Athletic Conference (MASCAC), the National Collegiate Athletic Conference (NCAA) Division III, and the New England Hockey Conference.

In support of the university, there are two component units. The Salem State University Assistance Corporation (SSUAC, or the Assistance Corporation), formed in 1995 by the legislature, promotes the orderly growth and development of the University. The Salem State University Foundation (SSU Foundation, or 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. Of the university's living alumni (nearly 70,000), more than 55,000 remain in Massachusetts.

Mission and Strategic Plan

Salem State'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.

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Management’s Discussion and Analysis - Continued
(Unaudited)

Salem State’s Four Strategic Goals

Student Success

Create a challenging and supportive learning environment that fully engages students in their learning and promotes attainment of academic, personal and career goals.

Academic Excellence

Develop and support high-quality academic programs and innovative educational experiences that equip Salem State graduates to thrive in an evolving workforce and to navigate confidently in an increasingly complex and global society.

Collaboration, Inclusion and Stewardship

Foster a university-wide culture of inclusion, accountability, collaboration, and stewardship.

Financial Vitality and Sustainability

Strengthen Salem State’s financial foundation, align resources with priorities and foster innovation to drive new revenue streams. Identify and implement additional opportunities to contain, reduce or avoid future growth in costs.

In 2021-2022, a top priority has been to begin developing Salem State’s next strategic plan, through a shared governance process ensuring input from faculty, students, staff, and administrators. The Strategic Planning Committee first convened late in the fall 2021 semester. The committee has held open forums for students, faculty and librarians, staff and administrators, leadership, all campus, and parents. Discussions centered around campus climate, teaching and learning, resources, and leadership. Forum feedback was used as a guide to develop a survey for the larger campus community. A survey was conducted in the spring 2022 semester and received over 700 responses.

Accreditation

The university is accredited by the New England Commission of Higher Education (“NECHE”) and completed a comprehensive 10-year accreditation review in fall 2021. This process included a cross-campus evaluative process, filing a self-study report with NECHE, taking part in a comprehensive review that included a virtual visit to Salem State, the receipt of a preliminary report, and a university response to the preliminary report. The entire campus is delighted that Salem State received NECHE accreditation with the highlights described below.

In its November 2021 notification letter, the NECHE Commission “commended” Salem State on our “comprehensive and thoughtful self-study,” and “note(d) with favor” our “mission and vision focused on student success.” Other factors contributing to this favorable decision include:

- Faculty efforts to ensure the relevance of the Salem State student experience;
- Attention by our community to building an “inclusive and respectful community;”
- Our emphasis on civic learning and engagement;

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

- Our investment in Navigate to serve as a hub for “campus-wide coordinated care approach;”
- Continued emphasis on affordability with unrestricted financial aid increasing from \$3.1 million in FY2018 to \$6.3 million in FY2021;
- Our establishment of the Center for Research and Creative Activities;
- And importantly, the shared “passion” and commitment to serving our students that is held by our Board of Trustees, administration, faculty, and staff.

Significant Events and Accomplishments

Salem State has many academic accomplishments to celebrate during FY22. What follows is a short list representing a range of academic programs and faculty members:

New academic and student life leadership

- Raminder Luther, PhD, was appointed dean of the Bertolon School of Business at Salem State University. Dean Luther had performed the role of interim dean of the Bertolon School of Business since May 2020, and prior to that, she served as professor of finance in the school for 22 years.
- Sami Ansari, PhD, was appointed dean of the Maguire Meservey College of Health and Human Services (MMCHHS) at Salem State. Ansari had performed the role of interim dean of MMCHHS since January 2020. Prior to that, he served as a criminal justice faculty member for 12 years, including serving as department chair from 2016 to 2020.
- Shawn Newton was appointed associate vice president and dean of students. A Salem State alumnus, Newton brings 25 years of higher education experience in student affairs and diversity and inclusion, including prior leadership roles at Salem State.

New academic programs

Salem State University launched a new, flexible academic major in liberal studies and a new Bachelor of Science in Healthcare Studies and Spanish that began enrolling students in the fall 2021 semester.

Civic engagement

- One-hundred first year students signed up to volunteer for community organizations across the Greater Salem area as part of the university's annual Moving Forward Giving Back: First Year Day of Service.
- The Frederick E. Berry Institute of Politics (Berry IOP) co-hosted a Salem Mayoral debate with the Salem News.
- A National Study of Learning, Voting, and Engagement (NSLVE) report released in October showed that Salem State University's student voting rate surpassed the national average in the 2020 election cycle, at 68 percent compared to a national average of 66 percent.
- The Frederick E. Berry Institute of Politics (Berry IOP) at Salem State University launched a new fellowship program featuring former Boston Mayor Kim Janey and Jennifer Levi, the Transgender Rights Project Director for the GLBTQ Legal Advocates & Defenders (GLAD).

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

Management's Discussion and Analysis - Continued
(Unaudited)

Community events

- The Salem State Center for Holocaust and Genocide Studies and the Center for Creative and Performing Arts co-hosted a reception for the “Beyond Duty” exhibit, which highlights the work of diplomats in helping Jews escape Nazi Germany.
- Salem State’s 43rd annual festival in celebration of Charles Darwin’s birthday was held virtually with a week of lectures on topics that included: the impact of microaggressions and racism on health; bioindicators of climate change in New England waters; and the role of using science to guide public schools’ pandemic response; among others.
- The 52nd anniversary of Earth Day was celebrated with a series of in person and virtual events beginning surrounding the theme “Climate Crisis: Actions for a Just and Livable World.”
- The Salem State University Foundation, Inc. celebrated the 40th year of its renowned Speaker Series, welcomed Major League Baseball star David “Big Papi” Ortiz, and announced the fall 2022 visit of international human rights lawyer Amal Clooney.

Return to an in-person commencement

Salem State returned to its traditional in-person commencement ceremony for the first time since the onset of the COVID-19 pandemic. The university celebrated nearly 1900 students completing graduate and undergraduate degrees at five ceremonies on May 19, 20 and 21, 2022. Twenty-eight countries outside of the U.S. are represented in the graduating class, along with 21 states outside of Massachusetts. In addition to celebrating its class of 2022, Salem State University recognized three honorary degree recipients who have been agents of change in their professions and communities. Those receiving honorary doctorates included rapper, cartoonist, social activist, and Salem State alumnus Keith Knight ‘90; Eastern Bank Chief Executive Officer and Chair of the Board Bob Rivers; and LVCC, Inc. President and CEO Pamela Scott, who also served on Salem State’s Board of Trustees as member and chair.

Awards and recognition

- Salem State received a \$300,000 grant from Mass General Brigham to provide scholarships to students in the university’s healthcare studies, occupational therapy and social work programs who are completing behavioral health internships and fieldwork in Massachusetts.
- Salem State was among 11 Massachusetts state agencies recognized by the Baker-Polito Administration for leadership in promoting initiatives that reduce environmental impacts and associated energy costs of state operations.
- The 41st annual Creativity Awards recognized 10 Salem State students for outstanding achievements in their respective disciplines, which include dance, music, theatre, creative writing, and art + design.
- Salem State’s Outstanding First Year Advocate Award recognized six community members who have made a positive impact on students' first-year experience. Salem State awarded The Dr. Martin Luther King, Jr. Leadership Award to six community members for outstanding and significant contributions to the causes of freedom, justice, and equality.

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

Management's Discussion and Analysis - Continued
(Unaudited)

Impact of COVID-19

Salem State entered the 2021-2022 academic year with an indoor mask mandate in effect. COVID-19 vaccine requirements were in place for students, faculty and staff throughout the academic year, and in December 2021 it was announced that booster shots would also be required. Throughout the academic year, the university continued offering COVID-19 testing (PCR and OTC), operating indoor spaces at 75 percent of their capacity, holding vaccine clinics, requiring the use of the CoVerified app to track cases and symptoms and monitor compliance, and frequently communicating with campus to share updates and reminders about public health protocols and best practices.

Due to the Omicron variant and the January surge, Salem State started the spring 2022 semester remotely, with classes not gathering in person until January 30 and administrative offices operating primarily remotely until that date. The university also offered a staggered return to the residence halls, to ensure students felt safe and comfortable while Omicron cases were peaking. Later in the semester, however, a nationwide decline of COVID-19 cases allowed Salem State to transition away from indoor masking requirements. In late February/early March, the university made masking optional in certain circumstances and locations. Later in March, masks became optional in most spaces, with exceptions for public transportation and health care settings, such as the Viking Shuttle and Counseling and Health Services, as mandated by the Massachusetts Department of Public Health. Individuals were also able to require that masks be worn in their office or cubicle.

The spring 2022 semester also brought the return of many in-person gatherings, including commencement as previously discussed. The university continued to follow data and public health guidance on COVID-19 cases and publicize positive cases on its website.

Financially, the university fared much better in FY22 than anticipated despite the COVID-19 pandemic, in large measure due to extraordinary events:

- The Massachusetts State College Building Authority (MSCBA) had restructured debt service in FY20 which provided some debt service savings again in FY22. Based on the structure of the debt, the assessment will climb back to previous levels.
- With widespread availability of covid-19 vaccinations, students returned to living in the residence halls in higher numbers than anticipated; fall 2021 occupancy was 1511 compared to 934 in fall 2020 at the height of the pandemic.
- The federal government enacted three pieces of legislation that together with some smaller relief programs, awarded \$16.0 million to students and \$22.2 million to the university over several years beginning in FY20. The individual acts were CARES, CRRSAA, and ARPA signed into law on March 27, 2020, December 27, 2020 and March 11, 2021, respectively. These programs ultimately came to be known as the Higher Education Emergency Relief Fund (HEERF I, II, and III.) Through FY22, the university has distributed all of the HEERF funds to students and recognized as revenue the applicable institutional piece. In FY22 student and institutional HEERF revenue amounted to \$9.5 million and \$10.8 million, respectively.

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

Management's Discussion and Analysis - Continued
(Unaudited)

University's Largest Comprehensive Fundraising Campaign

Currently in the silent and major gift phase, the university's largest transformational campaign continues with strong momentum, with close to 50% of the goal raised by the end of June 2022. This landmark fundraising initiative will advance the university's mission on multiple fronts. Campaign funding priorities include student financial assistance (\$15 million); high-impact retention practices (\$15 million); SSU BOLD (\$10 million); and unrestricted support (\$10 million).

Diversity and Inclusion

Salem State, through its inclusive excellence office, seeks to embed diversity, equity, and inclusion as a campus priority across every area of the university. In FY22, Salem State continued and grew efforts to create this inclusive community through the below efforts:

- Racial Equity and Justice Institute (REJI): a collaboration of institutions working to identify data-informed strategies to close racial educational equity gaps.
- The Justice Equity, Diversity, and Inclusion (JEDI) Initiative: trains faculty to transform their courses and respond to calls for consulting and training on issues of equity, diversity and inclusion.
- The North Star Collective Faculty Fellowship: supports the professional development of early career BIPOC (Black, Indigenous, and People of Color) faculty.
- National Coalition Building Institute (NCBI): led Welcoming Diversity workshops for new and current employees.
- Employee Resource Groups: voluntary, employee-led groups designed to create a forum for sharing common interests and concerns.
- Officer Glenn Young was appointed as LGBTQIA+ liaison to university police.
- The university hired Sam Lim to serve as LGBTQIA+ coordinator for the Center for Justice and Liberation.
- Building Inclusive Academically Engaged Communities: a mentoring and professional development initiative that brings together senior and junior faculty, graduate and undergraduate students in circular mentoring focused on inclusive pedagogy.

As part of its efforts to support all students, Salem State continued advancing initiatives to ensure that Black, Hispanic, Latino, Latina, Latine and Latinx students have the tools and supports they need to succeed. Two such efforts include:

- The Viking Success Collaborative: designed to streamline operations among all student service offices on campus with a focus on providing students the resources and supports they need to achieve their goals.
- Preparing to become a Hispanic Serving Institution (HSI): HSI status is a designation conferred by the U.S. Department of Education upon institutions – at the institution's request - at which 25 percent of undergraduate full-time equivalent students identify as Hispanic. Currently, over 20 percent of SSU students identify as Hispanic, Latino, Latina, Latine or Latinx. The university is exploring what it means to be an HSI, not just in name, but as an intentional and holistic practice.

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

Management's Discussion and Analysis - Continued
(Unaudited)

University Capital Planning

Governor Charlie Baker, Lieutenant Governor Karyn Polito, Massachusetts Secretary of Education James Peyser, and Commissioner of the Division of Capital Asset Management and Maintenance (DCAMM) Carol Gladstone visited Salem State University in an April 2022 announcement that the university will receive \$30 million for its transformational building project, called SSU BOLD: A Campus Unification and Modernization Project. SSU Bold, which will also be funded from the sale of South Campus and through fundraising efforts, is considered a crucial part of the university's plan to chart a sustainable path forward.

SSU BOLD establishes a compact and efficient campus core while maximizing programmatic synergies and streamlining operations. This exciting and transformative project enhances the overall campus experience for all students and positions us well to serve the North Shore region, preparing its future workforce. In essence, BOLD takes a multipronged approach to achieving our capital goals in a way that utilizes SSU's and the Commonwealth's resources in the most efficient way for both time and budget.

SSU BOLD includes several components that follow the university's master vision:

- Sale of South Campus—Consolidating our physical plant through this sale unifies our campus to allow for increased collaboration across academic departments and more flexibility for our students. It also eliminates over \$80 million in deferred maintenance and the need for future investments in buildings that have outlived their purpose. Proceeds from the sale of this property will be reinvested into our physical plant through this project.
- Renovation of Horace Mann Building—The renovation of this currently vacant building addresses the major upgrades needed to open it for university academic use, while allowing us to build new nursing SIM and occupational therapy laboratories and general classrooms to accommodate the programs currently located on South Campus.
- Science Lab Addition to Meier Hall—This addition addresses the long overdue need for modernized life sciences wet labs on our campus. It is the most efficient way to provide these much-needed facilities, which would cost more in both budget and time if they were forced to be retrofitted within the existing Meier Hall building.
- Repurpose Underutilized Space—With changes in programming and the future of work on our campus, the university is looking to repurpose underutilized spaces that can be better used to offer increasingly innovative and impactful instruction.

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. Total net position as of June 30, 2022 is \$51.2 million. Within that figure, the largest component is the net investment in capital assets of \$105.5 million. The University's total unrestricted net position for fiscal year 2022 is negative \$66.0 million, however this figure includes the impact of GASB No. 68 and 75 standards relating to pension and other post-employment benefits, discussed below. Excluding the impact of GASB No. 68 and 75, unrestricted net position at June 30, 2022 is \$47.2 million, an increase of \$6.0 million compared to fiscal year 2021.

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

Management's Discussion and Analysis - Continued
(Unaudited)

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 some years ago, notably GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (commonly referred to as OPEB.). GASB No. 68 was implemented by Salem State University in its FY 2015 financial statements which required, among other impacts, restating the net position as of June 30, 2014. GASB 75 was 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 impact of GASB 68 (Pension) and GASB 75 (OPEB) on the Statements of Net Position and Revenues, Expenses & Changes in Net Position for FY 2022 and FY 2021.

	FY 2022	FY 2021
	<i>(In Thousands)</i>	
<u>Statement of Net Position (Balance Sheet)</u>		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 3,794	\$ 7,734
GASB 75 - Other Post Employment Benefits	7,564	13,254
Total deferred outflows	11,358	20,988
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(15,783)	(39,994)
GASB 75 - Other Post Employment Benefits	(27,711)	(51,462)
Total Net Pension & OPEB Liability	(43,494)	(91,456)
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(24,155)	(10,523)
GASB 75 - Other Post Employment Benefits	(56,895)	(49,400)
Total deferred inflows	(81,050)	(59,923)
Net position impact - (Decrease)	\$ (113,186)	\$ (130,391)
One-year Change	17,205	4,181
<u>Statement of Revenues, Expenses & Changes in Net Position</u>		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ (6,639)	\$ 1,085
GASB 75 - Other Post Employment Benefits	(10,566)	(5,266)
Total Net Pension & OPEB Expense	\$ (17,205)	\$ (4,181)

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

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

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
Unrestricted Net Position at June 30, 2020	\$ 18,639	\$ (41,699)	\$ (92,873)	\$ (115,933)
Unrestricted net increase (decrease) for FY 2021	22,562	(1,085)	5,266	26,743
Unrestricted Net Position at June 30, 2021	41,201	(42,784)	(87,607)	(89,190)
Unrestricted net increase (decrease) for FY 2022	6,009	6,639	10,566	23,214
Unrestricted Net Position at June 30, 2022	\$ 47,210	\$ (36,145)	\$ (77,041)	\$ (65,976)

The net pension liability balance in the June 30, 2022 and 2021 financial statements amounted to approximately \$15.8 million and \$40.0 million, respectively. The total net OPEB liability balance in the June 30, 2022 and 2021 financial statements amounted to approximately \$27.7 million and \$51.5 million, respectively. Combined, the pension and OPEB liabilities at June 30, 2022 and 2021 were \$43.5 million and \$91.5 million respectively.

GASB No. 87 - Accounting and Financial Reporting for Leases

The Governmental Accounting Standards Board (GASB) issued an additional standard that materially impacted the presentation of the university's financial statements. Applicable for yearend June 30, 2022, GASB Statement No. 87 – *Leases*, has required the University to restate its net position as of July 1, 2020 in order to provide comparability with FY 2021. See footnote 2 in these financial statements for details.

As part of the university being required to implement GASB 87, right of use assets ("Leased assets") are recorded within the financial statements under capital assets. These leased assets represent the University's authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor and are subject to straight-line amortization over the term of the lease. The leased assets are for buildings with the MSCBA, equipment with a vendor and space rental with the Assistance Corporation. The leased assets are amortized on a straight-line basis over the lease term for each lease. The remaining unamortized leased assets related to lease liability obligations was \$201,348,767 and \$213,620,872 at June 30, 2022 and 2021, respectively.

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

Management's Discussion and Analysis - Continued
(Unaudited)

The table below shows the significant impacts of GASB 87 on assets and liabilities in the Statements of Net Position and on interest expense in the Statement of Revenues, Expenses & Changes in Net Position.

(In Thousands)

	6/30/21	6/30/2022
	Restated	
Capital Assets - Leased	\$ 222,863	\$ 219,437
Accumulated Amortization	(9,241)	(18,087)
Increase of Assets	\$ 213,622	\$ 201,350
Lease Liability	\$ 221,580	\$ 215,030
Impact on Net Position	\$ (7,958)	\$ (13,680)

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2022, 2021 and 2020 follows on the next page. Note that this information includes the impact of the Pension, OPEB, and Lease accounting standards:

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

Management's Discussion and Analysis - Continued
(Unaudited)

Statement of Net Position Summary & Analysis

(In Thousands)

<u>Assets</u>	2022	2021 Restated	2020 Restated
Current Assets	\$ 94,651	\$ 86,176	\$ 56,784
Capital Assets (net)	353,735	371,579	382,624
Noncurrent Assets	2,877	3,053	3,643
Total Assets	451,263	460,808	443,051
Deferred Outflows of Resources	11,358	20,988	22,043
Total Assets and Deferred Outflows	\$ 462,621	\$ 481,796	\$ 465,094
<u>Liabilities</u>			
Current Liabilities	\$ 35,580	\$ 30,014	\$ 25,535
Noncurrent Liabilities	288,974	348,844	383,207
Total Liabilities	324,554	378,858	408,742
Deferred Inflows of Resources	86,850	65,866	39,416
<u>Net Position</u>			
Net investment in capital assets	105,520	114,515	125,110
Restricted	11,674	11,747	7,759
Unrestricted	(65,977)	(89,190)	(115,933)
Total Net Position	51,217	37,072	16,936
Total Liabilities, Deferred Inflows and Net Position	\$ 462,621	\$ 481,796	\$ 465,094

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

Management's Discussion and Analysis - Continued
(Unaudited)

Total assets decreased in FY 2022 by \$9.5 million or 2.1% over the prior year compared with a 4.0% increase of \$17.8 million in FY 2021. Most of the changes within the asset categories are primarily associated with an increase in cash and investments of \$9.8 million which is offset by a decrease in receivables of \$1.1 million and a decrease in capital assets of \$17.8 million due to depreciation (\$9.2 million) and amortization of right to use assets (\$8.6 million) exceeding the capital asset additions. Decreases in deferred outflows are primarily related to adjustments in actuarial pension costs from FY 2021 to FY 2022. Total liabilities decreased in FY 2022 by \$54.3 million or 14.3% over prior year. This change is attributable to decreases in the Pension and OPEB liabilities of \$48.0 million, bonds and notes payable of \$1.8 million and the lease liability of \$6.6 million. The increase in deferred inflows of \$21.0 million are primarily due to the increases for Pension and OPEB actuarial calculations.

For fiscal 2022, 2021 and 2020, total net position amounted to \$51.2 million, \$37.1 million and \$16.9 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 are not in cash form and cannot be used to satisfy these liabilities.

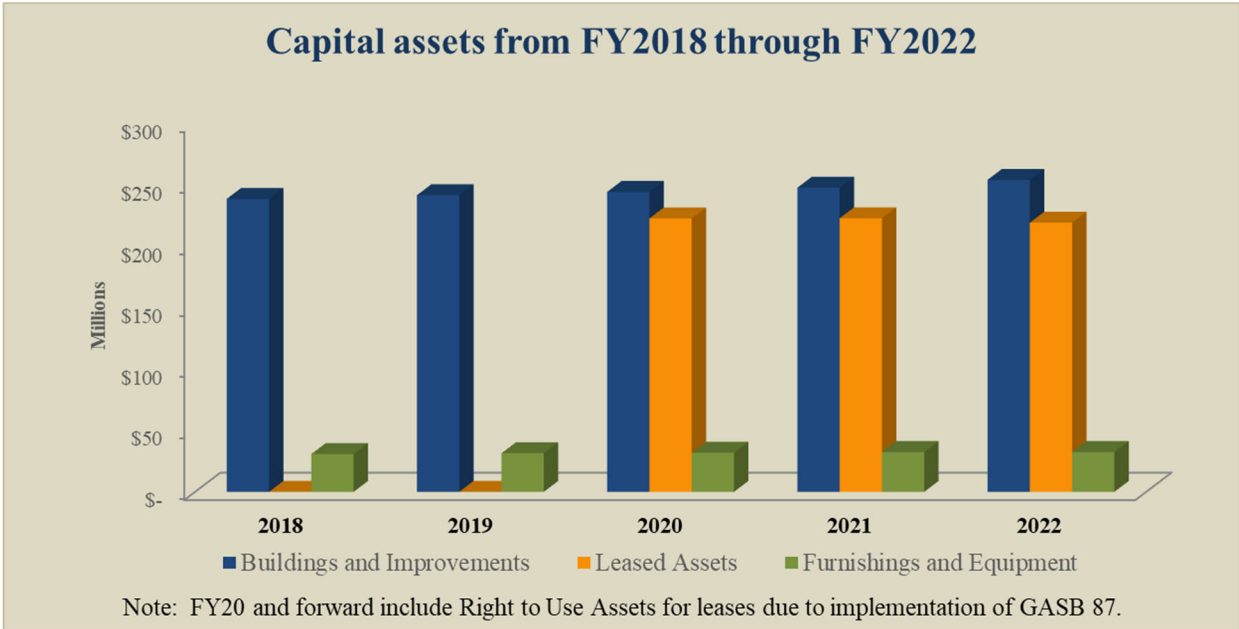
SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University’s capital assets categories at June 30, 2022, 2021 and 2020 is as follows:

Capital Asset Summary			
	<i>(In Thousands)</i>		
	<u>2022</u>	<u>2021</u> <u>(Restated)</u>	<u>2020</u> <u>(Restated)</u>
Building and improvements	\$ 254,252	\$ 247,948	\$ 244,459
Construction in Progress	2,863	5,535	2,031
Land	2,536	2,536	2,536
Furniture and Equipment	32,547	32,547	31,870
Leased buildings	204,344	207,770	207,770
Leased space	14,497	14,497	14,497
Leased equipment	596	596	596
Total capital assets	511,635	511,429	503,759
Less:			
Accumulated depreciation	(139,812)	(130,608)	(121,135)
Accumulated Amortization	(18,088)	(9,242)	-
Total capital assets, net	\$ 353,735	\$ 371,579	\$ 382,624

The following graph shows the progression of certain gross capital asset 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, 2022, 2021 and 2020 are depicted below:

Changes in Capital Assets			
	(In Thousands)		
	2022	2021	2020
<u>Building and Land Improvements</u>			
Sophia Gordon Center	\$ -	\$ -	\$ 367
Meier Hall Renovation/Roof Repair	-	1,127	807
Bloomberg Lab	-	-	120
O'Keefe and Admin Roofing	4,964	-	-
Equipment purchases for IT	133	1,714	868
Parking Improvements	481	-	-
Dining Capital Improvements	-	454	464
Various Other Improvements	726	194	-
Net Additions to Buildings and Improvements	6,304	3,489	2,626
<u>Construction in Progress ("CIP")</u>			
Sophia Gordon Center		-	367
Various Ongoing Renovation Projects	2,121	1,603	3,102
Comprehensive Energy Performance Contract Project		-	868
Roofing Projects	1,176	3,677	-
IT Projects	335	1,713	-
Additions to Construction in Progress	3,632	6,993	4,337
Transfer of Construction in Progress to Capital Assets	(6,304)	(3,489)	(2,626)
Net (Reductions) Additions to CIP	(2,672)	3,504	1,711
<u>Furniture & Equipment</u>			
IT and Police	-	625	325
Vehicle	-	52	-
Net Additions to Furniture and Equipment	-	677	325
<u>Leased Assets</u>			
Leased buildings	(3,426)	-	207,770
Leased space	-	-	14,497
Leased equipment	-	-	596
Net (Reductions) Additions to Leased Assets	(3,426)	-	222,863
Total Net Asset Additions	206	7,670	227,525
Depreciation Expense for the Year	9,204	9,474	9,276
Amortization Expense for the Year	8,846	9,241	-
Net (Decrease) Increase in Capital Assets	\$ (17,844)	\$ (11,045)	\$ 218,249

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

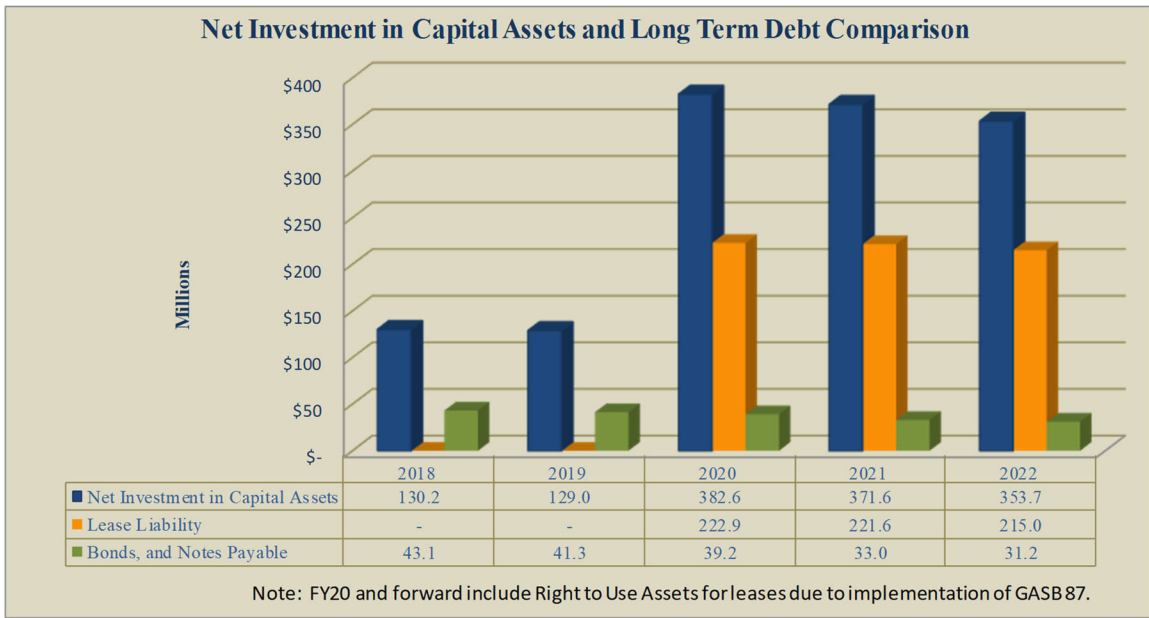
Management’s Discussion and Analysis - Continued
(Unaudited)

Net Investment in Capital Assets and Long Term Debt Comparison

The University is a lessee of multiple long-term leases for buildings, equipment, and office space from the MSCBA, a vendor and the Assistance Corporation under GASB 87, *Leases*. Lease payments reduce the principal of the lease liability obligation recorded in the Statement of Net Position and interest expense is recorded within the Statement of Revenues and Expenses. The University paid interest on these leases of \$7,299,112 and \$7,366,692 for the years ended June 30, 2022 and 2021, respectively.

The University paid interest on Bonds and Notes Payables of \$670,003 and \$510,805 for the years ended June 30, 2022 and 2021, respectively.

The following graph displays long-term debt for the Lease Liability and Bond and Notes Payables on the university’s books and the Net Investment in Capital Assets balances for fiscal years ended 2018 through 2022:



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.

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

Management's Discussion and Analysis - Continued
(Unaudited)

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

The Statement of Revenues, Expenses and Changes in Net Position Summary 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). 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, 2022, 2021 and 2020 follows. Note that this information includes the impact of the GASB 68 *Pensions*, GASB 75 *OPEB* and GASB 87 *Leases* accounting standards.

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

**Statement of Revenues, Expenses and Changes in
Net Position Summary**

	<i>(In Thousands)</i>		
	2022	2021 <i>(Restated)</i>	2020
<u>Operating Revenues</u>			
Tuition and Fees, Net	\$ 57,374	\$ 61,774	\$ 65,755
Federal, State, and Private Grants	21,530	19,843	18,108
Sales and Services	311	350	660
Auxiliary and Other	20,201	12,184	24,191
Total Operating Revenues	99,416	94,151	108,714
<u>Operating Expenses</u>			
Compensation, benefits and other *	101,464	100,740	124,106
Supplies and services	31,507	25,361	42,068
Utilities	3,730	3,124	3,780
Depreciation	9,204	9,474	9,276
Amortization	9,221	9,241	-
Scholarships	19,891	12,776	10,305
Total Operating Expenses	175,017	160,716	189,535
<u>Non-Operating Revenues (Expenses)</u>			
State appropriations	77,309	67,963	66,737
HEERF Funds	20,660	11,776	6,234
Contribution from the Assistance Corporation	-	-	473
Gifts	3,057	2,370	2,341
Investment Income, net	(5,896)	5,283	2,435
MSCBA funds received	156	3,478	392
Gain Early Retirement of Debt	275	-	-
Interest Expense	(7,969)	(7,877)	(1,395)
Total Non-Operating Revenues, Net	87,592	82,993	77,217
Capital Grants	2,155	3,708	1,560
Increase (Decrease) in Net Position	\$ 14,146	\$ 20,136	\$ (2,044)
 * This total is comprised of the following:			
Compensation and Benefits	\$ 117,696	\$ 104,920	\$ 119,891
Retroactive compensation for prior years	973	-	-
Pension and OPEB expense	(17,205)	(4,180)	4,215
	\$ 101,464	\$ 100,740	\$ 124,106

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 \$5.3 million (5.6%) in FY 2022 resulted primarily from the following:

Tuition and Fees, net: Tuition and fees, net of scholarships and fellowships decreased by 7.1% (\$4.4 million) in FY 2022. The decrease is due to declining enrollments while the university operated during the COVID-19 pandemic. There was an increase in scholarships awarded to students, including from HEERF funds.

Federal, State and Private Grants: Federal, state and private grant revenues increased \$1.7 million or 8.5% over FY 2021. This change is primarily due to increased state grant revenue due to additional grants from the Commonwealth.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues increased \$8.0 million or 65.8% in FY 2022. This was due to substantially higher housing and meal plan revenue associated with an increased presence on campus over FY 2021.

Highlights for Operating Expenses

The increase in total operating expenses of \$14.3 million (8.9%) in FY 2022 over prior year resulted primarily from the following:

Compensation and Benefits: Compensation and benefits showed a slight increase during FY 2022 of \$724 thousand (0.7%). However, this was due to the large actuarial adjustment in FY 2022 which decreased both pension and OPEB expenditures by \$17.2 million. This negative expense offset increases in payroll including retroactive payroll payments made during FY 2022 for contractual salary increases dating back through July of 2020.

Supplies and services: The increase of approximately \$6.0 million was primarily due to a \$3.5 million payment made for the Bates defeasance and a \$1.6 million payment made to the MSCBA for insurance, capital reserve replenishments and MSCBA operating fees for FY 2022. In addition, support expenditures were higher overall due to operations moving more on campus in FY 2022 than FY 2021.

Depreciation and Amortization (GASB 87, Leases): Depreciation for buildings, building improvements and other assets and amortization on leased assets for GASB 87 remained consistent for FY 2022 when compared to FY2021.

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

Management's Discussion and Analysis - Continued
(Unaudited)

Changes in GASB 68, Pensions Activity: The eighth year of adoption of GASB 68 for pensions resulted in a negative expense (decrease of expenses) of \$6.6 million in FY 2022. This is due to changes in salaries and in the discount rate utilized in calculating the pension liability, as provided by the Commonwealth's Comptroller's Office.

Changes in GASB 75, OPEB Activity:

The fifth year of adoption of GASB 75 for other post-employment benefits resulted in a negative expense (decrease of expenses) of \$10.6 million in FY 2022 and \$5.3 million in FY 2021. This is due to changes in benefits and in the discount rate utilized in calculating the pension liability, as provided by the Commonwealth's Comptroller's Office.

Enactment and Changes in GASB 87, Lease Activity:

The first year of adopting GASB 87 for leases resulted in the University reporting lease payments, that were previously reported within the Supplies and services operating expenses within the Statement of Revenues, Expenses, and Changes in Net Position Summary & Analysis. These lease payments have been reclassified to reduce the principal payment of the lease liability within the Statement of Net Position and to increase interest expense within the Non-Operating Revenue (Expenses) section of the Statement of Revenues, Expenses, and Changes in Net Position Summary & Analysis.

Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2022 of \$4.6 million (5.5%) resulted primarily from the following:

State Appropriations: State appropriations increased by \$9.3 million (13.8%) in FY 2022 over prior year, primarily to support employee payroll and related fringe benefit costs, including retroactive payroll payments made during FY2022. Greater than half (68.0%) of the University's payroll and fringe is funded by state operating appropriations.

HEERF funds: The University received \$20.7 million in HEERF funding from the federal government as assistance to students (\$9.5 million) and to the University (\$11.2 million) for offsetting costs and lost revenue related to the COVID-19 emergency. The assistance to students is reflected in the scholarship expenses and the assistance to the university was used to partially reimburse the university for lost revenue and COVID related expenses.

Gifts: Gift revenue is a variable source. During FY 2022 gifts transferred from the Salem State University Foundation increased by \$687 thousand (29%).

Investment Income, net: Investment income decreased by \$11.2 million in FY 2022 and is attributable to unfavorable market conditions.

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

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 FY 2022 is \$17.2 million, cash actually decreased \$0.9 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 2022, 2021 and 2020. Managed Net Income was positive for each of the three years. Managed Net Income for FY 2022 was approximately \$17.2 million, which represents a 37.5% decrease over the prior year.

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

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 Report Format

	<i>(In Thousands)</i>		
	FY2022	FY2021 (Restated)	FY2020
Managed Revenue:			
Net Tuition and Fees	\$ 37,483	\$ 48,998	\$ 55,450
Federal, State, Private Grants and Assistance	42,189	31,619	24,342
Auxiliary Enterprises	20,063	12,100	24,082
State General Appropriations	77,309	67,963	66,737
Other Revenue	5,325	5,390	6,065
Total Managed Revenue	<u>182,369</u>	<u>166,070</u>	<u>176,676</u>
<i>Year over Year Change</i>	<i>9.8%</i>	<i>-6.0%</i>	<i>1.2%</i>
Managed Expenses:			
Compensation	118,669	104,920	119,890
Support	23,044	20,317	22,868
Facility-related	23,422	13,235	24,376
Total Managed Expenses	<u>165,135</u>	<u>138,472</u>	<u>167,134</u>
<i>Year over Year Change</i>	<i>19.3%</i>	<i>-17.2%</i>	<i>1.9%</i>
Managed Net Income	<u>17,234</u>	<u>27,598</u>	<u>9,542</u>
Non-Cash Revenue/(Expenses):			
Capital Grants	2,155	3,708	1,560
Depreciation	(9,204)	(9,474)	(9,276)
Unrealized Gains/Losses	(7,559)	3,252	345
GASB 68 Pension	6,639	(1,085)	(3,123)
GASB 75 OPEB	10,566	5,266	(1,092)
GASB 87 Leases	(5,961)	(9,129)	-
Gain on Early Retirement of Debt	276	-	-
Total Non-Cash Revenue/(Expenses)	<u>(3,088)</u>	<u>(7,462)</u>	<u>(11,586)</u>
<i>Year over Year Change</i>	<i>-58.6%</i>	<i>-35.6%</i>	<i>13.2%</i>
Total Increase/(Decrease) in Net Position	<u>\$ 14,146</u>	<u>\$ 20,136</u>	<u>\$ (2,044)</u>

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

Management's Discussion and Analysis - Continued
(Unaudited)

Management Statement of Net Position

The university has prepared the Management Statement of Net Position report format to segregate the impact of GASB 68 (Pensions), GASB 75 (OPEB) and GASB 87 (Leases) from other balances. This report also categorizes cash as operating or non-operating. The Management Statement of Net Position Report Format is not intended to conform to Generally Accepted Accounting Principles (GAAP). The Management Statement of Net Position Report format allows the reader to focus on the financial balances integral to the University's operations while separating balances that may be less relevant. It should be noted that the Management Statement of Net Position Report Format balances are on an accrual basis. The next page shows the Management Statement of Net Position Report Format for the fiscal years ending June 30, 2022 and 2021.

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

Management's Discussion and Analysis - Continued
(Unaudited)

Management Statement of Net Position Report Format

	<i>(in Thousands)</i>			
	FY 2022	FY 2021	\$ Change	% Change
Assets, Non-GASB:				
Cash:				
Operating Cash	\$ 40,292	\$ 41,920	\$ (1,628)	-3.88%
Non-Operating Cash	2,988	2,258	730	32.33%
Investments	44,640	34,046	10,594	31.12%
Accounts, Grants & Other Receivable	8,107	9,464	(1,357)	-14.34%
Capital Assets, Net	152,386	157,958	(5,572)	-3.53%
Other Assets, Prepaids/Advances	1,501	1,541	(40)	-2.60%
	<u>249,914</u>	<u>247,187</u>	<u>2,727</u>	<u>1.10%</u>
Assets, GASB 68, 75 & 87:				
Pension GASB 68 - Deferred Outflows	3,794	7,734	(3,940)	-50.94%
OPEB GASB 75 - Deferred Outflows	7,564	13,254	(5,690)	-42.93%
Right of Use Assets, Net - GASB 87	201,349	213,621	(12,272)	-5.74%
	<u>212,707</u>	<u>234,609</u>	<u>(21,902)</u>	<u>-9.34%</u>
Total Assets	<u>462,621</u>	<u>481,796</u>	<u>19,175</u>	<u>3.98%</u>
Liabilities, Non-GASB:				
Accounts Payable & Accrued Expenses	15,048	14,972	76	0.51%
Compensated Absences	10,974	10,149	825	8.13%
Other Liabilities	4,286	4,362	(76)	-1.74%
Unearned Revenues	4,938	3,660	1,278	34.92%
Bonds and Notes Payable	36,583	38,622	(2,039)	-5.28%
	<u>71,829</u>	<u>71,765</u>	<u>64</u>	<u>0.09%</u>
Liabilities, GASB 68, 75 & 87:				
Pension GASB 68 - Liability	15,783	39,994	(24,211)	-60.54%
Pension GASB 68 - Deferred Inflows	24,155	10,523	13,632	129.54%
OPEB GASB 75 - Liability	27,711	51,463	(23,752)	-46.15%
OPEB GASB 75 - Deferred Inflows	56,896	49,399	7,497	15.18%
Lease GASB 87 - Liability	215,030	221,580	(6,550)	-2.96%
	<u>339,575</u>	<u>372,959</u>	<u>(33,384)</u>	<u>-8.95%</u>
Total Liabilities and Deferred Inflows	<u>411,404</u>	<u>444,724</u>	<u>(33,320)</u>	<u>-7.49%</u>
Net Position	<u>51,217</u>	<u>37,072</u>	<u>14,145</u>	<u>38.16%</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 462,621</u>	<u>\$ 481,796</u>	<u>\$ (19,175)</u>	<u>-3.98%</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 increase in cash at June 30, 2021, 2020 and 2019 follows. *It should be noted that for the presentation below, the state appropriation funds are shown in Operating Activities rather than Non-Capital Financing Activities since State appropriations are intended and used to support operations.* According to accounting standards, the state appropriation is presented as required in Non-Capital Financing Activities on the audited Cash Flow Statement of the Financial Statements.

Summary of Cash Flows

	<i>(In Thousands)</i>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Activities	\$ 7,491	\$ 20,235	\$ (2,305)
Non Capital Financing Activities	24,061	11,804	7,614
Capital Financing Activities	(15,967)	(8,277)	(6,341)
Investing Activities	<u>(16,484)</u>	<u>(11,305)</u>	<u>1,432</u>
Net Increase/(Decrease) in Cash	<u>\$ (899)</u>	<u>\$ 12,457</u>	<u>\$ 400</u>

Highlights for Cash Flows

The overall decrease in cash and cash equivalents for FY 2022 amounted to \$0.9 million. Cash generated by Non Capital Financing Activities in FY 2022 exceeded the prior year primarily from increases in State appropriations and HEERF funds received. Cash used by Capital Financing Activities in FY 2022 exceeded the prior year primarily from additional principal and interest paid on lease liabilities recorded as a result of GASB 87. Cash used by Investing Activities in FY 2022 exceeded the prior year primarily from additional purchases of investments.

Compliance with Debt Policy

In FY 2022, the University did not undertake significant new debt for projects. Therefore, the University was not required by its debt policy to perform a financial feasibility study with financial ratios to obtain debt. In light of the impact of GASB Statements 68, 75 and 87 the University will reevaluate a ratio presentation going forward.

Looking Ahead to FY 2023

In the next fiscal year, the university will finalize its strategic plan and continue its fundraising campaign. In addition, the certified study for project BOLD should be completed by the architectural firm hired by the Commonwealth, providing greater clarity on the scope, budget, and implementation plan for the project.

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

Management's Discussion and Analysis - Continued
(Unaudited)

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, 2022 and 2021

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2022 University	(Restated) 2021 University	2022 Assistance Corporation	(Restated) 2021 Assistance Corporation
Current Assets:				
Cash and cash equivalents	\$ 29,687,896	\$ 33,380,174	\$ 384,243	\$ 581,560
Restricted cash and cash equivalents	6,034,932	4,025,239	-	-
Deposits held by State Treasurer	4,569,010	4,514,525	-	-
Cash held by State Treasurer	1,319,307	789,853	-	-
Deposits held by MSCBA and DCAMM	1,668,484	1,468,955	-	-
Investments	43,690,883	32,968,432	-	-
Accounts, grants and other receivable, net	7,110,125	8,246,546	4,663	28,342
Loans receivable	245,851	417,438	-	-
Lease receivable, current portion	-	-	715,905	654,029
Other current assets	325,002	364,594	4,250	5,749
Total Current Assets	94,651,490	86,175,756	1,109,061	1,269,680
Non-Current Assets:				
Investments	948,851	1,077,106	-	-
Loans receivable, net of current portion	751,284	800,308	-	-
Lease receivable, net of current portion	-	-	11,048,635	11,623,239
Capital assets, net	353,734,911	371,578,791	21,107,154	21,664,436
Debt service reserve	1,176,075	1,176,075	-	-
Total Non-Current Assets	356,611,121	374,632,280	32,155,789	33,287,675
Total Assets	451,262,611	460,808,036	33,264,850	34,557,355
Deferred Outflow of Resources:				
Deferred outflows for pensions	3,793,892	7,733,947	-	-
Deferred outflows for other post employment benefits	7,564,195	13,254,199	-	-
Total Deferred Outflows of Resources	11,358,087	20,988,146	-	-
Total Assets and Deferred Outflows of Resources	\$ 462,620,698	\$ 481,796,182	\$ 33,264,850	\$ 34,557,355

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2022 University	(Restated) 2021 University	2022 Assistance Corporation	(Restated) 2021 Assistance Corporation
Current Liabilities:				
Accounts payable and accrued expenses	\$ 6,361,661	\$ 7,291,156	\$ 49,392	\$ 91,218
Accrued payroll	8,686,293	7,680,886	-	-
Accrued compensated absences	6,415,887	5,888,251	-	-
Accrued workers' compensation	249,306	227,741	-	-
Unearned revenues	4,937,656	3,660,385	2,606	57,816
Note payable	301,240	319,188	28,301	27,206
Bonds payable	2,581,661	1,518,972	-	-
Lease liability	5,785,742	3,223,338	154,444	127,195
Deposits	260,767	203,622	-	-
Total Current Liabilities	35,580,213	30,013,539	234,743	303,435
Non-Current Liabilities:				
Accrued compensated absences	4,558,401	4,260,911	-	-
Accrued workers' compensation	1,818,923	1,662,350	-	-
Notes payable, net of current portion	173,954	475,908	1,012,268	1,039,977
Bond payable, net of current portion	28,134,423	30,716,076	-	-
Lease Liability, net of current portion	209,244,043	218,356,708	10,937,690	11,092,134
Loans payable - Federal financial assistance programs	1,549,594	1,916,243	-	-
Net pension liability	15,782,623	39,993,737	-	-
Net other post employment benefits liability	27,710,622	51,462,578	-	-
Other non-current liabilities	-	-	31,917	26,877
Total Non-Current Liabilities	288,972,583	348,844,511	11,981,875	12,158,988
Total Liabilities	324,552,796	378,858,050	12,216,618	12,462,423
Deferred Inflows of Resources:				
Service concession arrangements	407,405	351,427	-	-
Deferred inflows for pensions	24,155,264	10,523,207	-	-
Deferred inflows for other post employment benefits	56,895,794	49,399,486	-	-
Deferred inflows for bond refunding	5,391,944	5,592,265	-	-
Deferred inflows for leases	-	-	10,960,541	11,908,241
Total Deferred Inflows of Resources	86,850,407	65,866,385	10,960,541	11,908,241
Net Position:				
Net investment in capital assets	105,519,831	114,515,695	8,974,451	9,377,924
Restricted:				
Nonexpendable	1,131,228	1,268,006	-	-
Expendable	10,542,491	10,477,961	-	-
Unrestricted	(65,976,055)	(89,189,915)	1,113,240	808,767
Total Net Position	51,217,495	37,071,747	10,087,691	10,186,691
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 462,620,698	\$ 481,796,182	\$ 33,264,850	\$ 34,557,355

See accompanying notes to the financial statements.

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

Statements of Revenues and Expenses
For the Years Ended June 30, 2022 and 2021

	Primary Government		Component Unit	
	2022 University	(Restated) 2021 University	2022 Assistance Corporation	(Restated) 2021 Assistance Corporation
Operating Revenues:				
Tuition and fees	\$ 77,629,014	\$ 80,468,545	\$ -	\$ -
Less: scholarships and fellowships	<u>(20,255,085)</u>	<u>(18,694,682)</u>	-	-
Net tuition and fees	57,373,929	61,773,863	-	-
Federal grants and contracts	12,921,585	12,869,235	-	-
State grants and contracts	8,255,460	6,850,349	-	-
Private grants and contracts	352,601	123,331	106,211	152,713
Sales and services of educational departments	311,138	350,386	-	-
Auxiliary enterprises	20,063,176	12,100,426	-	-
Lease revenue	-	-	1,136,152	1,288,629
Other operating revenues	137,727	83,109	48,587	53,654
Total Operating Revenues	<u>99,415,616</u>	<u>94,150,699</u>	<u>1,290,950</u>	<u>1,494,996</u>
Operating Expenses:				
Educational and general:				
Instruction	52,151,820	51,673,400	-	-
Public service	1,268,339	1,146,251	-	-
Academic support	15,249,367	15,007,902	-	-
Student services	17,737,673	17,908,898	-	-
Institutional support	17,699,727	13,351,337	-	-
Operation and maintenance of plant	17,846,497	20,440,812	-	-
Scholarships	19,891,374	12,776,147	-	-
Depreciation & Amortization	18,424,503	18,715,477	696,331	684,208
Auxiliary enterprises	14,747,365	9,695,985	900,277	1,014,868
Total Operating Expenses	<u>175,016,665</u>	<u>160,716,209</u>	<u>1,596,608</u>	<u>1,699,076</u>
Net Operating Loss	<u>(75,601,049)</u>	<u>(66,565,510)</u>	<u>(305,658)</u>	<u>(204,080)</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	77,309,109	67,962,635	196,622	256,114
Federal grants	20,659,539	11,776,359	-	-
Gifts	3,056,807	2,369,583	-	-
Investment (loss) income, net	(5,895,659)	5,283,371	-	-
Interest income	-	-	694,151	706,148
MSCBA funds received	155,926	3,478,148	-	-
Gain early retirement of debt	275,531	-	-	-
Interest expense	<u>(7,969,115)</u>	<u>(7,877,497)</u>	<u>(684,115)</u>	<u>(692,929)</u>
Net Non-Operating Revenues	<u>87,592,138</u>	<u>82,992,599</u>	<u>206,658</u>	<u>269,333</u>
Increase (Decrease) in Net Position Before Capital Grants	<u>11,991,089</u>	<u>16,427,089</u>	<u>(99,000)</u>	<u>65,253</u>
Capital grants	<u>2,154,659</u>	<u>3,708,669</u>	-	-
Total Increase (Decrease) in Net Position	<u>\$ 14,145,748</u>	<u>\$ 20,135,758</u>	<u>\$ (99,000)</u>	<u>\$ 65,253</u>

See accompanying notes to the financial statements.

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

Statements of Changes in Net Position

For the Years Ended June 30, 2022 and 2021

	<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 June 30, 2020	\$ 125,109,658	\$ 1,030,316	\$ 6,728,700	\$ (115,932,685)	\$ 16,935,989
Changes in net position for 2021 - restated (Note 2)	<u>(10,593,963)</u>	<u>237,690</u>	<u>3,749,261</u>	<u>26,742,770</u>	<u>20,135,758</u>
Balance at June 30, 2021	114,515,695	1,268,006	10,477,961	(89,189,915)	37,071,747
Changes in net position for 2022	<u>(8,995,864)</u>	<u>(136,778)</u>	<u>64,530</u>	<u>23,213,860</u>	<u>14,145,748</u>
Balance, June 30, 2022	<u>\$ 105,519,831</u>	<u>\$ 1,131,228</u>	<u>\$ 10,542,491</u>	<u>\$ (65,976,055)</u>	<u>\$ 51,217,495</u>

	<u>Assistance Corporation</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, 2020	\$ 9,863,050	\$ -	\$ -	\$ 258,388	\$ 10,121,438
Changes in net position for 2021 - restated (note 2)	<u>(485,126)</u>	<u>-</u>	<u>-</u>	<u>550,379</u>	<u>65,253</u>
Balance at June 30, 2021	9,377,924	-	-	808,767	10,186,691
Changes in net position for 2022	<u>(403,473)</u>	<u>-</u>	<u>-</u>	<u>304,473</u>	<u>(99,000)</u>
Balance, June 30, 2022	<u>\$ 8,974,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,240</u>	<u>\$ 10,087,691</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, 2022 and 2021

	Primary Government	
	2022	(Restated) 2021
	University	University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 57,418,324	\$ 63,261,882
Grants and contracts	21,895,233	20,846,160
Payments to suppliers and vendors	(33,857,820)	(30,032,130)
Payments to employees	(87,832,085)	(78,543,569)
Payments for benefits	(7,414,560)	(6,545,674)
Payments to students	(19,891,374)	(12,776,146)
Loans issued to students	(38,000)	-
Collection of loans to students	255,965	368,153
Auxiliary enterprises receipts	19,824,309	11,998,503
Sales and services of educational departments	57,361	711,303
Other	400,148	(126,765)
	(49,182,499)	(30,838,283)
Net Cash Applied to Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
State appropriations	56,673,023	51,072,727
HEERF funds	21,715,978	10,182,977
FEMA funds	397,784	-
Tuition remitted to State	(777,394)	(797,180)
Student interest received (paid)	(358,807)	(135,830)
Gifts	3,083,226	2,554,618
	80,733,810	62,877,312
Net Cash Provided by Non-Capital Financing Activities		
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(2,517,172)	(2,246,215)
Principal paid on bonds payable, notes payable and lease liabilities	(5,324,588)	(2,101,873)
Interest paid on bonds payable, notes payable, and lease liabilities	(8,124,897)	(4,226,218)
Release of debt service reserves	-	297,265
	(15,966,657)	(8,277,041)
Net Cash Applied to Capital Financing Activities		
Cash Flows from Investing Activities:		
Investment income	871,921	369,026
Proceeds from sale of investments	10,846,637	6,555,574
Purchase of investments	(28,202,329)	(18,229,274)
	(16,483,771)	(11,304,674)
Net Cash Applied to Investing Activities		
Net Increase in Cash and Equivalents	(899,117)	12,457,314
Cash and Cash Equivalents, Beginning of the Year	44,178,746	31,721,432
Cash and Cash Equivalents, End of the Year	\$ 43,279,629	\$ 44,178,746

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2022 and 2021

	Primary Government	
	2022 University	2021 University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (75,601,050)	\$ (66,565,510)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	18,424,503	18,715,477
Bad debts	71,410	452,758
Fringe benefits provided by State	21,413,480	17,687,088
Payments to suppliers and vendors provided by State	166,466	89,737
Changes in assets and liabilities:		
Accounts receivable	(984,605)	1,185,550
Accounts payable and accrued liabilities	872,604	(1,337,206)
Accrued payroll and benefits	2,008,670	2,143,630
Other assets	39,591	(151,763)
Loans to/from students	220,611	370,975
Deposits	57,147	(47,034)
Unearned revenues	1,333,248	798,362
Deferred inflows	21,128,437	20,578,687
Deferred outflows	9,630,059	991,025
Net pension liability	(24,211,114)	(630,002)
Net OPEB liability	(23,751,956)	(25,120,057)
Net Cash Applied to Operating Activities	\$ (49,182,499)	\$ (30,838,283)

Cash Flow Information

	Primary Government	
	2022 University	2021 University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 29,687,896	\$ 33,380,174
Restricted cash and cash equivalents	6,034,932	4,025,239
Deposits held by State Treasurer	4,569,010	4,514,525
Cash held by State Treasurer	1,319,307	789,853
Deposits held by MSCBA and DCAMM	1,668,484	1,468,955
	\$ 43,279,629	\$ 44,178,746

Schedule of noncash investing and financing activities

	Primary Government	
	2022 University	2021 University
Acquisition of capital assets	\$ 3,632,015	\$ 7,670,592
Accounts receivable beginning of year	(555,045)	-
Accounts receivable end of year	-	555,045
Accounts and notes payable beginning of year	2,491,201	685,755
Accounts and notes payable end of year	(912,805)	(2,491,201)
Payments made by DCAMM and State	(2,138,194)	(4,173,976)
Cash payments for capital assets	\$ 2,517,172	\$ 2,246,215
Bond refunding	\$ -	\$ (5,592,265)
Unrealized gain (loss) on marketable securities	\$ (7,558,894)	\$ 3,251,802
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 21,413,480	\$ 17,687,088

See accompanying notes to financial statements.

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

Statements of Financial Position of Salem State University Foundation, Inc

June 30, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 2,950,716	\$ 2,643,131
Restricted cash and cash equivalents	901,190	1,008,391
Pledges receivable, net	3,782,043	3,436,789
Other current assets	172,308	29,925
Total Current Assets	7,806,257	7,118,236
Non-Current Assets:		
Investments securities	38,715,626	43,224,327
Long-term pledges receivable, net	3,514,788	5,774,372
Total Non-Current Assets	42,230,414	48,998,699
Total Assets	\$ 50,036,671	\$ 56,116,935
	<u>Liabilities and Net Position</u>	
Current Liabilities:		
Accounts payable and accrued expenses	\$ 690,354	\$ 712,439
Deferred revenues	104,920	-
Total Current Liabilities	795,274	712,439
Total Liabilities	795,274	712,439
Net Assets:		
Without donor restrictions:		
Operating	2,382,936	2,015,789
Board designated	482,689	682,196
Total net assets without donor restrictions	2,865,625	2,697,985
With donor restrictions	46,375,772	52,706,511
Total Net Assets	49,241,397	55,404,496
Total Liabilities and Net Assets	\$ 50,036,671	\$ 56,116,935

See accompanying notes to the financial statements.

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

Statements of Activities and Changes in Net Assets
of Salem State University Foundation, Inc

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support:			
Contributions and gifts of cash and other financial assets	\$ 436,906	\$ 6,388,979	\$ 6,825,885
Investment return appropriated for operations	1,380,831	-	1,380,831
Investment return - other	1,267	941,336	942,603
Contributions and gifts of nonfinancial assets	53,039	83,678	136,717
Speaker series	129,163	-	129,163
Provision for losses on pledges receivable	-	(2,000,000)	(2,000,000)
	2,001,206	5,413,993	7,415,199
Net assets released from restrictions:			
Satisfaction of donor restrictions	3,817,925	(3,817,925)	-
	5,819,131	1,596,068	7,415,199
Operating Expenses:			
Program services	5,083,557	-	5,083,557
Management services	310,906	-	310,906
Fundraising	257,028	-	257,028
	5,651,491	-	5,651,491
Changes in Net Assets from Operating Activities	167,640	1,596,068	1,763,708
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,380,831)	(1,380,831)
Investment return, net	-	(6,545,976)	(6,545,976)
	-	(7,926,807)	(7,926,807)
Changes in Net Assets for Non-Operating Activities	-	(7,926,807)	(7,926,807)
Total Increase (Decrease) in Net Assets	167,640	(6,330,739)	(6,163,099)
Net Assets, Beginning of Year	2,697,985	52,706,511	55,404,496
Net Assets, End of Year	\$ 2,865,625	\$ 46,375,772	\$ 49,241,397

See accompanying notes to the financial statements.

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

Statements of Activities and Changes in Net Assets
of Salem State University Foundation, Inc

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support:			
Contributions and gifts of cash and other financial assets	\$ 550,228	\$ 9,425,542	\$ 9,975,770
Investment return appropriated for operations	1,316,771	-	1,316,771
Investment return - other	1,730	785,993	787,723
Contributions and gifts of nonfinancial assets	48,441	7,053	55,494
	<u>1,917,170</u>	<u>10,218,588</u>	<u>12,135,758</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	1,596,418	(1,596,418)	-
	<u>3,513,588</u>	<u>8,622,170</u>	<u>12,135,758</u>
Total Operating Revenues, Gains and Other Support	3,513,588	8,622,170	12,135,758
Operating Expenses:			
Program services	2,638,611	-	2,638,611
Management services	263,850	-	263,850
Fundraising	298,248	-	298,248
	<u>3,200,709</u>	<u>-</u>	<u>3,200,709</u>
Total Operating Expenses	3,200,709	-	3,200,709
Changes in Net Assets from Operating Activities	<u>312,879</u>	<u>8,622,170</u>	<u>8,935,049</u>
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,316,771)	(1,316,771)
Investment return, net	-	7,369,626	7,369,626
	<u>-</u>	<u>6,052,855</u>	<u>6,052,855</u>
Changes in Net Assets for Non-Operating Activities	-	6,052,855	6,052,855
Total Increase in Net Assets	312,879	14,675,025	14,987,904
Net Assets, Beginning of Year	<u>2,385,106</u>	<u>38,031,486</u>	<u>40,416,592</u>
Net Assets, End of Year	<u>\$ 2,697,985</u>	<u>\$ 52,706,511</u>	<u>\$ 55,404,496</u>

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2022 and 2021

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 Commission of Higher Education.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. Since the year ended June 30, 2021, COVID-19 had a significant effect on the University’s operations in response to government requirements and observing safety measures. As a result, the University’s maximum housing’s capacity decreased by approximately 16% and 60% for the 2021-2022 and 2020-2021 academic years, respectively.

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

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. As of June 30, 2022 all funds have been spent.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

COVID-19 - continued

The University has been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 3,256,409	\$ 3,256,409	\$ 323,659	\$ 6,836,477
CRRSAA	3,256,409	7,454,223	456,419	11,167,051
ARPA	9,517,533	9,445,244	842,559	19,805,336
Total	\$ 16,030,351	\$ 20,155,876	\$ 1,622,637	\$ 37,808,864

The University has recognized the following non-operating Federal grants for the years ended June 30, 2022, and 2021:

For the Year Ended June 30, 2022				
	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CRRSAA	\$ -	\$ -	\$ 456,419	\$ 456,419
ARPA	9,517,533	9,445,244	842,559	19,805,336
Total	\$ 9,517,533	\$ 9,445,244	\$ 1,298,978	\$ 20,261,755

For the Year Ended June 30, 2021				
	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	\$ 139,159	\$ 139,159	\$ 323,659	\$ 601,977
CRRSAA	3,256,409	7,454,223	-	10,710,632
Total	\$ 3,395,568	\$ 7,593,382	\$ 323,659	\$ 11,312,609

All COVID related HEERF grants have been received and spent as of June 30, 2022.

For the year ended June 30, 2021 the University also received approximately \$464,000 of COVID-19 relief funds as a pass through from the state of Massachusetts. No additional funds were received in 2022.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

During 2022 the University has applied for FEMA grant funds for costs associated with COVID-19. The University is awaiting approval and have submitted costs incurred during FY22 and FY21 totaling approximately \$1,500,000. As of June 30, 2022 approximately \$398,000 has been approved by FEMA.

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 component unit is presented alongside the University and is summarized as follows:

In 1995, Salem State University Assistance Corporation (the “Assistance Corporation”) was formed because 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. The Assistance Corporation financial statements have been prepared using the economic resources measurement and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board* ("GASB").

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.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

The following component unit is presented separately within these financial statements and is summarized as follows:

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.

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 and lease recognition criteria and presentation features are different from GASB revenue and lease recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information within their report.

During the years ended June 30, 2022 and 2021, the Foundation distributed scholarships in the amount of \$1,119,627 and \$725,283, respectively, directly to students of the University.

Complete financial statements for the Foundation and the Assistance Corporation are also available 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 GASB. 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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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 various amounts such as the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment activity, gifts, interest expense and other expenses and contributions.

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.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Net Position - continued

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.

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 receivable are determined on the basis of loss experience, known and inherent risks in the 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 in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included in support until the conditions are met.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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.

Right of use assets are recorded in these financial statements in accordance with GASB 87 and represent the University's authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor. The right to use assets, measured at the shorter of the estimated useful life or lease term, within these financials are for buildings with the MSCBA, equipment with vendors and space rental with the Assistance Corporation.

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, 2022 and 2021

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 and operating costs. 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. The leases the University has with the MSCBA are recorded in the financial statements as right to use assets and lease liabilities under the requirements of GASB 87.

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, 2022 and 2021

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

Interest Costs

During 2022 and 2021, total interest costs incurred were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense on bonds	\$ 670,003	\$ 510,805
Equipment lease interest - GASB 87	15,000	19,444
Building lease interest - GASB 87	514,616	532,688
MSCBA lease interest - GASB 87	<u>6,769,496</u>	<u>6,814,560</u>
Total	<u>\$7,969,115</u>	<u>\$7,877,497</u>

Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period. Prior to July 1, 2021 interest costs on debt related to capital assets were capitalized during the construction period. No interest costs were capitalized in 2021.

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.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Upcoming Governmental Accounting Pronouncements

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

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

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

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

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

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Upcoming Governmental Accounting Pronouncements - continued

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

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

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform with the 2022 presentation.

Note 2 – **Implementation of Newly Effective Accounting Standard**

GASB 87 Implementation

As of July 1, 2020, the University implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

University

There was no change to net position for the University as of July 1, 2020, upon the implementation of GASB 87 since the adjustment for the right to use assets of \$222,867,432 was completely offset by the adjustment for the lease liability.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 2 – **Implementation of Newly Effective Accounting Standard - Continued**

University - continued

The prior period adjustment due to the implementation of GASB 87 as of and for the year ended June 30, 2021 is as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2020:			
Capital Asset, Net	\$ 159,760,943	222,862,733	\$ 382,623,676
Lease liability	\$ -	222,862,733	\$ 222,862,733
As of June 30, 2021:			
Capital Asset, Net	\$ 157,957,923	213,620,868	\$ 371,578,791
Lease liability	\$ -	221,580,046	\$ 221,580,046
Accrued Interest	\$ 213,843	1,170,417	\$ 1,384,260
Net position	\$ 46,201,341	(9,129,594)	\$ 37,071,747
Year Ended June 30, 2021:			
MSCBA funds received	\$ 555,317	2,922,831	\$ 3,478,148
Supplies and Services	\$ 29,916,661	(4,556,133)	\$ 25,360,528
Depreciation and amortization	\$ 9,473,612	9,241,865	\$ 18,715,477
Interest expense	\$ 510,805	7,366,692	\$ 7,877,497

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 2 – **Implementation of Newly Effective Accounting Standard - Continued**

Assistance Corporation

There was no change in net position as of July 1, 2020, upon the implementation of GASB 87 since the adjustment for the right to use assets of \$11,321,248 was completely offset by the adjustment for the lease liability. Additionally, the lease receivable of \$12,297,999 was completely offset by the related deferred inflow of resources.

The prior period adjustment due to implementation of GASB 87 as of and for the year ended June 30, 2021 is as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2021:			
Right of use assets	\$ -	10,788,484	\$ 10,788,484
Lease receivable	\$ -	12,277,268	\$ 12,277,268
Deferred inflows	\$ -	11,908,241	\$ 11,908,241
Lease liability	\$ -	11,219,329	\$ 11,219,329
Net position	\$ 10,160,638	26,053	\$ 10,186,691
Year Ended June 30, 2021:			
Lease revenue	\$ 1,536,528	(247,899)	\$ 1,288,629
Interest income	\$ 1,351	704,797	\$ 706,148
Depreciation expense	\$ 151,444	532,764	\$ 684,208
Interest expense	\$ 44,551	648,378	\$ 692,929
Rent expense	\$ 756,825	(756,825)	\$ -

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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, 2022 and 2021 were \$35,722,828 and \$37,405,413 respectively. This includes amounts held in deposit at the Massachusetts Municipal Depository Trust ("MMDT") of \$33,878,491 and \$32,573,786 as of June 30, 2022 and 2021, respectively.

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 that may be exposed to custodial risk at June 30, 2022 and 2021 were \$37,057,448 and \$38,210,102, respectively, which are primarily maintained as part of the University's investment portfolio.

The University maintains a \$100,000 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.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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, 2022, and 2021, the fair values of the University's deposits held at the MMDT were \$33,878,491 and \$32,573,786, respectively. At June 30, 2022, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 73% at 30 days or less; 21% at 31-90 days; 4% at 91-180 days and 2% at 181 days or more. At June 30, 2021, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 52% at 30 days or less; 32% at 31-90 days; 11% at 91-180 days and 5% at 181 days or more.

Note 4 - **Cash and Deposits 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, 2022 and 2021 through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sums of \$4,569,010 and \$4,514,525, respectively.

Liabilities to be funded by state appropriations at June 30, 2022 and 2021 were \$1,319,307 and \$789,853, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments**

The University's 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. Corporate bonds are valued as Level 2 based on the closing price reported in the active market in which the individual securities are traded. Certificates of deposit are valued at the initial investment cost plus accrued interest.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments - Continued**

University

The University's investments at fair value measurement are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 3,500,939	\$ -	\$ -	\$ 3,500,939
U.S. equities	2,256,992	-	-	2,256,992
Corporate bonds	13,711,781	-	-	13,711,781
International emerging	1,012,966	-	-	1,012,966
Small and Mid Cap equities	882,004	-	-	882,004
Short-term fixed income	1,238	-	-	1,238
Total mutual funds	21,365,920	-	-	21,365,920
Common stocks	18,526,488	-	-	18,526,488
Corporate bonds	-	4,747,327	-	4,747,327
Total investment assets	<u>\$39,892,407</u>	<u>\$ 4,747,327</u>	<u>\$ -</u>	<u>\$ 44,639,734</u>

The University's investments at fair value measurement are as follows at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 1,444,361	\$ -	\$ -	\$ 1,444,361
U.S. equities	3,632,778	-	-	3,632,778
Corporate bonds	6,980,224	-	-	6,980,224
International emerging	1,506,230	-	-	1,506,230
Small and Mid Cap equities	537,544	-	-	537,544
Total mutual funds	14,101,137	-	-	14,101,137
Common stocks	14,852,816	-	-	14,852,816
Corporate bonds	-	5,091,585	-	5,091,585
Total investment assets	<u>\$ 28,953,953</u>	<u>\$ 5,091,585</u>	<u>\$ -</u>	<u>\$ 34,045,538</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments - Continued**

Foundation

The Foundation's investments at fair value measurement are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 17,529,055	\$ -	\$ -	\$ 17,529,055
Corporate bonds	-	9,829,654	-	9,829,654
Mutual funds:				
Corporate bonds	1,717,027	-	-	1,717,027
International equities	1,507,319	-	-	1,507,319
Large cap equities	1,504,456	-	-	1,504,456
International emerging	278,735	-	-	278,735
Small and mid-cap equities	481,991	-	-	481,991
Corporate bonds	319,726	-	-	319,726
Total mutual funds	5,809,254	-	-	5,809,254
Money market	3,214,683	-	-	3,214,683
Exchange-traded funds	1,219,134	-	-	1,219,134
U.S. Government Obligations	476,707	-	-	476,707
State municipal bonds	-	419,810	-	419,810
Certificates of deposits	-	116,586	-	116,586
Variable rate bonds	-	100,743	-	100,743
Total assets at fair value	<u>\$ 28,248,833</u>	<u>\$ 10,466,793</u>	<u>\$ -</u>	<u>\$ 38,715,626</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments – Continued**

Foundation - continued

The Foundation's investments at fair value measurement are as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 21,360,798	\$ -	\$ -	\$ 21,360,798
Corporate bonds	-	8,960,002	-	8,960,002
Mutual funds:				
Corporate bonds	-	2,305,619	-	2,305,619
International equities	1,541,293	-	-	1,541,293
Large cap equities	1,433,602	-	-	1,433,602
International emerging	1,278,762	-	-	1,278,762
Small and mid-cap equities	965,607	-	-	965,607
U.S. bonds and notes	680	-	-	680
Total mutual funds	<u>5,219,944</u>	<u>2,305,619</u>	<u>-</u>	<u>7,525,563</u>
Money market	1,618,988	-	-	1,618,988
Exchange-traded funds	1,258,572	-	-	1,258,572
U.S. Government Obligations	1,524,540	-	-	1,524,540
State municipal bonds	-	370,308	-	370,308
Other	-	356,329	-	356,329
Certificates of deposits	-	116,586	-	116,586
Variable rate bonds	-	132,641	-	132,641
Total assets at fair value	<u>\$ 30,982,842</u>	<u>\$ 12,241,485</u>	<u>\$ -</u>	<u>\$ 43,224,327</u>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2022 and 2021, investments totaled \$44,639,734 and \$34,045,538, respectively. These holdings represent investments that are insured, registered and held by the University's investment agent in the University's name. On June 30, 2022 and 2021, 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

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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, 2022 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 4,747,327	\$ 704,432	\$ 2,745,911	\$ 1,296,984	\$ -
Total fixed income	4,747,327	<u>704,432</u>	<u>2,745,911</u>	<u>1,296,984</u>	<u>-</u>
Corporate bond funds	13,711,781				
Equity securities	26,180,627				
Total investments	<u>\$ 44,639,734</u>				

June 30, 2021 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 5,091,585	\$ -	\$ 3,768,880	\$ 1,322,705	\$ -
Total fixed income	5,091,585	<u>\$ -</u>	<u>\$ 3,768,880</u>	<u>\$ 1,322,705</u>	<u>\$ -</u>
Corporate bond funds	6,980,224				
Equity securities	21,973,729				
Total investments	<u>\$ 34,045,538</u>				

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 5 - **Investments - Continued**

University - continued

The following table summarizes the quality ratings of the University's debt investments at June 30, 2022:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	Baa3	A1	A2	A3	Not Rated
Corporate bonds	\$ 4,747,327	\$ -	\$ 1,684,495	\$ 1,235,481	\$ 313,372	\$ 342,829	\$ 373,943	\$ 797,207	\$ -

The following table summarizes the quality ratings of the University's debt investments at June 30, 2021:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	Baa3	A1	A2	A3	Not Rated
Corporate bonds	\$ 5,091,585	\$ -	\$ 1,760,098	\$ 1,231,728	\$ 342,596	\$ 214,540	\$ 632,338	\$ 910,285	\$ -

Investment Income, net

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

	University 2022	University 2021	Foundation 2022	Foundation 2021
Interest and dividends	\$ 1,062,994	\$ 463,922	\$ 942,603	\$ 787,723
Net realized and unrealized gain/(loss)	(6,761,496)	4,924,980	(6,310,356)	7,580,326
Investment fees	(197,157)	(105,531)	(235,620)	(210,700)
Total investment income/(loss)	<u>\$ (5,895,659)</u>	<u>\$ 5,283,371</u>	<u>\$ (5,603,373)</u>	<u>\$ 8,157,349</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

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

	2022	2021
Student accounts	\$ 9,176,355	\$ 9,300,150
Grants	1,878,630	2,406,965
Other	1,098,885	1,575,556
Total gross receivables	12,153,870	13,282,671
Less: allowance for doubtful accounts	(5,043,745)	(5,036,125)
Total accounts, grants and other receivables, net	\$ 7,110,125	\$ 8,246,546

Note 7 - **Pledges 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:

	2022	2021
Receivable in less than one year	\$ 5,801,043	\$ 3,436,789
Between one to five years	3,787,570	6,214,925
Receivable after five years	-	2,500
Less: allowance for doubtful accounts	(2,120,000)	(120,000)
Total pledges receivables	7,468,613	9,534,214
Less: discount to net present value at 3%	(171,782)	(323,053)
Pledges receivable, net	7,296,831	9,211,161
Less: current portion of receivable	(3,782,043)	(3,436,789)
Long-term pledges receivable, net	\$ 3,514,788	\$ 5,774,372

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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. No further extensions were granted for the program as of the date of issuance of these financial statements.

Loans receivable from students include the following at June 30:

	<u>2022</u>	<u>2021</u>
Perkins	\$ 652,792	\$ 772,763
Nursing	344,343	444,983
Total loans receivable	<u>997,135</u>	<u>1,217,746</u>
Less: amount due in one year	<u>(245,851)</u>	<u>(417,438)</u>
Long-term loan receivables	<u>\$ 751,284</u>	<u>\$ 800,308</u>

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:

	<u>2022</u>	<u>2021</u>
Perkins	\$ 883,942	\$ 1,207,201
Nursing	665,652	709,042
Total loans payable	<u>\$ 1,549,594</u>	<u>\$ 1,916,243</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 9 - **Capital Assets**

University

Capital asset activity for the University for the year ended June 30, 2022 is as follows:

	(Restated) Beginning Balance	Additions/ (Reductions)	Lease Defeasance	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated or amortized:					
Land	\$ 2,536,173	\$ -	\$ -	\$ -	\$ 2,536,173
Construction in process	5,534,874	3,632,015	-	(6,303,518)	2,863,371
Total capital assets not depreciated or amortized	<u>8,071,047</u>	<u>3,632,015</u>	<u>-</u>	<u>(6,303,518)</u>	<u>5,399,544</u>
Capital assets depreciated or amortized:					
Buildings	90,129,935	-	-	-	90,129,935
Buildings and land improvements	157,818,138	-	-	6,303,518	164,121,656
Furniture and equipment	32,547,137	-	-	-	32,547,137
Leased buildings - MSCBA	207,769,507	-	(3,425,937)	-	204,343,570
Leased space - SSUAC	14,497,166	-	-	-	14,497,166
Leased equipment	596,060	-	-	-	596,060
Total capital assets depreciated and amortized	<u>503,357,943</u>	<u>-</u>	<u>(3,425,937)</u>	<u>6,303,518</u>	<u>506,235,524</u>
Total capital assets	<u>511,428,990</u>	<u>3,632,015</u>	<u>(3,425,937)</u>	<u>-</u>	<u>511,635,068</u>
Less: accumulated depreciation and amortization:					
Buildings	34,541,926	1,928,975	-	-	36,470,901
Building improvements	65,770,838	6,488,857	-	-	72,259,695
Furniture and equipment	30,295,570	785,960	-	-	31,081,530
Leased buildings - MSCBA	8,233,714	8,212,560	(374,545)	-	16,071,729
Leased space - SSUAC	882,665	882,665	-	-	1,765,330
Leased equipment	125,486	125,486	-	-	250,972
Total accumulated depreciation	<u>139,850,199</u>	<u>18,424,503</u>	<u>(374,545)</u>	<u>-</u>	<u>157,900,157</u>
Capital assets, net	<u>\$ 371,578,791</u>	<u>\$ (14,792,488)</u>	<u>\$ (3,051,392)</u>	<u>\$ -</u>	<u>\$ 353,734,911</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 9 - **Capital Assets - Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2021 is as follows:

	(Restated) Beginning Balance	Additions (Reductions)	Transfer to Capital Assets	(Restated) Ending Balance
Capital assets not depreciated or amortized:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	2,030,524	6,993,172	(3,488,822)	5,534,874
Total capital assets not depreciated or amortized	<u>4,566,697</u>	<u>6,993,172</u>	<u>(3,488,822)</u>	<u>8,071,047</u>
Capital assets depreciated and amortized:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	154,329,316	-	3,488,822	157,818,138
Furniture and equipment	31,869,717	677,420	-	32,547,137
Leased buildings - MSCBA	207,769,507	-	-	207,769,507
Leased space - SSUAC	14,497,166	-	-	14,497,166
Leased equipment	596,060	-	-	596,060
Total capital assets depreciated and amortized	<u>499,191,701</u>	<u>677,420</u>	<u>3,488,822</u>	<u>503,357,943</u>
Total capital assets	<u>503,758,398</u>	<u>7,670,592</u>	<u>-</u>	<u>511,428,990</u>
Less: accumulated depreciation and amortization:				
Buildings	32,612,953	1,928,973	-	34,541,926
Building improvements	59,381,920	6,388,918	-	65,770,838
Furniture and equipment	29,139,849	1,155,721	-	30,295,570
Leased buildings - MSCBA	-	8,233,714	-	8,233,714
Leased space - SSUAC	-	882,665	-	882,665
Leased equipment	-	125,486	-	125,486
Total accumulated depreciation and amortization	<u>121,134,722</u>	<u>18,715,477</u>	<u>-</u>	<u>139,850,199</u>
Capital assets, net	<u>\$ 382,623,676</u>	<u>\$ (11,044,885)</u>	<u>\$ -</u>	<u>\$ 371,578,791</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 9 - **Capital Assets - Continued**

Assistance Corporation

Capital asset activity of the Assistance Corporation for the year ended June 30, 2022 was as follows:

	(Restated) Beginning Balance	Additions (Reductions)	Ending Balance
	<u> </u>	<u> </u>	<u> </u>
Capital assets not depreciated or amortized:			
Land	\$ 8,023,132	\$ -	\$ 8,023,132
Total capital assets not depreciated or amortized	<u>8,023,132</u>	<u>-</u>	<u>8,023,132</u>
Capital assets depreciated and amortized:			
Buildings	1,508,859	-	1,508,859
Building improvements	4,315,637	135,680	4,451,317
Furniture and equipment	210,331	3,369	213,700
Lease Building	<u>11,321,248</u>	<u>-</u>	<u>11,321,248</u>
Total capital assets depreciated and amortized	<u>17,356,075</u>	<u>139,049</u>	<u>17,495,124</u>
Total capital assets	<u>25,379,207</u>	<u>139,049</u>	<u>25,518,256</u>
Less accumulated depreciation and amortization:			
Buildings	707,658	37,720	745,378
Buildings improvements	2,277,507	122,908	2,400,415
Furniture and equipment	196,842	2,939	199,781
Lease Building	<u>532,764</u>	<u>532,764</u>	<u>1,065,528</u>
Total accumulated depreciation and amortization	<u>3,714,771</u>	<u>696,331</u>	<u>4,411,102</u>
Capital assets, net	<u>\$ 21,664,436</u>	<u>\$ (557,282)</u>	<u>\$ 21,107,154</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 9 - **Capital Assets - Continued**

Assistance Corporation - continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2021 was as follows:

	(Restated) Beginning Balance	Additions (Reductions)	(Restated) Ending Balance
	<u> </u>	<u> </u>	<u> </u>
Capital assets not depreciated or amortized:			
Land	\$ 8,023,132	\$ -	\$ 8,023,132
Total capital assets not depreciated or amortized	<u>8,023,132</u>	<u>-</u>	<u>8,023,132</u>
Capital assets depreciated and amortized:			
Buildings	1,508,859	-	1,508,859
Building improvements	4,244,567	71,070	4,315,637
Furniture and equipment	210,331	-	210,331
Lease Building	11,321,248	-	11,321,248
Total capital assets depreciated and amortized	<u>17,285,005</u>	<u>71,070</u>	<u>17,356,075</u>
Total capital assets	<u>25,308,137</u>	<u>71,070</u>	<u>25,379,207</u>
Less accumulated depreciation and amortization:			
Buildings	669,937	37,721	707,658
Buildings improvements	2,166,229	111,278	2,277,507
Furniture and equipment	194,397	2,445	196,842
Lease Building	-	532,764	532,764
Total accumulated depreciation and amortization	<u>3,030,563</u>	<u>684,208</u>	<u>3,714,771</u>
Capital assets, net	<u>\$ 22,277,574</u>	<u>\$ (613,138)</u>	<u>\$ 21,664,436</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Accounts payable and accrued expenses include the following at June 30, 2022 and 2021:

	2022	2021
Accounts payable - trade	\$ 3,860,087	\$ 4,174,283
Accrued interest payable	1,327,015	1,384,260
Tuition due to state	195,249	212,110
Other	979,310	1,520,503
Total accounts payable and accrued expenses	\$ 6,361,661	\$ 7,291,156

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:

	2022	2021
Tuition and fees	\$2,301,310	\$2,645,291
Grants	2,596,346	1,015,094
Other	40,000	-
Total unearned revenue	\$4,937,656	\$3,660,385

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 12 - Long-Term Liabilities

Long-term liabilities of the University at June 30, 2022 consist of:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 31,986,248	\$ -	\$ 1,414,701	\$ 30,571,547	\$ 2,513,268
Bond premiums	248,800	-	104,263	144,537	68,393
Loans payable	1,916,243	-	366,649	1,549,594	-
Note payable	795,096	-	319,902	475,194	301,240
Total bonds, loans and note payable	34,946,387	-	2,205,515	32,740,872	2,882,901
Other long-term liabilities:					
Lease Liability	221,580,046	-	6,550,261	215,029,785	5,785,742
Accrued compensated absences	10,149,162	825,126	-	10,974,288	6,415,887
Workers' compensaton	1,890,091	178,138	-	2,068,229	249,306
Net pension liability	39,993,737	-	24,211,114	15,782,623	-
Net OPEB liability	51,462,578	-	23,751,956	27,710,622	-
Total other long-term liabilities	325,075,614	1,003,264	54,513,331	271,565,547	12,450,935
Total long-term liabilities	\$ 360,022,001	\$ 1,003,264	\$ 56,718,846	\$ 304,306,419	\$ 15,333,836

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

	(Restated) Beginning Balance	Additions	Reductions	Bond Refunding Increase (Decrease)	Ending Balance	(Restated) Current Portion
Bond, loans and note payable:						
Bonds payable	\$ 36,817,788	\$ -	\$ 397,785	\$(4,433,755)	\$ 31,986,248	\$ 1,414,709
Bond premiums	1,755,489	20,098	104,263	(1,422,524)	248,800	104,263
Loans payable	2,061,183	-	144,940	-	1,916,243	-
Note payable	587,913	483,644	276,461	-	795,096	319,188
Total bonds, loans and note payable	41,222,373	503,742	923,449	(5,856,279)	34,946,387	1,838,160
Other long-term liabilities:						
Lease Liability	222,862,733	-	1,282,687	-	221,580,046	3,223,338
Accrued compensated absences	9,172,000	977,162	-	-	10,149,162	5,888,251
Workers' compensaton	993,616	896,475	-	-	1,890,091	227,741
Net pension liability	40,623,739	-	630,002	-	39,993,737	-
Net OPEB liability	76,582,635	-	25,120,057	-	51,462,578	-
Total other long-term liabilities	350,234,723	1,873,637	27,032,746	-	325,075,614	9,339,330
Total long-term liabilities	\$ 391,457,096	\$ 2,377,379	\$ 27,956,195	\$ (5,856,279)	\$ 360,022,001	\$ 11,177,490

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

MSCBA Bonds Payable University

On June 30, 2020, Revenue Bond Series 2012A, 2014A, 2014B, and 2019C, initially issued by the MSCBA for the benefit of capital projects at the University, were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the University. The refunding resulted in an economic gain of approximately \$7,311,000 and a deferred gain of approximately \$5,856,000. The first principal payment is due on May 1, 2024, and the final payment is due on May 1, 2044 with an interest rate that ranges from 1.04% to 3.07%. Total principal related to 2020A partial refunding was \$10,302,025. At June 30, 2022 and 2021 the outstanding amounts related to all MSCBA bond series was \$26,240,925 and \$27,348,964 and is included in the project related bond payable amounts described below.

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, 2012B, 2019C, 2020A). 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 May 2049 at an annual variable coupon rate averaging approximately 1.89%. The outstanding balance of this obligation including unamortized bond premium was \$732,331 and \$846,062 at June 30, 2022 and 2021, 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 source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2006A, 2012B, 2019C, 2020A). 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, 2049, at an annual coupon rate of approximately 1.95%. The outstanding balance of this obligation including unamortized bond premium was \$1,065,845 and \$1,187,403 at June 30, 2022 and 2021, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

MSCBA Bonds Payable University - continued

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

In January of 2012, the University was allotted \$16,028,603 for the construction of a Fitness Center as part of the O'Keefe Athletic Complex. 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 2012A, 2019C, 2020A). At the issuance of this debt, 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 May 1, 2049 and has an annual coupon rate of approximately 1.95%. The outstanding balance of this obligation including unamortized bond premium was \$11,381,412 and \$11,714,411 at June 30, 2022 and 2021, respectively. A debt service reserve remains for these bonds in the amount of \$240,545 at June 30, 2022 and 2021.

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 \$11,213,373 and \$11,729,065 at June 30, 2022 and 2021, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$894,488 at June 30, 2022 and 2021.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

MSCBA Bonds Payable University - continued

Land Acquisition Bond:

In 2014 the MSCBA held 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. 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 and 2020A). 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 \$1,519,983 and \$1,531,496 at June 30, 2022 and 2021, respectively.

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. This bond amount consists of principal in the amount of \$327,981 and \$340,527 as of June 30, 2022 and 2021, respectively. There was a reduction of this bond by MSCBA during 2018. A debt service reserve remains for these excess bond proceeds in the amount of \$41,042 at June 30, 2022 and 2021. 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.

Other Bonds Payable University

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, 2021. The outstanding balance of this obligation was \$0 and \$14,300 at June 30, 2022 and 2021, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Other Bonds Payable University - 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 \$85,300 and \$102,350 at June 30, 2022 and 2021, 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 \$4,389,859 and \$4,769,434 at June 30, 2022 and 2021, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Bond Payable Maturities University

Maturities of the bonds payable subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2023	\$ 2,513,269	\$ 68,392	\$ 893,994	\$ 3,475,655
2024	2,612,758	47,324	809,307	3,469,389
2025	2,685,723	25,042	719,924	3,430,689
2026	1,449,503	1,864	625,391	2,076,758
2027	1,221,168	1,270	586,014	1,808,452
2028-2032	8,303,299	645	2,244,313	10,548,257
2033-2037	6,613,097	-	1,328,898	7,941,995
2038-2042	2,282,410	-	744,668	3,027,078
2043-2047	2,299,549	-	274,815	2,574,364
2048-2049	590,771	-	20,496	611,267
Total	<u>\$ 30,571,547</u>	<u>\$ 144,537</u>	<u>\$ 8,247,819</u>	<u>\$ 38,963,903</u>

Notes Payable University

During April of 2019, a note payable was acquired for \$310,270 to purchase various computer and network equipment. The note payable is for four years, requires annual payments of \$79,380 which includes principal and interest, has an average interest rate of 1.5% and is payable through April of 2023.

During June of 2019, a note payable was acquired for \$472,624 to purchase computer equipment. The note payable term is for four years, requires annual payments of \$127,051 which includes principal and interest, has an average interest rate of 5.1% and is payable through June 2022.

During July of 2019, a note payable was acquired for \$325,010 to purchase computer equipment. The note payable is for five years, requires annual payments of \$73,540 which includes principal and interest, has an average interest rate of 6.6% and is payable through June of 2024.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

During December of 2019, a note payable was acquired for \$233,200 to purchase emergency communication system equipment. The note payable is for five years, requires annual payments of \$51,649 which includes principal and interest, has an average interest rate of 3.5% and is payable through December of 2024.

During January of 2021, a note payable was acquired for \$81,950 to purchase various computer equipment. The note payable is for four years, requires annual payments of \$22,014 which includes principal and interest, has an average interest rate of 7.4% and is payable through December of 2024.

Maturities of the notes payable subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest
2023	301,240	21,961
2024	138,521	8,682
2025	35,433	1,399
Total	<u>\$ 475,194</u>	<u>\$ 32,042</u>

Lease Liability University

The University is a lessee of multiple long-term leases for building, equipment and office space from the MSCBA, vendor and the Assistance Corporation. Significant lease terms are described below:

Description	Commencement Date for GASB 87	Lease Term at GASB 87			Interest Rate	Lease Liability 6/30/22
		Commencement (months)	Payment Amount	Rate Type		
MSCBA - Atlantic Hall	7/1/2020	328	Varies	Implicit Rate	3.20%	\$39,778,323
MSCBA - Marsh Hall	7/1/2020	328	Varies	Implicit Rate	2.85%	55,041,681
MSCBA - Marsh Dining Commons	7/1/2020	100	Varies	Implicit Rate	2.02%	4,529,558
MSCBA - Viking Hall	7/1/2020	316	Varies	Implicit Rate	2.93%	61,151,821
MSCBA - Viking Hall (Starbucks)	7/1/2020	292	Varies	Implicit Rate	3.01%	4,750,366
MSCBA - Peabody/Bowditch Hall	7/1/2020	208	Varies	Implicit Rate	3.57%	7,087,336
MSCBA - Parking Lot (Canal St.)	7/1/2020	328	Varies	Implicit Rate	4.02%	184,756
MSCBA - Parking Garage	7/1/2020	232	Varies	Implicit Rate	2.75%	25,048,618
MSCBA - 03A - Renewal	7/1/2020	328	Varies	Implicit Rate	4.31%	241,419
MSCBA - 04A - Renewal	7/1/2020	328	Varies	Implicit Rate	3.99%	290,332
MSCBA - 05A - Renewal	7/1/2020	100	Varies	Implicit Rate	3.71%	837,640
MSCBA - 10B - Renewal	7/1/2020	328	Varies	Implicit Rate	4.97%	329,839
MSCBA - 99A Pooled Debt Service	7/1/2020	76	Varies	Implicit Rate	30.70%	1,912,397
287 Lafayette	7/1/2020	216	Varies	IBR	3.75%	5,674,473
331 Lafayette	7/1/2020	244	Varies	IBR	3.75%	7,572,700
Enterprise Center Suite 100	7/1/2020	12	Varies	IBR	3.75%	162,356
Enterprise Center Suite 400	7/1/2020	12	Varies	IBR	3.75%	81,593
Ricoh Copiers	7/1/2020	33	Varies	IBR	3.75%	354,577
						<u>\$215,029,785</u>

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Description	Commencement Date for GASB 87	Lease Term at GASB 87 Commencement (months)	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/21
MSCBA - Atlantic Hall	7/1/2020	340	Varies	Implicit Rate	3.20%	\$40,347,500
MSCBA - Marsh Hall	7/1/2020	340	Varies	Implicit Rate	2.85%	57,183,952
MSCBA - Marsh Dining Commons	7/1/2020	112	Varies	Implicit Rate	2.02%	4,571,612
MSCBA - Viking Hall	7/1/2020	328	Varies	Implicit Rate	2.93%	61,643,011
MSCBA - Viking Hall (Starbucks)	7/1/2020	304	Varies	Implicit Rate	3.01%	4,783,568
MSCBA - Peabody/Bowditch Hall	7/1/2020	220	Varies	Implicit Rate	3.57%	7,234,095
MSCBA - Parking Lot (Canal St.)	7/1/2020	340	Varies	Implicit Rate	4.02%	255,946
MSCBA - Parking Garage	7/1/2020	244	Varies	Implicit Rate	2.75%	25,307,547
MSCBA - 03A - Renewal	7/1/2020	340	Varies	Implicit Rate	4.31%	294,452
MSCBA - 04A - Renewal	7/1/2020	340	Varies	Implicit Rate	3.99%	403,364
MSCBA - 05A - Renewal	7/1/2020	340	Varies	Implicit Rate	2.40%	905,479
MSCBA - 09A - Renewal	7/1/2020	100	Varies	Implicit Rate	3.71%	1,813,732
MSCBA - 10B - Renewal	7/1/2020	340	Varies	Implicit Rate	4.97%	380,704
MSCBA - 99A Pooled Debt Service	7/1/2020	88	Varies	Implicit Rate	30.70%	1,989,428
287 Lafayette	7/1/2020	228	Varies	IBR	3.75%	5,809,656
331 Lafayette	7/1/2020	256	Varies	IBR	3.75%	7,704,311
Enterprise Center Suite 100	7/1/2020	24	Varies	IBR	3.75%	318,745
Enterprise Center Suite 400	7/1/2020	24	Varies	IBR	3.75%	158,196
Ricoh Copiers	7/1/2020	45	Varies	IBR	3.75%	474,748
						\$221,580,046

MSCBA

The lease term is completed when the final bond payment is made. The lease liability was calculated based upon the discounting of the future bond service payments using the average interest rate of the bond issuance associated with that lease. If MSCBA refunds the bonds, any cost savings are passed on to the University. Leases expire at various times, as noted at in the above charts.

Payments to MSCBA are due in semi-annual installments that occur during the fall and spring academic semesters. For the year ended June 30, 2022, debt service payments and operating costs paid by the University was \$12,929,731 and \$1,623,237, respectively. For the year ended June 30, 2021, debt service payments and operating costs paid by the University was \$6,347,435 and \$1,040,061, respectively.

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2022 and 2021 was \$7,299,112 and \$7,366,692, respectively. The amortization of the right of use assets are amortized on a straight-line basis over the lease term for each lease. The remaining unamortized right of use asset related to lease obligations was \$201,348,767 and \$213,620,872 at June 30, 2022 and 2021, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

Bates Defeasance

In June 2022 the University paid MSCBA to terminate the lease agreement for use of the Bates Complex. As part of the termination of the lease agreement the University is no longer eligible to use this facility. As a result of this termination the University removed the Right of Use capital asset, and reduced the related accumulated amortization and lease liability from its books. For the year ended June 30, 2022 the University recognized a gain of \$275,531 on the early termination of the lease agreement.

Related Party Leases

The University leases property located at 287-291 Lafayette Street from the Assistance Corporation, beginning in August 2014. These terms stipulate 240 monthly payments varying between approximately \$28,000 and \$42,000. There were no other payments made other than the monthly payments for the years ended June 30, 2022 and 2021. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$5,355,020 and \$5,652,521 at June 30, 2022 and 2021, respectively.

The University leases property located at 331 Lafayette Street from the Assistance Corporation, beginning in October 2017. These terms stipulate 268 monthly payments varying between approximately \$34,000 and \$58,000. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$ 7,142,944 and \$7,494,236 at June 30, 2022 and 2021, respectively.

The University leases various suites at the Enterprise Center from the Assistance Corporation. The terms of these agreements stipulate monthly payments varying between approximately \$6,500 and \$13,800. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$ 7,142,944 and \$7,494,236 at June 30, 2022 and 2021, respectively.

During the years ended June 30, 2022 and 2021 the University made payments of principal and interest totaling \$1,015,962 and \$995,225, respectively, to the Assistance Corporation for the above disclosed related party leases.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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

Future Lease Payments

Lease payments due subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest	Total
2023	\$ 5,785,742	\$ 7,095,125	\$ 12,880,867
2024	5,082,017	6,870,943	11,952,960
2025	5,155,375	6,667,934	11,823,309
2026	6,522,069	6,446,858	12,968,927
2027	6,986,616	6,174,458	13,161,074
2028-2032	40,066,294	26,051,963	66,118,257
2033-2037	49,938,032	18,970,729	68,908,761
2038-2042	51,923,506	10,863,387	62,786,893
2043-2047	34,134,077	4,209,052	38,343,129
2048-2050	9,436,057	405,490	9,841,547
	<u>\$ 215,029,785</u>	<u>\$ 93,755,939</u>	<u>\$ 308,785,724</u>

Long-term Liabilities – Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2022 consisted of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Notes Payable	\$ 1,067,183	\$ -	\$ 26,614	\$ 1,040,569	\$ 28,301	\$ 1,012,268
Other non-current	26,877	8,225	3,185	31,917	-	31,917
Lease liability	11,219,329	-	127,195	11,092,134	154,444	10,937,690
Total	<u>\$ 12,313,389</u>	<u>\$ 8,225</u>	<u>\$ 156,994</u>	<u>\$ 12,164,620</u>	<u>\$ 182,745</u>	<u>\$ 11,981,875</u>

Long-term liabilities for the Assistance Corporation at June 30, 2021 consisted of:

	(restated) Beginning Balance	Additions	(restated) Reductions	(restated) Ending Balance	Current Portion	(restated) Non-Current Portion
Notes payable	\$ 1,093,275	\$ -	\$ 26,092	\$ 1,067,183	\$ 27,206	\$ 1,039,977
Other non-current	24,690	3,162	975	26,877	-	26,877
Lease liability	11,321,248	-	101,919	11,219,329	127,195	11,092,134
Total	<u>\$ 12,439,213</u>	<u>\$ 3,162</u>	<u>\$ 128,986</u>	<u>\$ 12,313,389</u>	<u>\$ 154,401</u>	<u>\$ 12,158,988</u>

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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

Notes Payable Assistance Corporation

The Assistance Corporation maintains a loan with a bank which was refinanced during the year ended June 30, 2021. The loan is a five-year adjustable-rate mortgage due September 2037 with a 25-year amortization. Payments in the amount of \$5,739, including principal and interest at 3.95% are due monthly. Interest will be adjusted to the Federal Home Loan Bank of Boston 5-year Classic Advance Rate plus 2.25% in September 2025 and each five year period thereafter. Minimum interest on this loan is 3.95%. A final balloon payment representing the outstanding balance is due in September 2037. The loan is secured by a mortgage on real estate owned by the Assistance Corporation.

Notes Payable Assistance Corporation - continued

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

Years Ending June 30,	Principal	Interest
2023	\$ 28,301	\$ 40,570
2024	29,439	39,432
2022	30,623	38,248
2026	31,855	37,016
2027	33,136	35,735
2028-2032	186,777	157,577
2033-2037	227,487	116,867
2038	472,951	4,624
Total	<u>\$ 1,040,569</u>	<u>\$ 470,069</u>

Lease Liability Assistance Corporation

The Assistance Corporation is a lessee of two long term leases for office space for Salem State University as disclosed above.

Lease interest expense for the years ended June 30, 2022 and 2021 was \$641,860 and \$648,378, respectively. The right of use asset was amortized on a straight-line basis over the lease term.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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

The annual debt service requirements to maturity for the leases payable for the Assistance Corporation are as follows:

Years Ending June 30,	Principal	Interest
2023	\$ 154,444	\$ 633,837
2024	183,796	624,193
2025	215,386	612,802
2026	297,837	598,269
2027	327,272	580,377
2028-2032	2,153,709	2,568,049
2033-2037	3,392,866	1,794,285
2038-2042	4,139,198	623,504
2043	227,626	2,734
	\$ 11,092,134	\$ 8,038,050

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.

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

Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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 - 6/30/1996	8% of regular compensation
7/1/1996 - present	9% of regular compensation
1979 - present	An additional 2% of regular compensation in excess of \$30,000

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 13 - **Pensions - 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 \$9,543,385, \$7,127,342, and \$7,028,320, for the years ended June 30, 2022, 2021 and 2020, 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 16.11%, 14.66% and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021, and 2020, respectively. The University contributed \$2,119,546, \$1,798,972, and \$2,518,943, for the fiscal years ended June 30, 2022, 2021 and 2020, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2022 and 2021, the University reported a liability of \$15,782,623 and \$39,993,737, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, 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, 2021 rolled forward to June 30, 2021. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020.

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 2022 and 2021. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022 and 2021, the University's proportion was 0.151% and 0.233% and, respectively.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 13 - **Pensions - Continued**

For the year ended June 30, 2022 the University recognized pension income of \$4,519,453. For the year ended June 30, 2021 the University recognized pension expense of \$1,085,285. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2022</u>	<u>2021</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 544,595	\$ 1,272,542
Net difference between projected and actual Investment earnings	-	2,198,473
Change in plan actuarial assumptions, net	1,075,965	2,267,586
Changes in proportion from Commonwealth	6,309	30,204
Changes in proportion due to internal allocation	47,477	166,170
Contributions subsequent to the measurement date	<u>2,119,546</u>	<u>1,798,972</u>
Total deferred outflows related to pension	<u>\$ 3,793,892</u>	<u>\$ 7,733,947</u>
	<u>2022</u>	<u>2021</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 1,142,650	\$ 258,789
Net differences between projected and actual earnings on pension plan investments	6,187,703	-
Changes in proportion from Commonwealth	49,865	97,480
Changes in proportion due to internal allocation	<u>16,775,046</u>	<u>10,166,938</u>
Total deferred inflows related to pension	<u>\$24,155,264</u>	<u>\$10,523,207</u>

The University's contributions of \$2,119,546 and \$1,798,972 made during the fiscal years ending 2022 and 2021, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 13 - **Pensions - Continued**

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

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:

<u>Years Ending June 30:</u>	
2022	(5,012,011)
2023	(4,968,126)
2024	(5,334,797)
2025	(5,995,908)
2026	<u>(1,170,076)</u>
Total	<u>\$ (22,480,918)</u>

Actuarial Assumptions

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

<u>Measurement date</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.25%
Interest rate credited to annuity savings fund	3.50%	3.50%

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 13 - **Pensions - Continued**

Actuarial Assumptions- continued

For measurement dates June 30, 2021 and 2020, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 2021 and rolled forward to June 30, 2021. The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 2020 and rolled forward to June 30, 2020.

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:

Asset Class	2022		2021	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.8%	39%	4.8%
Portfolio Completion Strategies	11%	2.9%	11%	3.2%
Core Fixed Income	15%	0.3%	15%	0.7%
Private Equity	13%	7.8%	13%	8.2%
Real Estate	10%	3.7%	10%	3.5%
Value Added Fixed Income	8%	3.9%	8%	4.2%
Timber/Natural Resources	4%	4.3%	4%	4.1%
	100%		100%	

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 13 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.15% at June 30, 2022 and 2021, respectively. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following 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 at June 30:

2022		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 24,157,637	\$ 15,782,623	\$ 8,899,016
2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.15%	7.15%	8.15%
\$ 52,649,218	\$ 39,993,737	\$ 29,554,928

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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 seven members (or their designatee) and includes the Secretary of Administration and Finance, the Executive Director of the GIC, the Executive Director of PERAC, the State Treasurer, the Comptroller, one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

The SRBT does not issue a stand-alone audited financial statement 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.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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, 2022 and 2021, and as of the valuation date (January 1, 2021 and 2020), participants contributed 10% to 20%, respectively, 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.

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 7.65% and 7.70% of annual covered payroll for the fiscal years ended June 30, 2022 and 2021, respectively. The University contributed \$1,006,598 and \$944,662 for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, the University reported a liability of \$27,710,622 and \$51,462,578 respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2021 and 2020, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 and 2020, respectively. 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 2021 and 2020. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the University's proportion was 0.173% and 0.249%, respectively.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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

For the year ended June 30, 2022 the University recognized income related to OPEB of \$9,514,240. For the year ended June 30, 2021, the University recognized OPEB expense of \$5,265,728. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2022	2021
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 1,006,598	\$ 944,662
Changes in OPEB plan actuarial assumptions	2,327,242	4,238,029
Differences between expected and actual experience	707,367	1,420,267
Net differences between projected and actual earnings on OPEB plan investments	-	148,798
Changes in the proportion from Commonwealth	31,069	77,993
Changes in the proportion due to internal allocation	3,491,919	6,424,450
Total deferred outflows related to OPEB	\$ 7,564,195	\$ 13,254,199
	2022	2021
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 5,451,099	\$ 4,973,679
Differences between expected and actual experience	4,877,953	1,270,271
Difference between projected and actual investment earnings	336,746	-
Changes in proportion due to internal allocations.	46,109,640	42,980,761
Changes in OPEB from Commonwealth	120,356	174,775
Total deferred inflows related to OPEB	\$ 56,895,794	\$ 49,399,486

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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

Contributions

The University's contributions of \$1,006,598 and \$944,662 made during the fiscal year 2022 and 2021, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

Years Ending <u>June 30,</u>	
2023	(12,017,987)
2024	(11,450,195)
2025	(11,415,024)
2026	(11,281,582)
2027	<u>(4,173,409)</u>
	<u>\$ (50,338,197)</u>

Actuarial Assumptions

The total OPEB liability for 2022 and 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.15%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 6.70%

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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:

	2022		2021	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	28.0%	96.0%
POS/PPO	60.0%	0.0%	60.0%	0.0%
HMO	12.0%	4.0%	12.0%	4.0%

The actuarial assumptions used in the January 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 and 2018 through December 31, 2020 and 2019, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2020 and 2019 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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, 2022 and 2021, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 and 2021 was 2.77% and 2.28%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate 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 2028 and 2029 for the fiscal years 2022 and 2021, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% and 7.15%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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, 2022		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.77%	2.77%	3.77%
\$ 32,920,002	\$ 27,710,622	\$ 23,514,570
June 30, 2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 61,843,623	\$ 51,462,564	\$ 43,260,265

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

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:

	<u>2022</u>		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 22,689,302	\$ 27,710,622	\$ 44,776,609
	<u>2021</u>		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 41,799,519	\$ 51,462,564	\$ 64,300,767

(A) - Current healthcare cost trend rates, as disclosed in the actuarial assumptions

(B) - 1- percentage decrease in current healthcare cost trend rate,
as disclosed in the actuarial assumptions

(C) - 1- percentage increase in current healthcare cost trend rate,
as disclosed in the actuarial assumptions

Note 15 - **Deferred Inflows of Resources**

Service Concession Arrangements

The University has several service concession arrangements with various vendors. No capital assets were received as part of these agreements. Amounts related to agreements with vendors at June 30, 2022 and 2021 approximated \$407,000 and \$351,000, respectively.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 16 - **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:

	2022	2021
Restricted - nonexpendable:		
Scholarship and fellowship	\$ 1,131,228	\$ 1,268,006
Restricted - expendable:		
Scholarship, fellowship loans, gifts and research grants and contracts	\$ 10,542,491	\$ 10,477,961

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

Note 17 - **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.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 17 - **Commitments and Contingencies - Continued**

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 2020 and 2019, 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.

Note 18 - **Operating Expenses**

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

	<u>2022</u>	<u>2021</u>
Compensation and benefits	\$ 101,464,221	\$ 100,739,614
Supplies and services	31,506,400	25,360,528
Utilities	3,730,167	3,124,443
Depreciation	9,203,792	9,473,612
Amortization	9,220,711	9,241,865
Scholarships and fellowships	19,891,374	12,776,147
Total operating expenses	<u>\$ 175,016,665</u>	<u>\$ 160,716,209</u>

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 19 - **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 38.32% in 2021 to 39.43% in 2022 which includes 1.94% and 1.97% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 14.66% in 2021 to 16.11% in 2022. 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.

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2022, 2021, and 2020 were \$2,528,349, \$2,948,211 and \$3,721,612, 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.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 19 - **Fringe Benefit Program - Continued**

Insurance - continued

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.

The GIC is a quasi-independent state agency governed by a 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, 2021 and 2020, 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).

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 20 - **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.

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

	<u>2022</u>	<u>2021</u>
General Appropriations	\$ 56,547,628	\$ 51,013,153
Other Appropriations	<u>125,395</u>	<u>59,574</u>
Total Appropriations	56,673,023	51,072,727
 <u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	21,413,480	17,687,088
 <u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(777,394)</u>	<u>(797,180)</u>
Total unrestricted appropriations	<u>\$ 77,309,109</u>	<u>\$ 67,962,635</u>

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 20 - **Massachusetts Management Accounting Reporting System (“MMARS”) - Continued**

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

	<u>2022</u>	<u>2021</u>
Revenue per MMARS	\$ 136,724,291	\$ 125,818,497
Revenue per University	<u>136,724,291</u>	<u>125,818,497</u>
Difference	<u><u>-</u></u>	<u><u>-</u></u>

Note 21 - **Pass-Through Student Federal Loans**

The University distributed approximately \$33,626,000 and \$35,512,000 for the years ended June 30, 2022 and 2021, respectively 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.

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

Notes to the Financial Statements – Continued

June 30, 2022 and 2021

Note 22 - **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.

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 and certain MSCBA operating costs.

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 building leases mainly 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, 2022 and 2021 were \$14,552,968 and \$7,387,496, respectively. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset to a lease liability.

**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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.151%	0.233%	0.278%	0.341%	0.347%	0.341%	0.389%	0.295%
Proportionate share of the collective net pension liability	\$ 15,782,623	\$ 39,993,737	\$ 40,623,739	\$ 45,107,543	\$ 44,564,278	\$ 46,973,396	\$ 44,297,126	\$ 21,889,032
College's covered payroll	\$ 12,271,296	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 27,303,392	\$ 25,885,577	\$ 23,448,807	\$ 21,870,164
College's proportionate share of the net pension liability as a percentage of its covered payroll	128.61%	223.56%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,119,546	\$ 1,798,972	\$ 2,518,943	\$ 2,764,339	\$ 3,117,853	\$ 2,716,688	\$ 2,446,187	\$ 2,436,331
Contributions in relation to the statutorily required contribution	<u>(2,119,546)</u>	<u>(1,798,972)</u>	<u>(2,518,943)</u>	<u>(2,764,339)</u>	<u>(3,117,853)</u>	<u>(2,716,688)</u>	<u>(2,446,187)</u>	<u>(2,436,331)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 13,156,710	\$ 12,271,296	\$ 17,889,187	\$ 22,921,548	\$ 26,467,350	\$ 27,303,397	\$ 25,885,577	\$ 23,448,807
Contribution as a percentage of covered payroll	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

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)

June 30, 2022 and 2021

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

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement Date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement Date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for superannuation retirees, but with an age set forward of one year

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2022 and 2021

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

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
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant 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.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2022 and 2021

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

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.

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)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2022	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.173%	0.249%	0.439%	0.531%	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 27,710,622	\$ 51,462,578	\$ 76,582,635	\$ 98,703,864	\$ 86,677,734	\$ 83,576,460
College's covered payroll	\$ 12,271,298	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 27,303,392	\$ 25,885,577
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	225.82%	287.67%	334.11%	372.93%	317.46%	322.87%
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	6.01%	5.39%	5.39%

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)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 1,006,598	\$ 944,662	\$ 1,304,875	\$ 2,015,741	\$ 2,360,585	\$ 2,181,990
Contributions in relation to the statutorily required contribution	<u>(1,006,598)</u>	<u>(944,662)</u>	<u>(1,304,875)</u>	<u>(2,015,741)</u>	<u>(2,360,585)</u>	<u>(2,181,990)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 13,156,708	\$ 12,271,298	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 25,885,577
Contribution as a percentage of covered payroll	7.65%	7.70%	7.29%	8.79%	8.92%	8.43%

Notes:

Employers participating in the Massachusetts 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)

June 30, 2022 and 2021

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 20920_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

Change in Investment Rate

The investment rate of return decreased from 7.25% to 7.15%.

Change in Salary Scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS.

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

**Notes to the Required Supplementary Information – OPEB (Unaudited)-
Continued**

June 30, 2022 and 2021

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

Fiscal year June 30, 2021 - continued

Change in Discount Rate

The discount rate was decreased to 2.28% (based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate

The discount rate was decreased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.51%) as of the measurement date as required by GASB Statement 74.

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

**Notes to the Required Supplementary Information – OPEB (Unaudited)-
Continued**

June 30, 2022 and 2021

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impact the high cost excise tax.

Change in Mortality Rates

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members – would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year

Change in Discount Rate

The discount rate was increased to 3.95% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

**SUPPLEMENTARY
INFORMATION**

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Cash and equivalents	\$ 2,582,830	\$ 3,602,188
Accounts receivable, net	<u>529,772</u>	<u>228,032</u>
Total Assets	<u>\$ 3,112,602</u>	<u>\$ 3,830,220</u>
 <u>Liabilities and Net Position</u> 		
Liabilities:		
Accounts payable	\$ 329,613	\$ 246,342
Accrued payroll and fringe benefits	94,066	70,209
Accrued compensated absences	<u>268,799</u>	<u>236,753</u>
Total Liabilities	692,478	553,304
Net Position	<u>2,420,124</u>	<u>3,276,916</u>
Total Liabilities and Net Position	<u>\$ 3,112,602</u>	<u>\$ 3,830,220</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Student fees	\$ 14,275,092	\$ 8,630,936
Less: scholarships and fellowships	(2,311,239)	(1,780,970)
Commissions	58,412	-
Rentals	374,059	216,434
State grant	33,500	77,021
	<u>12,429,824</u>	<u>7,143,421</u>
Total Revenues		
Expenses:		
Regular employee compensation	2,192,486	1,575,440
Special employee compensation	543,061	577,598
Fringe benefits	942,339	769,937
Administrative	101,060	45,166
Facility operational	112,030	46,956
Energy and space rental	1,407,298	1,068,707
Operational services	56,964	76,911
Equipment maintenance	763,681	991,187
Loans and special payments	13,116,262	3,944,310
Information technology	7,138	6,130
	<u>19,242,319</u>	<u>9,102,342</u>
Total Expenses		
Excess of Expenses over Revenues Before Federal grants and Transfers	(6,812,495)	(1,958,921)
Federal grants	5,933,611	4,513,176
Net Transfers	22,092	-
	<u>(856,792)</u>	<u>2,554,255</u>
Total Increase (Decrease) in Net Position		
Net Position, Beginning of Year	<u>3,276,916</u>	<u>722,661</u>
Net Position, End of Year	<u>\$ 2,420,124</u>	<u>\$ 3,276,916</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 the business-type activities of Salem State University (the "University"), and its discretely presented major component units, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 11, 2022.

Report on 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") as a basis for designing 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022

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

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*
AUDITING STANDARDS AND RELATED
INFORMATION**

JUNE 30, 2022

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

**Independent Auditors' Reports as Required by the Uniform Guidance and
Government Auditing Standards and Related Information**

June 30, 2022

C O N T E N T S

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1-3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Expenditures of Federal Awards	6-9
Notes to the Schedule of Expenditures of Federal Awards	10-11
Schedule of Findings and Questioned Costs	12-13
Required Auditee Information:	
Management's Summary Schedule of Prior Audit Findings	14



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salem State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Salem State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Salem State University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Salem State University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Salem State University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Salem State University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University, as of and for the year ended June 30, 2022. We issued our report thereon dated October 11, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022



**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 the business-type activities of Salem State University (the "University"), and its discretely presented major component units, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 11, 2022.

Report on 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") as a basis for designing 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2022

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 655,288	\$ -
Federal Work-Study Program	84.033	N/A	N/A	288,137	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	772,763	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	9,941,157	-
Federal Direct Student Loans	84.268	N/A	N/A	33,625,578	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	20,744	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	444,983	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	30,100	-
Total Student Financial Assistance Cluster				45,778,750	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Student Support Services	84.042	N/A	N/A	603,351	-
Upward Bound	84.047	N/A	N/A	359,905	-
Total TRIO Cluster				963,256	-

See accompanying notes to the schedule of expenditures of federal awards.

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	39,172	-
UVM-NSF	40.076	N/A	N/A	33,341	-
Subtotal - Direct Awards				72,513	-
U.S. Department of the Interior					
Direct Awards:					
USGS EHP	15.807	N/A	N/A	5,011	-
Organization of American Historians	15.946	N/A	N/A	1,584	-
Subtotal - Direct Awards				6,595	-
U.S. Department of Health and Human Services					
Direct Awards:					
Title X Family Planning Program	93.217	N/A	N/A	7,103	-
Phonological Research	93.173	N/A	N/A	69,114	-
Subtotal - Direct Awards				76,217	-
Total Research and Development Cluster				155,325	-

See accompanying notes to the schedule of expenditures of federal awards.

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
COVID-19 HEERF II SIP	84.425M	N/A	N/A	456,419	-
COVID-19 HEERF III SIP	84.425M	N/A	N/A	842,559	-
COVID-19 HEERF III Student Portion	84.425E	N/A	N/A	9,517,533	-
COVID-19 HEERF III Institutional Portion	84.425F	N/A	N/A	320,681	-
Subtotal - Direct Awards				<u>11,137,192</u>	-
Pass-through Awards:					
UVM-NSF Career	47.074	University of Vermont and State Agricultural College	N/A	12,385	-
Moving to College	14.000	HUD	N/A	67,333	-
Subtotal - U.S. Department of Education				<u>11,216,910</u>	-
U.S. Small Business Administration					
Pass-through Awards:					
SBDC - Core	59.037	University of Massachusetts	N/A	383,172	-
SBDC - CARES	59.037	University of Massachusetts	N/A	153,872	-
Subtotal - Pass-through Awards				<u>537,044</u>	-
National Oceanic and Atmospheric Administration					
Direct Awards:					
NOAA Sea Grant	11.417	N/A	N/A	28,049	-
Workforce Through High School Aquaculture Education and Engagement	11.478	N/A	N/A	6,496	-
Center for Sponsored Coastal Ocean Research	11.478	N/A	N/A	30,183	-
Subtotal - Direct Awards				<u>64,728</u>	-
Pass-through Awards:					
SBIR DeepSeaVision-AL	11.478	Synthetik	N/A	20,516	-
Subtotal - National Oceanic and Atmospheric Administration				<u>85,244</u>	-
U.S. Department of Justice:					
Direct Awards:					
Violence Against Women	16.525	N/A	N/A	98,343	-
Subtotal - Direct Awards				<u>98,343</u>	-

See accompanying notes to the schedule of expenditures of federal awards.

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

Schedule of Expenditures of Federal Awards - Continued
 Year Ended June 30, 2022

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
Corporation for National and Community Service					
Pass-through Awards:					
Americorps/Jumpstart	94.006	Corporation for National and Community Service	N/A	44,015	-
Subtotal - Pass-through Awards				44,015	-
U.S. Department of State Bureau of Education and Cultural Affairs					
Pass-through Awards:					
IDEA Grant	19.009	World Learning	N/A	17,891	-
Subtotal - Pass-through Awards				17,891	-
Total Non-Cluster				11,999,447	-
Total Federal Funds				\$ 58,896,778	\$ -

See accompanying notes to the schedule of expenditures of federal awards.

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Salem State University (the “University”) under programs of the Federal Government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2022, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2022, loan balances receivable, net under Perkins was \$652,792.

There was no federal capital contribution or match by the University during the current year.

Nursing Student Loans

The Nursing Student Loan Program is administered by Salem State University. There were no loans disbursed during fiscal year 2022. As of June 30, 2022, the loan balances receivable for this program was \$344,343.

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

Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

Note 4 - **Federal Student Loan Programs - Continued**

Direct Student Loan Program

The University disbursed \$33,625,578 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2022. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x___ no
Noncompliance material to the financial statements noted?	_____ yes	___x___ no

Federal Awards

Type of auditors’ report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x___ no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ yes	___x___ no

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2022

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
TRIO Cluster	
Student Support Services	84.042
Upward Bound	84.047
Non-Cluster	
Small Business Development Center	59.037
Economic Stabilization Fund (ESF):	
COVID-19 Higher Education Emergency Relief Fund (“HEERF”) - Student Aid Portion	84.425E
COVID-19 HEERF - Institutional Portion	84.425F
COVID-19 HEERF - Strengthening Institutions Portion	84.425M

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes no

Section II – Financial Statement Findings:

None.

Section III – Federal Award Findings and Questioned Costs:

None.



Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Finding number: 2021-001
Federal agency: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing Number: 84.268
Award year: 2021

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The University has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted one student, out of a sample of twenty-five, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date. Our audit disclosed that the funds were not returned until 200 days after the 45-day disbursement timeframe.

Current Year Status:

Corrective action was taken during the year.

REQUEST FOR TRUSTEE ACTION

Date: October 12, 2022
To: Risk Management and Audit Committee/Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: FY22 audited financial statements
Request action: Discussion/Acceptance

The FY22 audited financial statements are due for submission to the Commonwealth by October 15, 2022. The university's auditors, O'Connor & Drew P.C., have completed their work and will review the financial statements with the Risk Management and Audit Committee. The university has chosen not to present traditional financial ratios in the Management's Discussion and Analysis section of the document because of the lack of comparability with prior years, given the implementation of the accounting standard GASB Statement No. 87, *Leases*.

MOTION

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion pertaining to the FY22 Salem State University audited financial statements and programs and related materials.

Recommended Motion

The Board of Trustees of Salem State University hereby accepts the following audits:

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2022

Salem State University Independent Auditor's Report as Required by the Uniform Guidance Auditing Standards, June 30, 2022

The RMA Committee acknowledges that Vice President House and her team will submit the audits to the Commonwealth by its October 15, 2022 deadline.

Committee Assigned: Risk Management and Audit
Committee Action: Accepted
Date of Action: October 12, 2022

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of the Board of Trustees

Date: _____