
SUBJECT: Risk Management and Audit Committee Meeting Report for October 11, 2023

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, extended the expiration of the provisions pertaining to the Open Meeting Law. Governor Healey signed into law a supplemental budget bill, which further extended the remote meeting provisions to March 31, 2025. 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 Morales (chair), Lampassi and Mattera; Chair Russell (ex-officio), President Keenan (ex-officio), Vice President House (committee co-liaison), Vice President Colucci (committee co-liaison) and executive support specialist Beaulieu.

Trustee Morales, committee chair, called the meeting to order at 3:30 pm.

FY2023 draft audits for discussion and acceptance

Present from the University's external auditing firm Withum Smith+Brown, was managing partner, Zachary Laflash.

The required communications were presented by the auditors (Attachment A),

An unmodified opinion (clean) will be issued on the university's FY23 financial statements (Attachment B) when the draft is finalized. There were no significant deficiencies, material weaknesses or comments on internal control reports. A summation of the draft FY23 audited financial statements was provided. In addition, the impact of GASB 87, GASB 96, pension and OPEB and the impact they have made to financial statements and net positions over the years was discussed. The auditor noted the similarities between GASB 96 and GASB 87, which was implemented last year for leases.

A review of the university's draft FY23 uniform guidance report (Attachment C) showed no findings and a clean report will be issued. It was noted that given the size of the student financial assistance program and the number of complexities it is rare to have no findings. No management response is required.

Trustee Morales **MOVED** that the Risk Management and Audit Committee hereby approves the following motion pertaining to the draft FY23 Salem State University audited financial statements, **SECONDED** by Trustee Lampassi.

MOTION

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion pertaining to the FY23 Salem State University draft audited financial statements and programs and related materials.

Recommended Motion

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

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2023

Salem State University Independent Auditors' Reports as Required by the Uniform Guidance and Government Auditing Standards and Related Information, June 30, 2023

Further, the Board of Trustees delegates authority to accept the final audit packages to Vice President Karen House, with the proviso that significant changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee. Further, the trustees acknowledge that Vice President House and her team will submit the audit to the Commonwealth by its October 15, 2023 deadline.

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

Voting against: None

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

Trustee Mattera **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 4:04 pm.

Prepared by D. Beaulieu, executive support specialist, finance and facilities.

Salem State University

October 11, 2023

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:

- Implementation of GASB 96- Subscription Based Information Technology Arrangements- Recognition of right-of-use assets and corresponding SBITA liabilities:
 - Recognize a right-of-use asset (ROU Asset) and an offsetting SBITA liability at the earliest period presented on the University's financial statement (For SSU 6/30/2021). Measurement of these amounts is based on the net present value of the future SBITA payments.
 - ROU Asset- amortized equally over the life of the arrangement.
 - SBITA Liability- reduced by the calculated principal portion of the required lease payments.
 - The adoption of GASB 96 results in a higher expense recorded in the early years of the arrangement as there is both amortization and interest expense.
 - At June 30, 2021: The University recognized SBITA Assets and liabilities of approximately \$2.9 million.
 - For the year ended June 30, 2022 – restated net position- decrease of approximately \$32,000.

Required Communications - Continued

INDEPENDENCE

We are not aware of any relationships between Withum and the University that in our professional judgment may reasonably impact our independence.

Related to our audit for 2023, 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 MA State Employees' Retirement and OPEB Plans
 - Crowe LLC- GASB 87/96 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

Required Communications - Continued

MANAGEMENT ADVISORY SERVICES/TAX SERVICES

- No management advisory services were performed by Withum during 2023.
- Withum 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

Upcoming Accounting Pronouncements

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.

Discussion of Financial Statements

Overview of Deliverables:

- **June 30, 2023 Audited Financial Statements:**
 - *Unmodified Audit Report- “clean report”*
 - *Management Discussion and Analysis*
 - *Basic Financial Statements*
 - *Notes to the Financial Statements*
 - *Supplementary Information:*
 - *RSI -Pension and OPEB*
 - *SI- Dormitory Trust (Unaudited)*
 - *Internal Control Report- no comments, Significant Deficiencies, or Material Weaknesses*
- **June 30, 2023 Uniform Guidance Report (Single Audit):**
 - *Audit Report on Compliance for Each Major Federal Program- “clean report”*
 - *Schedule of Expenditures of Federal Awards and Notes*
 - *Schedule of Findings and Questioned Costs- no findings or questioned costs*
 - *Internal Control Report- no comments, Significant Deficiencies, or Material Weaknesses*

Audited Financial Statements-

Summarized Statement of Net Position (Balance Sheet)

	(rounded) <u>2023</u>	(rounded) <u>2022</u>	\$ <u>Change</u>	% <u>Change</u>
Current Assets	111,544,000	95,500,000	16,044,000	17%
Non-Current Assets	<u>348,981,000</u>	<u>357,563,000</u>	<u>(8,582,000)</u>	-2%
Total Assets	460,525,000	453,063,000	7,462,000	2%
Deferred Outflows (DO)	<u>11,824,000</u>	<u>11,358,000</u>	<u>466,000</u>	4%
Total Assets and DO	472,349,000	464,421,000	7,928,000	2%
Current Liabilities	37,355,000	36,724,000	631,000	2%
Non-Current Liabilities	<u>286,724,000</u>	<u>289,661,000</u>	<u>(2,937,000)</u>	-1%
Total Liabilities	324,079,000	326,385,000	(2,306,000)	-1%
Deferred Inflows (DI)	65,669,000	86,850,000	(21,181,000)	-24%
Net Position (NP)	<u>82,601,000</u>	<u>51,186,000</u>	<u>31,415,000</u>	61%
Total Liabilities, DI, and NP	472,349,000	464,421,000	7,928,000	2%

Statement of Net Position-

Impact of Leases, SBITA's, Pension and OPEB- FY2023

	Total 2023	Leases	SBITAs	Pension / OPEB	All Remaining Accounts
Current Assets	111,544,000	-	-	-	111,544,000
Non-Current Assets	<u>348,981,000</u>	<u>192,521,000</u>	<u>3,134,000</u>	-	<u>153,326,000</u>
Total Assets	460,525,000	192,521,000	3,134,000	-	264,870,000
Deferred Outflows (DO)	<u>11,824,000</u>	-	-	<u>11,824,000</u>	-
Total Assets and DO	472,349,000	192,521,000	3,134,000	11,824,000	264,870,000
Current Liabilities	37,355,000	5,242,000	1,248,000	-	30,865,000
Non-Current Liabilities	<u>286,724,000</u>	<u>204,162,000</u>	<u>1,808,000</u>	<u>47,309,000</u>	<u>33,445,000</u>
Total Liabilities	324,079,000	209,404,000	3,056,000	47,309,000	64,310,000
Deferred Inflows (DI)	65,669,000	-	-	60,141,000	5,528,000
Net Position (NP)	<u>82,601,000</u>	<u>(16,883,000)</u>	<u>78,000</u>	<u>(95,626,000)</u>	<u>195,032,000</u>
Total Liabilities, DI, and NP	472,349,000	192,521,000	3,134,000	11,824,000	264,870,000

Audited Financial Statements- Summarized Statements of Revenue and Expense (Income Statement)

	(rounded) <u>2023</u>	(rounded) <u>2022</u>	\$ <u>Change</u>	% <u>Change</u>
Operating Revenues	101,592,000	99,416,000	2,176,000	2%
Operating Expenses	<u>166,003,000</u>	<u>174,962,000</u>	<u>(8,959,000)</u>	-5%
Net Operating Loss	(64,411,000)	(75,547,000)	11,136,000	-15%
State Appropriations, net	78,474,000	77,309,000	1,165,000	2%
Federal Grants	1,536,000	20,660,000	(19,124,000)	-93%
State Grants	4,700,000	-	4,700,000	100%
Investment Income (Loss), net	7,297,000	(5,896,000)	13,193,000	-224%
Interest Expense	(7,611,000)	(8,055,000)	444,000	-6%
Other Non-Operating Revenue	5,145,000	3,488,000	1,657,000	48%
Capital Grants	<u>6,287,000</u>	<u>2,155,000</u>	<u>4,132,000</u>	192%
Total Increase in Net Position	31,416,000	14,114,000	17,302,000	123%

Audited Financial Statements- Summarized Statements of Changes in Net Position

	(rounded) Net Investment in Capital Assets	(rounded) Restricted Non-Expendable	(rounded) Restricted Expendable	(rounded) Unrestricted	(rounded) Total
Balances at June 30, 2021	114,516,000	1,268,000	10,478,000	(89,190,000)	37,072,000
Change in net position for 2022	<u>(9,028,000)</u>	<u>(1,158,000)</u>	<u>1,022,000</u>	<u>23,278,000</u>	<u>14,114,000</u>
Balances at June 30, 2022	105,488,000	110,000	11,500,000	(65,912,000)	51,186,000
Change in net position for 2023	<u>(2,456,000)</u>	<u>-</u>	<u>1,943,000</u>	<u>31,929,000</u>	<u>31,416,000</u>
Balances at June 30, 2023	103,031,000	110,000	13,443,000	(33,983,000)	82,602,000

Audited Financial Statements- Summarized Statements of Cash Flows

	(rounded) <u>2023</u>	(rounded) <u>2022</u>
Net Cash Applied to Operating Activities	(36,889,000)	(47,602,000)
Net Cash Provided by Non-Capital Financing Activities	65,616,000	80,336,000
Net Cash Applied to Capital Financing Activities	(19,591,000)	(17,149,000)
Net Cash Provided by (Applied to) Investment Activities	<u>1,615,000</u>	<u>(16,484,000)</u>
Change in Cash and Equivalents	10,751,000	(899,000)
Cash and Equivalents, Beginning of Year	<u>43,280,000</u>	<u>44,179,000</u>
Cash and Equivalents, End of Year	54,031,000	43,280,000

Uniform Guidance Report

- Federal Compliance Audit required for any entity or institution with over \$750,000 of Federal Expenditures.
- Salem had approximately \$44.67m in Federal Expenditures of which.
- Two major program that were required to be audited:
 - \$43.86m was Student Financial Assistance
 - \$1.93m was FEMA Public Assistance (COVID-19 funding)
- Unmodified Report- no findings.

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(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

Financial Statements

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem State University:

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 Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth")(the "University"), as of and for the year ended June 30, 2003, 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 unit of the University, as of June 30, 2003, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditor's 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 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other Matter

The financial statements of the University as of and for the year ended June 30, 2022, were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated June 30, 2022.

As more fully described in Note 2 to the financial statements, the University has adjusted its 2022 financial statements to retrospectively apply the change in accounting principle to adopt GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. O'Connor & Drew, P.C. reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2023 financial statements, we also audited the adjustments to the 2022 financial statements to retrospectively adopt the change in accounting principle as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the University's 2022 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

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.

Auditor's 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 auditor's 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 GAAS 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 GAAS 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 GAAS 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 audit was 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 12, 2003, 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.

DATE, 2023

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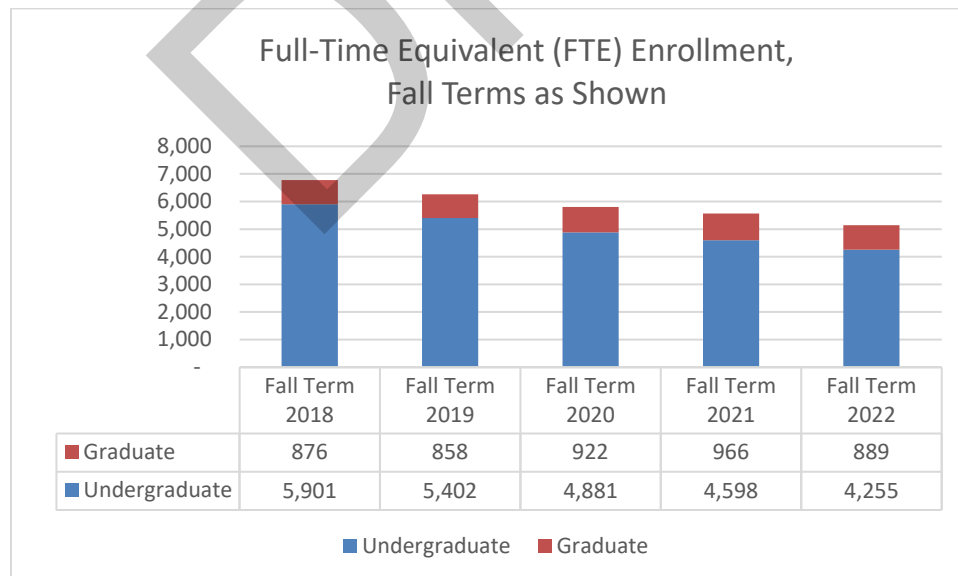
Management’s Discussion and Analysis - Continued
(Unaudited)

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, 2023 and 2022. 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 the Fall 2022 semester, Full-Time Equivalent (FTE) Enrollments were 4,255 (undergraduate) and 889 (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 39 states and 42 countries. Nearly 40% of our first-year students (freshman and transfer) have self-identified as students of color (fall semester 2022). The approximate gender breakdown is 38.6% male and 61.4% female. During FY2023, the university had to right to operate five residence halls with capacity to house 1,928 students. 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 73,000), more than 55,000 remain in Massachusetts.

Mission and Strategic Plan

Salem State's mission and strategic plan were developed through an extensive community-wide process during the past year and approved by the Massachusetts Department of Higher Education in May 2023 and are as follows:

University Mission

As a comprehensive university, Salem State prepares students of diverse backgrounds and interests to achieve their educational and career goals and to contribute to a global society as ethical and engaged community members. As a public university, Salem State also makes critical contributions to civic life, environmental sustainability, and the cultural, social, and economic vitality of the North Shore region.

Core Institutional Values

Academic Excellence – We are dedicated to assuring teaching excellence and providing experiential and culturally responsive pedagogies and other high-impact strategies that promote learning in and beyond the classroom. We are committed to building and supporting a diverse faculty of highly qualified teachers and scholars who are equity-minded and student-focused. We balance an unwavering commitment to an educational experience firmly grounded in the liberal arts with the responsibility to be responsive to regional workforce trends. We believe in promoting faculty and student research and creative endeavors that expand knowledge and academic disciplines, inform or inspire others, and connect us with the wider world.

Student-Centeredness – We believe in, care about, and empower every student, and we believe everyone on campus, no matter the job description, has a role to play in contributing to student success. Being student-centered means learning who our students are and what they bring when they enroll; understanding who they wish to become and where they want their educations to lead them; helping them discover their strengths and passions; and then supporting and challenging them to dig deeper, reach higher, and go farther than they imagined possible.

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

Justice, Equity, Diversity, and Inclusion –We promote an inclusive campus environment that respects human differences, welcomes, and celebrates diversity in all its dimensions, promotes global awareness, and inspires students, faculty, and staff to be champions of equity and social justice. We believe justice, diversity, equity, and inclusion should be key considerations in university decision making, resource allocation, program design, and policy development.

Belonging –We are committed to ensuring that the campus life and the classroom experience provide a sense of belonging to all students, particularly those from under-represented or marginalized backgrounds, first-generation students, and students who struggle economically or with challenges that may make them feel alone, different, or excluded.

Open Inquiry –We promote and value critical exploration of diverse perspectives and democratic principles through open dialogue and civil discourse.

Civic Engagement –We believe a public university must be connected with and contributing to local, state, national, and global communities by engaging meaningfully in all spheres of civic life and fostering productive exchanges of knowledge and skills to the mutual benefit of students, faculty, and community.

Access and Affordability –As a public institution, Salem State's education should be readily and affordably accessible to any student from any background who qualifies for admission. Ability to pay should not be a barrier to access or completion.

Environmental Sustainability –Salem State is deeply committed to reducing its environmental impact and to wise stewardship of natural resources. We believe the university must do all it can to promote and model environmental sustainability and to help Salem State students understand both what is at stake and what can be done to address an accelerating climate emergency.

Collaborative Leadership –We value all voices and viewpoints, and through a commitment to transparency, clear communication, collaboration, and shared governance, we are committed to providing all members of the Salem State community meaningful opportunities to discuss and have input on issues affecting the future direction of the university.

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Management's Discussion and Analysis - Continued
(Unaudited)

Salem State's Strategic Goals (2023-2028)

Our commitment to student success and life readiness is the unifying commitment at the very center of the strategic plan and will remain Salem State University's North Star. We are committed to fostering student success and life readiness by creating a challenging and supportive learning environment that fully engages students in their learning and promotes attainment of academic, personal, and career goals. This core commitment is reflected in and supported by the strategic plan's seven goals and associated objectives.

Goal I. Academic Excellence and Active Learning

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.

Goal II. Civic Engagement and Public Good

Cultivate a civically engaged community of learners and scholars committed to public problem solving in a diverse democracy, and align curriculum, co-curriculum, research, and creative activity with opportunities to promote the public good.

Goal III. Justice, Diversity, Equity, and Inclusion

Increase the diversity of our campus community, and promote equity and inclusion in all programs, policies, and practices.

Goal IV. Environmental Stewardship and Climate Action

Reflect Salem State's core commitment to protecting the natural environment in campus facilities, operations, academics, and decision making, and equip faculty, staff and students to understand and engage in addressing the climate emergency.

Goal V. Campus Community and Culture

Foster a campus culture that fuels school spirit, sense of community and collegiality, mutual respect and trust, and shared commitment to student success and the Salem State's long-term future.

Goal VI. Operational Excellence and Infrastructure

Continuously assess and improve the administrative and operational systems, structures, and processes that support the university's mission of teaching, research, and public service, and maintain physical facilities and technologies necessary to deliver the mission effectively and efficiently.

Goal VII. Financial Vitality and Sustainability

Fortify SSU's financial foundation by stabilizing enrollment, growing income from existing and new revenue streams, advocating for greater public funding support, continuing to build a culture of philanthropy, and aligning resources with strategic priorities.

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Management's Discussion and Analysis - Continued
(Unaudited)

Accreditation

The University is accredited by the New England Commission of Higher Education (“NECHE”) and completed a comprehensive 10-year accreditation review in the 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.

Significant Events and Accomplishments

Salem State has many academic and campus accomplishments to celebrate during FY23. What follows is a short list representing a range of these activities.

Salem State University Launched the Largest Fundraising Campaign in Massachusetts State University History

On May 6, 2023, Salem State University announced the public launch of a \$75 million fundraising campaign, the largest philanthropic endeavor in the history of Massachusetts’ nine state universities. The Meet the Moment campaign combines deep investments in student success with the revitalization of Salem State’s campus, positioning the university to meet the needs of its students today and the North Shore region for decades to come. Fundraising goals include Student Financial Aid Support, Student Success, SSU BOLD, and Unrestricted Support. At the May 6 public launch event, Salem State President John D. Keenan announced that the university is already more than 50 percent of the way to its \$75 million fundraising goal, having raised \$40 million to date.

SSU Froze Tuition and Mandatory Fees for 2023-24

Salem State University’s Board of Trustees unanimously voted in June 2023 to freeze tuition and mandatory fees during the fall 2023 to summer 2024 academic year for all students—in-state and out-of-state undergraduate day, continuing education, and graduate degree-seeking. This is the second time in recent years that the board has frozen tuition and mandatory fees in support of Viking students. This important action helps Salem State students stay on the path to earning their degrees.

First Ever Assistant Vice President for Hispanic Serving Institution and Minority Serving Institution Initiatives Hired

Elisa Castillo, PhD is the first person to fill a new senior level role created by Salem State to prepare the university to better serve students of color. Castillo has been named assistant vice president of Hispanic Serving Institution (HSI) and Minority Serving Institution (MSI) initiatives, a role she assumed in July 2023. Salem State is the first of Massachusetts’ state universities, and one of a few nationwide, to launch a senior position focusing on HSI and MSI initiatives. Salem State is on the verge of becoming an HSI institution, which is based on 25% of the student population self-identifying as being from Hispanic heritage. HSI is a federal designation, which opens resource opportunities so the university can better serve all of our students.

Other new leaders appointed during fiscal year 2023 include Christopher MacDonald-Dennis, Vice President for Diversity and Inclusion and Brian Vanden Heuvel, Dean of the College of Arts and

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Management's Discussion and Analysis - Continued
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Sciences.

The 40th Anniversary of the Salem State Series

This past year marked the 40th anniversary of the Salem State University Foundation, Inc.'s popular annual speaker series, the Salem State Series. Among the leading voices who've graced the Series stage with their unique perspectives include four former presidents, Maya Angelou, Desmond Tutu, Gloria Steinem, Paul Farmer, Christopher Reeve, Jane Goodall, Doris Kearns Goodwin, Jay Leno, Tom Brady, and John Legend, among many other influential figures. Amal Clooney, an award-winning attorney specializing in international law and human rights, headlined the Series in September 2022.

Salem State University's Marketing and Communications Team Named Among Top in the Nation in the 2022 Collegiate Advertising Awards

The Collegiate Advertising Awards (CAA) is an elite, national program recognizing higher education organizations for excellence in communications, marketing, advertising, and promotions of their schools. Salem State's team earned gold status—the highest award possible.

Strengthening Classrooms and Communities: Finding Connection through the Educator-Scholars of Color Program

Melissa Noel '24 came to Salem State University with dreams of working in early childhood education, and thanks to a suggestion from her academic advisor Dr. Leslie Duhaylongsod, she is now set up for success in that field as a member of the Educator-Scholars of Color program. The initiative, funded initially through a generous donation from Eastern Bank and supported by four Salem State University faculty members, will increase racial and ethnic diversity in the teacher workforce.

Salem State Announced \$3,000 Transfer Scholarship and Dual Admissions with Area Community Colleges

Salem State University will now grant \$3,000 scholarships to students transferring to the university within a year of receiving their associate degree from North Shore Community College (NSCC) or Northern Essex Community College (NECC). Students enrolling at one of the community colleges can also apply for joint admission to Salem State, guaranteeing their admission to the university upon completing an associate degree. The new offerings are part of the Transfer Connections partnership, which builds on years of collaboration among the institutions to increase access to a quality, affordable higher education. The partnership was enhanced after the presidents and the transfer connections teams from Salem State, NSCC and NECC participated a year-long transfer intensive initiative with the Aspen Institute and the American Association of State Colleges and Universities (AASCU).

Center for Holocaust and Genocide Studies Partnered with School Districts on New Genocide Education Requirement

Salem State's Center for Holocaust and Genocide Studies (CHGS) is playing a central role in implementing the Commonwealth's new law requiring that middle and high schoolers are educated on genocide and mass atrocities. The Massachusetts Department of Elementary and Secondary Education (DESE) recently awarded grants to school districts to support the implementation of "An Act Concerning Genocide Education," signed in December 2021 by then-Governor Charlie Baker. Several

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Management's Discussion and Analysis - Continued
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districts have since formed partnerships with CHGS, which has a long history of preparing educators to teach about the Holocaust, genocide, and other difficult topics.

Salem State's Early College Program is Strengthened by New State Funding

Salem State University's early college partnership with Salem High School has grown thanks to two grants that the university received from the Commonwealth of Massachusetts. The Forten Scholars Early College Program allows high school students to complete up to 24 college credits at no cost, providing those who may not otherwise have an opportunity to attend higher education classes a pathway to reducing the cost and time to degree completion. The goal of Early College is to increase access for students who are first generation to college or face other barriers to pursuing a degree.

Salem State Named McKeown School of Education and Launched Center for Educational Leadership

Salem State University celebrated the naming of the McKeown School of Education on November 16, 2022, and launched a new center to strengthen the North Shore's school leader workforce. The naming follows a \$10 million gift from Cummings Foundation, and the Center for Educational Leadership is the first of many initiatives that the contribution will fund. The Cummings Foundation's gift helps Salem State's founding program, education, collaborate with school districts to strengthen and diversify the educator workforce.

University Capital Planning

SSU BOLD is a major capital project with multiple components, all with the goals of tightening the university's footprint to improve circulation and unify the campus; providing modern, flexible, high-intensity science laboratories, nursing simulation labs and occupational therapy labs; adding new flexible classrooms and computer labs, as well as offices and student gathering spaces, establishing a new home for the McGuire Meservey College of Health and Human Services (MMCHHS) on North Campus; and reducing significant deferred maintenance, while contributing to the university's sustainability goals. To accomplish this, the project includes:

- Selling South Campus, and using the proceeds to assist with the construction of SSU BOLD
- Creating an addition to Meier Hall for science labs
- Performing a complete renovation of Horace Mann to be the home for the MMCHHS
- Tying into a long term decarbonization strategy, with assistance and funding from the Commonwealth

From late fall of last year through the spring semester, the SSU BOLD executive committee, working group, and faculty members worked diligently with Payette, the architectural firm for this project, and the Division of Capital Asset Management and Maintenance (DCAMM), on the design feasibility study phase of SSU BOLD. This study included examinations of the Horace Mann Building, a review of all relevant previous studies and reports, tours of existing facilities on SSU's campus, regular meetings with the executive committee and working group, meetings with faculty in departments that will be the primary users of this new space, a campus open forum and meeting with students, and tours of recently constructed lab facilities at other campuses in the Commonwealth. The information gathered throughout this process resulted in

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Management’s Discussion and Analysis - Continued
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concepts that are referred to as the “preferred alternative” in the architectural field—one of these for each of the two buildings in SSU BOLD.

The project has now moved into the schematic design phase, where the architect will further examine the preferred alternatives for the Meier Hall addition and the Horace Mann Building renovation developed over the previous seven months. The budget for SSU BOLD is \$104.6 million. The Commonwealth is funding \$45 million, the university will contribute \$35.4 million, and the remainder will come from fundraising and the sale of South Campus. We expect to occupy the new spaces for the fall 2026 semester.

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, 2023 is \$82.6 million. Within that figure, the largest component is the net investment in capital assets of \$103.0 million. The University’s total unrestricted net position for fiscal year 2023 is negative \$34.0 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, 2023 is \$61.6 million, an increase of \$14.4 million compared to fiscal year 2022.

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 2023 and FY 2022.

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Management's Discussion and Analysis - Continued
(Unaudited)

	FY 2023	FY 2022
	<i>(In Thousands)</i>	
<u>Statement of Net Position (Balance Sheet)</u>		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 3,325	\$ 3,794
GASB 75 - Other Post Employment Benefits	<u>8,500</u>	<u>7,564</u>
Total deferred outflows	<u>11,825</u>	<u>11,358</u>
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(20,947)	(15,783)
GASB 75 - Other Post Employment Benefits	<u>(26,362)</u>	<u>(27,711)</u>
Total Net Pension & OPEB Liability	<u>(47,309)</u>	<u>(43,494)</u>
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(12,626)	(24,155)
GASB 75 - Other Post Employment Benefits	<u>(47,515)</u>	<u>(56,895)</u>
Total deferred inflows	<u>(60,141)</u>	<u>(81,050)</u>
Net position impact - (Decrease)	<u>\$ (95,625)</u>	<u>\$ (113,186)</u>
One-year Change	17,561	17,205
<u>Statement of Revenues, Expenses & Changes in Net Position</u>		
Pension & OPEB Expenses*:		
GASB 68 - Pension	\$ (5,896)	\$ (6,639)
GASB 75 - Other Post Employment Benefits	<u>(11,665)</u>	<u>(10,566)</u>
Total Net Pension & OPEB Expense**	<u>\$ (17,561)</u>	<u>\$ (17,205)</u>

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

** These "Negative Expenses" for FY23 and FY22 are a decrease of expenses and cause Net Position to be increased.

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Management's Discussion and Analysis - Continued
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The table below shows the impact of GASB 68 (Pension) and GASB 75 (OPEB) on unrestricted net position for the years as presented.

Unrestricted Net Position Impacted by GASB 68 (Pension) and 75 (OPEB)					
<i>(In Thousands)</i>					
	Without Pension & OPEB	Pension Adjustment	OPEB Adjustment	With Pension and OPEB	Difference
Unrestricted Net Position at June 30, 2021	\$ 41,201	\$ (42,784)	\$ (87,607)	\$ (89,190)	
Unrestricted net increase (decrease) for FY 2022 - restated	6,073	6,639	10,566	23,278	
Unrestricted Net Position at June 30, 2022	47,274	(36,145)	(77,041)	(65,912)	\$ (113,186)
Unrestricted net increase (decrease) for FY 2023	14,375	5,896	11,665	31,936	
Unrestricted Net Position at June 30, 2023	\$ 61,649	\$ (30,249)	\$ (65,376)	\$ (33,976)	\$ (95,625)

The net pension liability balance in the June 30, 2023 and 2022 financial statements amounted to approximately \$20.9 million and \$15.8 million, respectively. The total net OPEB liability balance in the June 30, 2023 and 2022 financial statements amounted to approximately \$26.4 million and \$27.7 million, respectively. Combined, the pension and OPEB liabilities at June 30, 2023 and 2022 were \$47.3 million and \$43.5 million respectively.

GASB No. 87 and 96 - Accounting and Financial Reporting for Leases and Subscription-Based Information Technology Arrangements

More recently, the Governmental Accounting Standards Board (GASB) issued two additional standards that materially impacted the presentation of the university's financial statements. GASB 87 – *Leases*, was applicable for yearend June 30, 2022, and GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*, was applicable for yearend June 30, 2023. Both standards required the University to restate its prior year net position as of July 1st to provide comparability with the current year financial statements. See footnote 2 in these financial statements for current year details of the implementation of GASB 96.

As part of the university being required to implement GASB 87 and 96, 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 under GASB 87 are for buildings with the MSCBA, equipment with a vendor and space rental with the Assistance Corporation and under GASB 96 are for software with vendors. The leased assets are amortized on a straight-line basis over the lease term for each lease. The total remaining unamortized leased assets related to lease liabilities was \$195,654,863 and \$203,149,224 at June 30, 2023 and 2022, respectively.

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Management's Discussion and Analysis - Continued
(Unaudited)

The table below shows the significant impacts of GASB 87 and 96 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	6/30/22	6/30/2023
	Restated	Restated	
Capital Assets - Leased	\$ 222,863	\$ 219,437	\$ 219,597
Capital Assets - SBITA	2,928	2,928	5,546
Capital Assets Total - Leased & SBITA	\$ 225,791	\$ 222,365	\$ 225,143
Accumulated Amortization	(9,242)	(19,217)	(29,488)
Net Leased & SBITA Assets	\$ 219,477	\$ 209,004	\$ 198,531
<hr/>			
Leased & SBITA Liability	\$ 224,509	\$ 216,781	\$ 212,461
<hr/>			
Impact on Net Position from GASB 87 & 96	\$ (5,032)	\$ (7,777)	\$ (13,930)

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2023, 2022 and 2021 follows on the next page. Note that this information includes the impact of the Pension, OPEB and Lease accounting standards:

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Management's Discussion and Analysis - Continued
(Unaudited)

Statement of Net Position Summary & Analysis

(In Thousands)

<u>Assets:</u>	2023	Restated 2022	Restated 2021
Current Assets	\$ 111,544	\$ 95,500	\$ 86,176
Capital and Right to Use Assets (net)	347,079	355,535	371,579
Noncurrent Assets	1,902	2,028	3,053
Total Assets	<u>460,525</u>	<u>453,063</u>	<u>460,808</u>
Deferred Outflows of Resources	11,824	11,358	20,988
Total Assets and Deferred Outflows	<u>\$ 472,349</u>	<u>\$ 464,421</u>	<u>\$ 481,796</u>
<u>Liabilities:</u>			
Current Liabilities	\$ 37,355	\$ 36,724	\$ 30,014
Noncurrent Liabilities	286,724	289,661	348,844
Total Liabilities	<u>324,079</u>	<u>326,385</u>	<u>378,858</u>
Deferred Inflows of Resources	65,669	86,850	65,866
<u>Net Position:</u>			
Net investment in capital assets	103,032	105,488	114,515
Restricted	13,553	11,610	11,747
Unrestricted	(33,984)	(65,912)	(89,190)
Total Net Position	<u>82,601</u>	<u>51,186</u>	<u>37,072</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 472,349</u>	<u>\$ 464,421</u>	<u>\$ 481,796</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

Total assets increased in FY 2023 by \$7.5 million or 1.6% over the prior year compared with a 1.7% decrease of \$7.7 million in FY 2022. Most of the changes within the asset categories are primarily associated with an increase in cash and investments of \$16.0 million which is offset by a decrease in capital and right to use assets of \$8.5 million. The decrease of capital and right to use assets was due to depreciation (\$9.4 million) and amortization of right to use assets (\$10.3 million) exceeding the capital asset additions of \$11.3 million. Increases in deferred outflows are primarily related to adjustments in actuarial pension costs from FY 2022 to FY 2023. Total liabilities decreased in FY 2023 by \$2.3 million or 0.7% over the prior year. This change is primarily attributable to increases in the Pension and OPEB liabilities of \$3.8 million offset by decreases in bonds and notes payable of \$2.7 million and the lease liability of \$4.3 million. The decrease in deferred inflows of \$21.2 million are due to the decreases for Pension and OPEB actuarial calculations.

For fiscal 2023, 2022 and 2021, total net position amounted to \$82.6 million, \$51.2 million, and \$37.1 million, respectively. The University's net position in the investment in capital assets (e.g., land, buildings, equipment, and leases) 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 staff; 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.

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Management's Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University's capital assets categories at June 30, 2023, 2022 and 2021 is as follows:

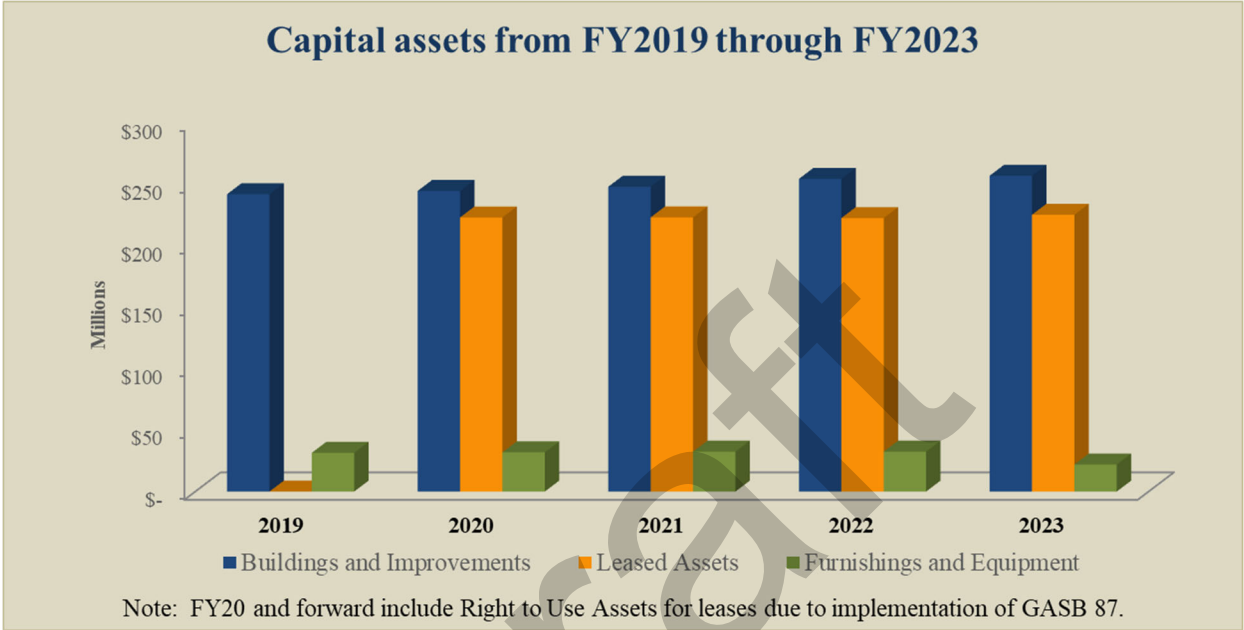
Capital Asset Summary

	<i>(In Thousands)</i>		
	2023	2022 <i>(Restated)</i>	2021 <i>(Restated)</i>
Building and improvements	\$ 256,836	\$ 254,252	\$ 247,948
Construction in Progress	6,668	2,863	5,535
Land	2,536	2,536	2,536
Furniture and Equipment	22,036	32,547	32,547
Leased buildings	204,344	204,344	207,770
Leased space	14,657	14,497	14,497
Leased equipment	596	596	596
Leased software	5,546	2,928	-
Total capital assets	513,219	514,563	511,429
Less:			
Accumulated depreciation	(136,652)	(139,812)	(130,608)
Accumulated Amortization	(29,488)	(19,216)	(9,242)
Total capital assets, net	\$ 347,079	\$ 355,535	\$ 371,579

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Management’s Discussion and Analysis - Continued
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The following graph shows the progression of certain gross capital asset values over the last five years:



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Management's Discussion and Analysis - Continued
(Unaudited)

Capital Assets Changes

The University's total capital asset changes as of June 30, 2023, 2022 and 2021 are depicted below:

Changes in Capital Assets			
	(In Thousands)		
	2023	2022	2021
<u>Building and Land Improvements</u>			
Meier Hall Renovation/Roof Repair	\$ 686	\$ -	\$ 1,127
O'Keefe and Admin Roofing	-	4,964	-
Equipment purchases for IT	1,545	133	1,714
Parking Improvements	-	481	-
Dining Capital Improvements	174	-	454
Various Other Improvements	119	726	194
Energy and Lighting	2,155	-	-
Net Additions to Buildings and Improvements	4,679	6,304	3,489
<u>Construction in Progress ("CIP")</u>			
Various Ongoing Renovation Projects	6,126	2,121	1,603
Energy and Lighting Projects	1,306	-	-
Roofing Projects	-	1,176	3,677
IT Projects	1,051	335	1,713
Additions to Construction in Progress	8,483	3,632	6,993
Transfer of Construction in Progress to Capital Assets	(4,679)	(6,304)	(3,489)
Net Additions (Reductions) to CIP	3,804	(2,672)	3,504
<u>Furniture & Equipment</u>			
Fitness	199	-	-
IT and Police	-	-	625
Vehicle	-	-	52
Net Additions to Furniture and Equipment	199	-	677
<u>Leased Assets</u>			
Leased buildings	-	(3,426)	-
Leased space	160	-	-
Leased equipment	-	-	-
Leased software	2,618	2,928	-
Net Additions (Reductions) to Leased Assets	2,778	(498)	-
Total Net Asset Additions	11,460	3,134	7,670
Depreciation Expense for the Year	9,425	9,204	9,474
Amortization Expense for the Year	10,272	9,974	9,241
Loss on Disposal	219	-	-
Net (Decrease) Increase in Capital Assets	\$ (8,456)	\$ (16,044)	\$ (11,045)

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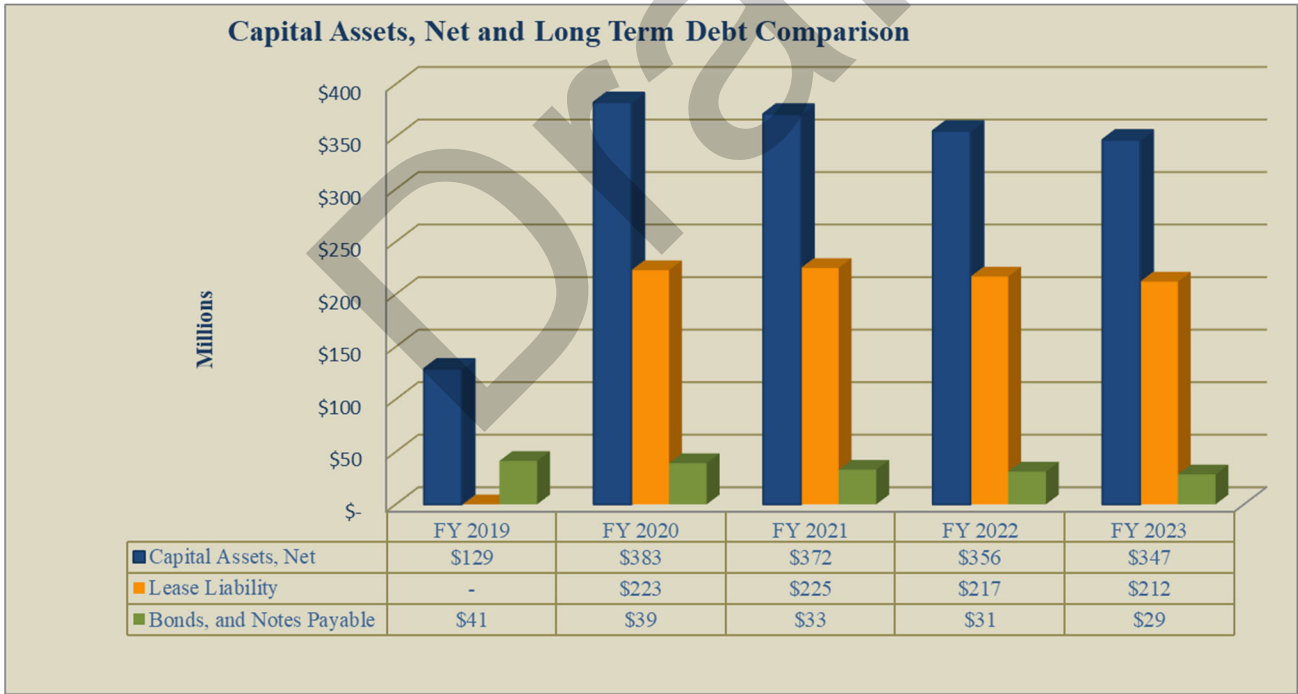
Management’s Discussion and Analysis - Continued
(Unaudited)

Net Investment in Capital Assets and Long Term Debt Comparison

The University is a lessee of multiple long-term leases for buildings, equipment, office space from the MSCBA, a vendor, the Assistance Corporation under GASB 87, *Leases* and software vendors under GASB 96, *Subscription-Based Information Technology Arrangements*. 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 and software subscription arrangements of \$7,108,002 and \$7,385,329 for the years ended June 30, 2023 and 2022, respectively.

The University paid interest on Bonds and Notes Payables of \$502,791 and \$670,003 for the years ended June 30, 2023 and 2022, 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 2019 through 2023:



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.

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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, 2023, 2022 and 2021 follows. Note that this information includes the impact of the GASB 68 *Pensions*, GASB 75 *OPEB*, GASB 87 *Leases* and GASB 96 *Subscription-Based Information Technology Arrangements* accounting standards.

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

Management's Discussion and Analysis - Continued
(Unaudited)

Statement of Revenues, Expenses and Changes in
Net Position Summary

	<i>(In Thousands)</i>		
	<u>2023</u>	<u>Restated 2022</u>	<u>Restated 2021</u>
<u>Operating Revenues:</u>			
Tuition and Fees, Net	\$ 55,548	\$ 57,374	\$ 61,774
Federal, State, and Private Grants	22,749	21,530	19,843
Sales and Services	433	311	350
Auxiliary and Other	22,862	20,201	12,184
Total Operating Revenues	<u>101,592</u>	<u>99,416</u>	<u>94,151</u>
<u>Operating Expenses:</u>			
Compensation, benefits and other *	100,559	101,464	100,740
Supplies and services	29,507	30,325	25,361
Utilities	3,540	3,730	3,124
Depreciation	9,424	9,204	9,474
Amortization	10,272	10,349	9,241
Scholarships	12,701	19,891	12,776
Total Operating Expenses	<u>166,003</u>	<u>174,963</u>	<u>160,716</u>
<u>Non-Operating Revenues (Expenses):</u>			
State appropriations	78,474	77,309	67,963
Federal Grants	1,536	20,660	11,776
State Grants	4,700	-	-
Gifts	4,246	3,057	2,370
Investment Income (Loss), net	7,296	(5,896)	5,283
MSCBA funds received	1,118	156	3,478
Gain Early Retirement of Debt	-	275	-
Interest Expense	(7,611)	(8,055)	(7,877)
Other Non-Operating Expenses	(219)	-	-
Total Non-Operating Revenues, Net	<u>89,540</u>	<u>87,506</u>	<u>82,993</u>
Capital Grants	6,287	2,155	3,708
Increase in Net Position	<u>\$ 31,416</u>	<u>\$ 14,114</u>	<u>\$ 20,136</u>
* This total is comprised of the following:			
Compensation and Benefits	\$ 118,120	\$ 117,696	\$ 104,920
Retroactive compensation for prior years	-	973	-
Pension and OPEB expense	(17,561)	(17,205)	(4,180)
	<u>\$ 100,559</u>	<u>\$ 101,464</u>	<u>\$ 100,740</u>

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

Highlights for Operating Revenues

The increase in total operating revenues of \$2.2 million (2.2%) in FY 2023 resulted primarily from the following:

Tuition and Fees, net: Tuition and fees, net of scholarships and fellowships decreased by 3.2% (\$1.8 million) in FY 2023. The decrease is due to continuing declining enrollments while the university operated in the aftermath of the COVID-19 pandemic.

Federal, State and Private Grants: Federal, state and private grant revenues increased \$1.2 million or 5.7% over FY 2022. 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 \$2.7 million or 13.2% in FY 2023. This was due to higher housing and meal plan revenue associated with an increased presence on campus over FY 2022.

Highlights for Operating Expenses

The decrease in total operating expenses of \$9.0 million (5.1%) in FY 2022 over prior year resulted primarily from the following:

Compensation and Benefits: Compensation and benefits showed a slight decrease during FY 2023 of \$982 thousand (0.9%). This was primarily due to the prior year having retroactive payroll payments for contractual salary increases dating back through July of 2020.

Depreciation and Amortization (GASB 87 and 96): Depreciation for buildings, building improvements and other assets and amortization on leased assets remained fairly consistent for FY 2023 when compared to FY2022.

Changes in GASB 68, Pensions Activity: The ninth year of adoption of GASB 68 for pensions resulted in a negative expense (decrease of expenses) of \$5.9 million in FY 2023. 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 sixth year of adoption of GASB 75 for other post-employment benefits resulted in a negative expense (decrease of expenses) of \$11.7 million in FY 2023. 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.

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

Enactment and Changes for GASB 87, Leases and GASB 96, Subscription-Based Information Technology Arrangements activity:

The first year of adopting GASB 96 and the second 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 2023 of \$2.0 million (2.3%) resulted primarily from the following:

State Appropriations: State appropriations increased by \$1.2 million (1.5%) in FY 2023 over prior year, primarily to support employee payroll and related fringe benefit costs. Greater than half (70.9) of the University's payroll and fringe is funded by state operating appropriations.

Federal Grants: Federal grants in the amount of \$1.5 million in FY23 represented funds received from FEMA for reimbursement of expenses incurred due to the COVID-19 emergency. The University received \$20.7 million in federal grants in FY22 which was comprised of \$20.3 million of HEERF funding along with \$0.4 million in FEMA reimbursement. Of the \$20.3 million in HEERF funding, \$9.5 million was for assistance to students and \$10.8 million to the University for offsetting costs and lost revenue related to the COVID-19 emergency.

Gifts: Gift revenue is a variable source. During FY 2023 gifts transferred from the Salem State University Foundation increased by \$1.2 million (38.9%) over FY 2022.

Investment Income, net: Investment income increased by \$13.2 million in FY 2023 and is attributable to favorable market conditions.

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

Managed Revenue and Expense Report

The university operates using an internal Managed Revenues and Expenses Report format which is not intended to conform to Generally Accepted Accounting Principles (GAAP); this report distinguishes between managed and non-cash revenue and expense activity. The Managed Revenues and Expenses format allows the reader to focus on the elements of financial activity that university administration must control and manage while displaying certain non-cash GAAP based revenue and expense items in a section at the bottom. Importantly, Managed Revenue and Managed Expense are calculated on an accrual basis; thus, they are not intended to represent cash in and cash out. To illustrate, while the Managed Net Income figure for FY 2023 is \$16.2 million, cash actually increased by \$10.8 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 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 2023, 2022 and 2021. Managed Net Income was positive for each of the three years. Managed Net Income for FY 2023 was approximately \$16.2 million, which represents a 6.2% decrease over the prior year.

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Management's Discussion and Analysis - Continued
(Unaudited)

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

Managed Revenue and Expense Report Format

(In Thousands)

	FY2023	FY2022 (Restated)	FY2021 (Restated)
Managed Revenue:			
Net Tuition and Fees	\$ 42,848	\$ 37,483	\$ 48,998
Federal, State, Private Grants and Assistance	28,984	42,189	31,619
Auxiliary Enterprises	22,710	20,063	12,100
State General Appropriations	78,474	77,309	67,963
Other Revenue	7,975	5,325	5,390
Total Managed Revenue	<u>180,991</u>	<u>182,369</u>	<u>166,070</u>
Year over Year Change	-0.8%	9.8%	6.0%
Managed Expenses:			
Compensation	118,120	118,669	104,920
Support	26,229	23,044	20,317
Facility-related	20,479	23,422	13,235
Total Managed Expenses	<u>164,828</u>	<u>165,135</u>	<u>138,472</u>
Year over Year Change	-0.2%	19.3%	-17.2%
Managed Net Income	<u>16,163</u>	<u>17,234</u>	<u>27,598</u>
Non-Cash Revenue/(Expenses):			
Capital Grants	6,287	2,155	3,708
Depreciation	(9,425)	(9,204)	(9,474)
Unrealized Gains/(Losses)	4,152	(7,559)	3,252
GASB 68 Pension	5,896	6,639	(1,085)
GASB 75 OPEB	11,665	10,566	5,266
GASB 87 Leases	(3,163)	(5,961)	(9,129)
GASB 96 Leases	60	(32)	-
Gain on Early Retirement of Debt	-	276	-
Loss on Disposal of Capital Assets	(219)	-	-
Total Non-Cash Revenue/(Expenses)	<u>15,253</u>	<u>(3,120)</u>	<u>(7,462)</u>
Year over Year Change	588.9%	-58.2%	-35.6%
Total Increase in Net Position	<u>\$ 31,416</u>	<u>\$ 14,114</u>	<u>\$ 20,136</u>

SALEM STATE UNIVERSITY
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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), GASB 87 (Leases) and GASB 96 (Subscription-Based Information Technology Arrangements) 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, 2023 and 2022.

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

Management Statement of Net Position Report Format

(in Thousands)

	FY 2023	Restated FY 2022	\$ Change	% Change
Assets, Non-GASB:				
Cash:				
Operating Cash	\$ 50,698	\$ 40,292	\$ 10,406	25.83%
Non-Operating Cash	3,332	2,988	344	11.51%
Investments	50,298	44,640	5,658	12.67%
Accounts, Grants & Other Receivable	7,890	8,107	(217)	-2.68%
Capital Assets, Net	151,424	152,386	(962)	-0.63%
Other Assets, Prepays/Advances	1,227	1,501	(274)	-18.25%
Total Assets, Non-GASB	264,869	249,914	14,955	5.98%
Assets, GASB:				
Pension GASB 68 - Deferred Outflows	3,325	3,794	(469)	-12.36%
OPEB GASB 75 - Deferred Outflows	8,500	7,564	936	12.37%
Right of Use Assets, Net - GASB 87 & 96	195,655	203,149	(7,494)	-3.69%
Total Assets, GASB	207,480	214,507	(7,027)	-3.28%
Total Assets and Deferred Outflows	472,349	464,421	(7,928)	-1.71%
Liabilities, Non-GASB:				
Accounts Payable & Accrued Expenses	15,447	15,048	399	2.65%
Compensated Absences	10,775	10,974	(199)	-1.81%
Other Liabilities	4,190	4,286	(96)	-2.24%
Unearned Revenues	5,692	4,938	754	15.27%
Bonds and Notes Payable	33,684	36,583	(2,899)	-7.92%
Total Liabilities, Non-GASB	69,788	71,829	(2,041)	-2.84%
Liabilities, GASB:				
Pension GASB 68 - Liability	20,947	15,783	5,164	32.72%
Pension GASB 68 - Deferred Inflows	12,626	24,155	(11,529)	-47.73%
OPEB GASB 75 - Liability	26,362	27,711	(1,349)	-4.87%
OPEB GASB 75 - Deferred Inflows	47,515	56,896	(9,381)	-16.49%
Lease GASB 87 & 96 - Liability	212,510	216,862	(4,352)	-2.01%
Total Liabilities, GASB	319,960	341,407	(21,447)	-6.28%
Total Liabilities and Deferred Inflows	389,748	413,236	(23,488)	-5.68%
Net Position	82,601	51,185	31,416	61.38%
Total Liabilities, Deferred Outflows & Net Position	\$ 472,349	\$ 464,421	\$ 7,928	1.71%

SALEM STATE UNIVERSITY
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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, 2023, 2021 and 2020 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>2023</u>	<u>2022</u>	2021
Operating Activities	\$ 19,982	\$ 9,071	\$ 20,235
Non Capital Financing Activities	8,745	23,663	11,804
Capital Financing Activities	(19,591)	(17,149)	(8,277)
Investing Activities	1,615	(16,484)	(11,305)
Net Increase/(Decrease) in Cash	<u>\$ 10,751</u>	<u>\$ (899)</u>	<u>\$ 12,457</u>

Highlights for Cash Flows

The overall increase in cash and cash equivalents for FY 2023 amounted to \$10.8 million. Cash provided by Operating Activities increased over FY 2022 primarily because FY 2022 was the final year of distribution of HEERF awards to students. Cash provided by Non-Capital Financing Activities in FY 2023 was lower than the prior year primarily from a reduction in COVID-19 related funding received. Cash applied to Capital Financing Activities in FY 2023 exceeded the prior year primarily from additional principal and interest paid on lease liabilities recorded as a result of GASB 87 and 96. Cash provided by Investing Activities in FY 2023 exceeded the prior year primarily due to improved market conditions.

Compliance with Debt Policy

In FY 2023, 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.

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

Looking Ahead to FY 2024

In the next fiscal year, the university's new strategic plan will proceed to the implementation phase, with a variety of actions taken to pursue each of the seven goals and the overarching goal of student success. The university has designed a blueprint for becoming a Hispanic Serving Institution and will pursue actions consistent with that plan. The fundraising campaign will continue, with a target of raising \$17 million during the year. In addition, the feasibility study for project BOLD completed by the architectural firm hired by the Commonwealth should be certified by the Division of Capital Asset Management and Maintenance. This will allow the project to progress through the next phases, in FY 2024 - Schematic Design and Design Development.

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.

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SALEM STATE UNIVERSITY
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Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	Primary Government	(Restated) 2022 University	2023 Assistance Corporation	Component Unit 2022 Assistance Corporation
Current Assets:				
Cash and cash equivalents	\$ 39,212,279	\$ 29,687,896	\$ 285,395	\$ 384,243
Restricted cash and cash equivalents	8,518,602	6,034,932	-	-
Deposits held by State Treasurer	2,967,502	4,569,010	-	-
Cash held by State Treasurer	2,754,865	1,319,307	-	-
Deposits held by MSCBA and DCAMM	577,252	1,668,484	-	-
Investments	50,197,802	44,539,734	-	-
Accounts, grants and other receivable, net	6,988,557	7,110,125	1,138	4,663
Loans receivable	275,439	245,851	-	-
Lease receivable, current portion	-	-	483,630	715,905
Other current assets	51,385	325,002	2,675	4,250
Total Current Assets	111,543,683	95,500,341	772,838	1,109,061
Non-Current Assets:				
Investments	100,000	100,000	-	-
Loans receivable, net of current portion	625,886	751,284	-	-
Lease receivable, net of current portion	-	-	10,773,756	11,048,635
Capital assets, net	347,079,209	355,535,370	20,492,168	21,107,154
Debt service reserve	1,176,075	1,176,075	-	-
Total Non-Current Assets	348,981,170	357,562,729	31,265,924	32,155,789
Total Assets	460,524,853	453,063,070	32,038,762	33,264,850
Deferred Outflow of Resources:				
Deferred outflows for pensions	3,324,916	3,793,892	-	-
Deferred outflows for other post employment benefits	8,499,513	7,564,195	-	-
Total Deferred Outflows of Resources	11,824,429	11,358,087	-	-
Total Assets and Deferred Outflows of Resources	\$ 472,349,282	\$ 464,421,157	\$ 32,038,762	\$ 33,264,850

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
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Attachment B

Statements of Net Position

June 30, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2023 University	(Restated) 2022 University	Assistance Corporation	Assistance Corporation
Current Liabilities:				
Accounts payable and accrued expenses	\$ 6,490,156	\$ 6,442,546	\$ 61,453	\$ 49,392
Accrued payroll	9,005,690	8,686,293	-	-
Accrued compensated absences	6,309,857	6,415,887	-	-
Accrued workers' compensation	249,306	249,306	-	-
Unearned revenues	5,691,506	4,937,656	5,282	2,606
Note payable	201,927	301,240	29,439	28,301
Bonds payable	2,660,082	2,581,661	-	-
Lease liability	5,242,326	5,785,742	187,542	154,444
SBITA liability	1,248,244	1,062,970	-	-
Deposits	255,411	260,767	-	-
Total Current Liabilities	37,354,505	36,724,068	283,716	234,743
Non-Current Liabilities:				
Accrued compensated absences	4,464,734	4,558,401	-	-
Accrued workers' compensation	1,818,923	1,818,923	-	-
Notes payable, net of current portion	155,767	173,954	983,430	1,012,268
Bond payable, net of current portion	25,474,333	28,134,423	-	-
Lease Liability, net of current portion	204,162,024	209,244,043	10,758,202	10,937,690
SBITA Liability, net of current portion	1,808,470	688,517	-	-
Loans payable - Federal financial assistance programs	1,531,278	1,549,594	-	-
Net pension liability	20,946,990	15,782,623	-	-
Net other post employment benefits liability	26,361,589	27,710,622	-	-
Other non-current liabilities	-	-	30,377	31,917
Total Non-Current Liabilities	286,724,108	289,661,100	11,772,009	11,981,875
Total Liabilities	324,078,613	326,385,168	12,055,725	12,216,618
Deferred Inflows of Resources:				
Public- private partnerships	336,298	407,405	-	-
Deferred inflows for pensions	12,626,204	24,155,264	-	-
Deferred inflows for other post employment benefits	47,515,280	56,895,794	-	-
Deferred inflows for bond refunding	5,191,624	5,391,944	-	-
Deferred inflows for leases	-	-	9,866,254	10,960,541
Total Deferred Inflows of Resources	65,669,406	86,850,407	9,866,254	10,960,541
Net Position:				
Net investment in capital assets	103,031,709	105,487,917	8,533,555	8,974,451
Restricted:				
Nonexpendable	110,000	110,000	-	-
Expendable	13,443,133	11,499,800	-	-
Unrestricted	(33,983,579)	(65,912,135)	1,583,228	1,113,240
Total Net Position	82,601,263	51,185,582	10,116,783	10,087,691
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 472,349,282	\$ 464,421,157	\$ 32,038,762	\$ 33,264,850

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
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Attachment B

Statements of Revenues and Expenses
For the Years Ended June 30, 2023 and 2022

	Primary Government		Component Unit	
	2023 University	(Restated) 2022 University	Assistance Corporation	Assistance Corporation
Operating Revenues:				
Tuition and fees	\$ 74,159,486	\$ 77,629,014	\$ -	\$ -
Less: scholarships and fellowships	(18,611,121)	(20,255,085)	-	-
Net tuition and fees	55,548,365	57,373,929	-	-
Federal grants and contracts	12,238,979	12,921,585	-	-
State grants and contracts	9,569,590	8,255,460	-	-
Private grants and contracts	940,101	352,601	81,995	106,211
Sales and services of educational departments	432,982	311,138	-	-
Auxiliary enterprises	22,710,462	20,063,176	-	-
Lease revenue	-	-	1,370,366	1,136,152
Other operating revenues	151,353	137,727	53,920	48,587
Total Operating Revenues	101,591,832	99,415,616	1,506,281	1,290,950
Operating Expenses:				
Educational and general:				
Instruction	51,642,944	52,151,820	-	-
Public service	1,212,802	1,268,339	-	-
Academic support	15,684,154	15,014,078	-	-
Student services	18,520,182	17,646,879	-	-
Institutional support	13,915,730	16,843,442	-	-
Operation and maintenance of plant	20,420,301	17,846,497	-	-
Scholarships	12,700,771	19,891,374	-	-
Depreciation & Amortization	19,696,979	19,552,567	714,906	696,331
Auxiliary enterprises	12,209,468	14,747,365	957,480	900,277
Total Operating Expenses	166,003,331	174,962,361	1,672,386	1,596,608
Net Operating Loss	(64,411,499)	(75,546,745)	(166,105)	(305,658)
Non-Operating Revenues (Expenses):				
State appropriations, net	78,474,052	77,309,109	201,928	196,622
Federal grants	1,535,633	20,659,539	-	-
State grants	4,699,752	-	-	-
Gifts	4,246,152	3,056,807	-	-
Investment income (loss), net	7,296,501	(5,895,659)	-	-
Interest income	-	-	668,277	694,151
MSCBA funds received	1,117,990	155,926	-	-
Gain early retirement of debt	-	275,531	-	-
Interest expense	(7,610,794)	(8,055,332)	(675,008)	(684,115)
Other non-operating expense	(219,371)	-	-	-
Net Non-Operating Revenues	89,539,915	87,505,921	195,197	206,658
Increase (Decrease) in Net Position Before Capital Grants	25,128,416	11,959,176	29,092	(99,000)
Capital grants	6,287,265	2,154,659	-	-
Total Increase (Decrease) in Net Position	\$ 31,415,681	\$ 14,113,835	\$ 29,092	\$ (99,000)

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, 2023 and 2022

	<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, 2021	\$ 114,515,695	\$ 1,268,006	\$ 10,477,961	\$ (89,189,915)	\$ 37,071,747
Changes in net position for 2022 - restated (Note 2)	<u>(9,027,778)</u>	<u>(1,158,006)</u>	<u>1,021,839</u>	<u>23,277,780</u>	<u>14,113,835</u>
Balance at June 30, 2022	105,487,917	110,000	11,499,800	(65,912,135)	51,185,582
Changes in net position for 2023	<u>(2,456,208)</u>	<u>-</u>	<u>1,943,333</u>	<u>31,928,556</u>	<u>31,415,681</u>
Balance, June 30, 2023	<u>\$ 103,031,709</u>	<u>\$ 110,000</u>	<u>\$ 13,443,133</u>	<u>\$ (33,983,579)</u>	<u>\$ 82,601,263</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, 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 at June 30, 2022	8,974,451	-	-	1,113,240	10,087,691
Changes in net position for 2023	<u>(440,896)</u>	<u>-</u>	<u>-</u>	<u>469,988</u>	<u>29,092</u>
Balance, June 30, 2023	<u>\$ 8,533,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,583,228</u>	<u>\$ 10,116,783</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, 2023 and 2022

	Primary Government	
	2023	(Restated) 2022
	University	University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 55,441,274	\$ 57,418,324
Grants and contracts	24,257,400	22,293,017
Payments to suppliers and vendors	(31,769,400)	(32,675,459)
Payments to employees	(87,766,131)	(87,832,085)
Payments for benefits	(7,879,246)	(7,414,560)
Payments to students	(12,700,771)	(19,891,374)
Loans issued to students	(145,969)	(38,000)
Collection of loans to students	239,479	255,965
Auxiliary enterprises receipts	22,862,760	19,824,309
Sales and services of educational departments	461,193	57,361
Other	110,768	400,148
	<u>(36,888,643)</u>	<u>(47,602,354)</u>
Net Cash Applied to Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
State appropriations	56,870,968	56,673,023
HEERF funds	-	21,715,978
FEMA funds	397,784	-
State funds	4,699,752	-
Tuition remitted to State	(751,390)	(777,394)
Student interest received (paid)	(7,977)	(358,807)
Gifts	4,406,957	3,083,226
	<u>65,616,094</u>	<u>80,336,026</u>
Net Cash Provided by Non-Capital Financing Activities		
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(1,818,445)	(5,445,687)
Principal paid on bonds payable, notes payable and lease liabilities	(10,011,616)	(3,573,099)
Interest paid on bonds payable, notes payable, and lease liabilities	(7,761,047)	(8,130,232)
	<u>(19,591,108)</u>	<u>(17,149,018)</u>
Net Cash Applied to Capital Financing Activities		
Cash Flows from Investing Activities:		
Investment income	2,916,475	871,921
Proceeds from sale of investments	10,972,341	10,846,637
Purchase of investments	(12,274,288)	(28,202,329)
	<u>1,614,528</u>	<u>(16,483,771)</u>
Net Increase in Cash and Equivalents		
	10,750,871	(899,117)
Cash and Cash Equivalents, Beginning of the Year	<u>43,279,629</u>	<u>44,178,746</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 54,030,500</u>	<u>\$ 43,279,629</u>

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Statements of Cash Flows - Continued

For the Years Ended June 30, 2023 and 2022

	Primary Government	
	2023	(Restated) 2022
	University	University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (64,411,499)	\$ (75,546,745)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	19,696,979	19,552,567
Bad debts	91,321	71,410
Fringe benefits provided by State	22,354,474	21,413,480
Payments to suppliers and vendors provided by State	1,169,756	166,466
Changes in assets and liabilities:		
Accounts receivable	1,020,857	(586,821)
Accounts payable and accrued liabilities	(240,461)	872,596
Accrued payroll and benefits	119,700	2,008,670
Other assets	97,617	39,591
Loans to/from students	95,810	220,611
Deposits	(5,358)	57,147
Unearned revenues	682,744	1,333,248
Deferred inflows	(20,909,575)	21,128,437
Deferred outflows	(466,342)	9,630,059
Net pension liability	5,164,367	(24,211,114)
Net OPEB liability	(1,349,033)	(23,751,956)
Net Cash Applied to Operating Activities	<u>\$ (36,888,643)</u>	<u>\$ (47,602,354)</u>

Cash Flow Information

	Primary Government	
	2023	2022
	University	University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 39,212,279	\$ 29,687,896
Restricted cash and cash equivalents	8,518,602	6,034,932
Deposits held by State Treasurer	2,967,502	4,569,010
Cash held by State Treasurer	2,754,865	1,319,307
Deposits held by MSCBA and DCAMM	577,252	1,668,484
	<u>\$ 54,030,500</u>	<u>\$ 43,279,629</u>

Schedule of noncash investing and financing activities

	Primary Government	
	2023	2022
	University	University
Acquisition of capital assets	\$ 11,100,861	\$ 6,560,530
Accounts receivable beginning of year	-	(555,045)
Accounts and notes payable beginning of year	172,963	1,917,819
Accounts and notes payable end of year	(550,574)	(172,963)
SBITA acquisitions	(2,617,540)	-
Payments made by DCAMM and State	(6,287,265)	(2,304,654)
Cash payments for capital assets	<u>\$ 1,818,445</u>	<u>\$ 5,445,687</u>
Unrealized gain (loss) on marketable securities	\$ 4,151,544	\$ (7,558,894)
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 22,354,474</u>	<u>\$ 21,413,480</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 3,222,297	\$ 2,950,716
Restricted cash and cash equivalents	411,137	901,190
Pledges receivable, net	2,681,070	3,782,043
Other current assets	76,486	172,308
Total Current Assets	6,390,990	7,806,257
Non-Current Assets:		
Investments securities	54,354,491	38,715,626
Long-term pledges receivable, net	1,844,765	3,514,788
Total Non-Current Assets	56,199,256	42,230,414
Total Assets	\$ 62,590,246	\$ 50,036,671
<u>Liabilities and Net Position</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 578,628	\$ 690,354
Deferred revenues	-	104,920
Total Current Liabilities	578,628	795,274
Total Liabilities	578,628	795,274
Net Assets:		
Without donor restrictions:		
Operating	2,820,512	2,382,936
Board designated	228,943	482,689
Total net assets without donor restrictions	3,049,455	2,865,625
With donor restrictions	58,962,163	46,375,772
Total Net Assets	62,011,618	49,241,397
Total Liabilities and Net Assets	\$ 62,590,246	\$ 50,036,671

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support:			
Contributions and gifts of cash and other financial assets	\$ 1,116,860	\$ 13,303,947	\$ 14,420,807
Investment return appropriated for operations	1,506,533	-	1,506,533
Investment return - other	77,763	1,231,580	1,309,343
Contributions and gifts of nonfinancial assets	52,352	54,074	106,426
Speaker series	135,186	-	135,186
Provision for losses on pledges receivable	-	1,000,000	1,000,000
	<u>2,888,694</u>	<u>15,589,601</u>	<u>18,478,295</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>4,910,043</u>	<u>(4,910,043)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>7,798,737</u>	<u>10,679,558</u>	<u>18,478,295</u>
Operating Expenses:			
Program services	6,359,861	-	6,359,861
Management services	328,804	-	328,804
Fundraising	933,268	-	933,268
	<u>7,621,933</u>	<u>-</u>	<u>7,621,933</u>
Total Operating Expenses	<u>7,621,933</u>	<u>-</u>	<u>7,621,933</u>
Changes in Net Assets from Operating Activities	<u>176,804</u>	<u>10,679,558</u>	<u>10,856,362</u>
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,506,533)	(1,506,533)
Investment return, net	7,026	3,413,366	3,420,392
	<u>7,026</u>	<u>1,906,833</u>	<u>1,913,859</u>
Changes in Net Assets for Non-Operating Activities	<u>7,026</u>	<u>1,906,833</u>	<u>1,913,859</u>
Total Increase (Decrease) in Net Assets	<u>183,830</u>	<u>12,586,391</u>	<u>12,770,221</u>
Net Assets, Beginning of Year	<u>2,865,625</u>	<u>46,375,772</u>	<u>49,241,397</u>
Net Assets, End of Year	<u>\$ 3,049,455</u>	<u>\$ 58,962,163</u>	<u>\$ 62,011,618</u>

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)
	<u>2,001,206</u>	<u>5,413,993</u>	<u>7,415,199</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	3,817,925	(3,817,925)	-
	<u>5,819,131</u>	<u>1,596,068</u>	<u>7,415,199</u>
Operating Expenses:			
Program services	5,083,557	-	5,083,557
Management services	310,906	-	310,906
Fundraising	257,028	-	257,028
	<u>5,651,491</u>	<u>-</u>	<u>5,651,491</u>
Total Operating Expenses	<u>5,651,491</u>	<u>-</u>	<u>5,651,491</u>
Changes in Net Assets from Operating Activities	<u>167,640</u>	<u>1,596,068</u>	<u>1,763,708</u>
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,380,831)	(1,380,831)
Investment return, net	-	(6,545,976)	(6,545,976)
	<u>-</u>	<u>(7,926,807)</u>	<u>(7,926,807)</u>
Changes in Net Assets for Non-Operating Activities	<u>-</u>	<u>(7,926,807)</u>	<u>(7,926,807)</u>
Total Increase in Net Assets	<u>167,640</u>	<u>(6,330,739)</u>	<u>(6,163,099)</u>
Net Assets, Beginning of Year	<u>2,697,985</u>	<u>52,706,511</u>	<u>55,404,496</u>
Net Assets, End of Year	<u>\$ 2,865,625</u>	<u>\$ 46,375,772</u>	<u>\$ 49,241,397</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, 2023 and 2022

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. The pandemic has had a significant impact on the University's students, housing and other operations and its resources.

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, 2023 and 2022

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	Institutional	Strengthening Institution	Total
	Award	Award	Program	
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 HEERF and SIP grant revenue for the year ended 2022:

For the Year Ended June 30, 2022				
	Student Aid	Institutional	Strengthening Institutions	Total
	Award	Award	Program	
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

The University has applied for FEMA grant funds for costs associated with COVID-19. The University has submitted costs incurred during FY23, FY22 and FY21 totaling approximately \$2,682,000. For the years ended June 30, 2023 and 2022 approximately \$1,536,000 and \$398,000, respectively, has been approved by FEMA and recognized as grant revenue by the University.

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

Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

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 lease 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, 2023 and 2022

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, 2023 and 2022, the Foundation distributed scholarships in the amount of \$980,709 and \$1,119,627, 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, 2023 and 2022

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. If items do not meet the definition of program revenues, they are 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 or by law 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, 2023 and 2022

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 or by law 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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

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, within these financials are for buildings with the MSCBA, equipment and and space leased from with the Assistance Corporation.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a annual 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
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Capital Assets - continued

Subscription based information technology arrangements are recorded in these financial statements in accordance with GASB 96 and represent the University's authority (right) to utilize software over the duration of an agreed-upon arrangement term with another entity or vendor. The right to use assets are measured based on the term of the arrangement.

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 or term of the lease.

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.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

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.

Post-employment Benefits Other Than Pensions ("OPEB")

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

Interest Costs

During 2023 and 2022, total interest costs incurred were as follows:

	2023	(Restated) 2022
Interest expense on bonds & notes	\$ 502,791	\$ 670,003
Equipment lease interest - GASB 87	10,386	15,000
Building lease interest - GASB 87	495,054	514,616
MSCBA lease interest - GASB 87	6,550,774	6,769,496
Software lease interest - GASB 96	51,789	86,217
Total	<u>\$7,610,794</u>	<u>\$8,055,332</u>

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.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

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.

Upcoming Governmental Accounting Pronouncements

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 2022 financial statements have been reclassified to conform with the 2023 presentation.

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

GASB 96 Implementation

As of July 1, 2021, the University implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*. GASB 96 enhances the consistency SBITA activities and establishes the requirement to recognize a right of use asset and liability for SBITAs.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

University

There was no change to net position for the University as of July 1, 2021, upon the implementation of GASB 96 since the adjustment for the right to use assets of \$2,928,523 was completely offset by the adjustment for the lease liability.

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2021:			
Capital Asset, Net	\$ 371,578,791	2,928,523	\$ 374,507,314
SBITA liability	\$ -	2,928,523	\$ 2,928,523
As of June 30, 2022:			
Capital Asset, Net	\$ 353,734,911	1,800,459	\$ 355,535,370
SBITA liability	\$ -	1,751,487	\$ 1,751,487
Accounts payable and accrued expenses	\$ 1,327,015	80,883	\$ 1,407,898
Net position	\$ 51,217,495	(31,913)	\$ 51,185,582
Year Ended June 30, 2022:			
Supplies and Services	\$ 31,506,400	(1,182,368)	\$ 30,324,032
Depreciation and amortization	\$ 18,424,503	1,128,064	\$ 19,552,567
Interest expense	\$ 7,969,115	86,217	\$ 8,055,332

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, 2023 and 2022 were \$47,730,881 and \$35,722,828 respectively. This includes amounts held in deposit at the Massachusetts Municipal Depository Trust ("MMDT") of \$45,934,355 and \$33,878,491 as of June 30, 2023 and 2022, 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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Custodial Credit Risk - continued

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 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, 2023 and 2022 were \$48,656,064 and \$37,057,448, 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.

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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Credit Risk- continued

As of June 30, 2023, and 2022, the fair values of the University's deposits held at the MMDT were \$45,934,355 and \$33,878,491, respectively. At June 30, 2023, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 78% at 30 days or less; 10% at 31-90 days; 8% at 91-180 days and 4% at 181 days or more. 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.

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, 2023 and 2022 through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sums of \$2,967,502 and \$4,569,010, respectively.

Liabilities to be funded by state appropriations at June 30, 2023 and 2022 were \$2,754,865 and \$1,319,307, respectively.

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.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 5 – **Investments – Continued**

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.

University

The University's investments at fair value measurement are as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 2,457,419	\$ -	\$ -	\$ 2,457,419
U.S. equities	2,420,908	-	-	2,420,908
Corporate bonds	15,249,460	-	-	15,249,460
International emerging	1,068,746	-	-	1,068,746
Small and Mid Cap equities	1,134,397	-	-	1,134,397
Total mutual funds	22,330,930	-	-	22,330,930
Common stocks	22,610,122	-	-	22,610,122
Corporate bonds	-	5,356,750	-	5,356,750
Total investment assets	<u>\$44,941,052</u>	<u>\$ 5,356,750</u>	<u>\$ -</u>	<u>\$ 50,297,802</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 5 - **Investments - Continued**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>21,365,920</u>	-	-	<u>21,365,920</u>
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>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 5 - **Investments - Continued**

Foundation

The Foundation's investments at fair value measurement are as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 27,235,000	\$ -	\$ -	\$ 27,235,000
Corporate bonds	-	10,422,537	-	10,422,537
Mutual funds:				
Corporate bonds	450,077	-	-	450,077
International equities	673,003	-	-	673,003
Large cap equities	1,371,104	-	-	1,371,104
International emerging	1,239,240	-	-	1,239,240
Small and mid-cap equities	950,940	-	-	950,940
U.S. bonds and notes	1,893,773	-	-	1,893,773
Total mutual funds	6,578,137	-	-	6,578,137
Money market	3,839,980	-	-	3,839,980
Exchange-traded funds	1,714,985	-	-	1,714,985
U.S. Government Obligations	4,000,666	-	-	4,000,666
State municipal bonds	-	391,638	-	391,638
Certificates of deposits	-	116,586	-	116,586
Variable rate bonds	-	54,962	-	54,962
Total assets at fair value	<u>\$ 43,368,768</u>	<u>\$ 10,985,723</u>	<u>\$ -</u>	<u>\$ 54,354,491</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 5 - **Investments – Continued**

Foundation - continued

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>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2023 and 2022, investments totaled \$50,297,802 and \$44,639,734, 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, 2023 and 2022, 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
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 Investment Maturity in Years					
Investment Type:	Fair Value	Less than 1	1-5	6-10	> 10
Corporate bonds	\$ 5,356,750	\$ 569,741	\$ 3,343,617	\$ 1,443,392	\$ -
Total fixed income	5,356,750	<u>\$ 569,741</u>	<u>\$ 3,343,617</u>	<u>\$ 1,443,392</u>	<u>\$ -</u>
Corporate bond funds	15,249,460				
Equity securities	29,691,592				
Total investments	<u>\$ 50,297,802</u>				

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>				

The following table summarizes the quality ratings of the University's debt investments at June 30, 2023:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	Baa3	A1	A2	A3	Not Rated
Corporate bonds	\$ 5,356,750	\$ -	\$ 2,073,537	\$ 1,578,618	\$ -	\$ 337,226	\$ 439,791	\$ 927,578	\$ -

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	\$ -

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 5 - **Investments - Continued**

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 2023	University 2022	Foundation 2023	Foundation 2022
Interest and dividends	\$ 3,162,010	\$ 1,062,994	\$ 1,309,343	\$ 942,603
Net realized and unrealized gain/(loss)	4,356,123	(6,761,496)	3,669,241	(6,310,356)
Investment fees	(221,632)	(197,157)	(248,849)	(235,620)
Total investment income/(loss)	<u>\$ 7,296,501</u>	<u>\$ (5,895,659)</u>	<u>\$ 4,729,735</u>	<u>\$ (5,603,373)</u>

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

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

	2023	2022
Student accounts	\$ 8,485,685	\$ 9,176,355
Grants	2,738,668	1,878,630
Other	791,367	1,098,885
Total gross receivables	<u>12,015,720</u>	<u>12,153,870</u>
Less: allowance for doubtful accounts	<u>(5,027,163)</u>	<u>(5,043,745)</u>
Total accounts, grants and other receivables, net	<u>\$ 6,988,557</u>	<u>\$ 7,110,125</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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:

	2023	2022
Receivable in less than one year	\$ 3,685,270	\$ 5,801,043
Between one to five years	2,021,616	3,787,570
Receivable after five years	30,000	-
Less: allowance for doubtful accounts	(1,120,000)	(2,120,000)
Total pledges receivables	4,616,886	7,468,613
Less: discount to net present value at 3.5%	(91,051)	(171,782)
Pledges receivable, net	4,525,835	7,296,831
Less: current portion of receivable	(2,681,070)	(3,782,043)
Long-term pledges receivable, net	\$ 1,844,765	\$ 3,514,788

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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Loans receivable from students include the following at June 30:

	<u>2023</u>	<u>2022</u>
Perkins	\$ 495,814	\$ 652,792
Nursing	<u>405,511</u>	<u>344,343</u>
Total loans receivable	<u>901,325</u>	<u>997,135</u>
Less: amount due in one year	<u>(275,439)</u>	<u>(245,851)</u>
Long-term loan receivables	<u>\$ 625,886</u>	<u>\$ 751,284</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>2023</u>	<u>2022</u>
Perkins	\$ 862,652	\$ 883,942
Nursing	<u>668,626</u>	<u>665,652</u>
Total loans payable	<u>\$ 1,531,278</u>	<u>\$ 1,549,594</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Capital Assets**

University

Capital asset activity for the University for the year ended June 30, 2023 is as follows:

	(Restated) Beginning Balance	Additions	Disposals	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated or amortized:					
Land	\$ 2,536,173	\$ -	\$ -	\$ -	\$ 2,536,173
Construction in process	2,863,371	8,483,321	-	(4,678,664)	6,668,029
Total capital assets not depreciated or amortized	<u>5,399,544</u>	<u>8,483,321</u>	<u>-</u>	<u>(4,678,664)</u>	<u>9,204,202</u>
Capital assets depreciated and amortized:					
Buildings	90,129,935	-	(99,519)	-	90,030,416
Buildings and land improvements	164,121,656	-	(1,806,720)	4,490,250	166,805,186
Furniture and equipment	32,547,137	199,019	(10,898,535)	188,414	22,036,035
Leased buildings - MSCBA	204,343,570	-	-	-	204,343,570
Leased space - SSUAC	14,497,166	160,309	-	-	14,657,475
Leased equipment	596,060	-	-	-	596,060
Intangible Right-to-Use Software agreements	2,928,523	2,617,540	-	-	5,546,063
Total capital assets depreciated and amortized	<u>509,164,047</u>	<u>2,976,868</u>	<u>(12,804,774)</u>	<u>4,678,664</u>	<u>504,014,805</u>
Total capital assets	<u>514,563,591</u>	<u>11,460,189</u>	<u>(12,804,774)</u>	<u>-</u>	<u>513,219,007</u>
Less: accumulated depreciation and amortization:					
Buildings	36,470,901	1,928,974	(99,519)	-	38,300,356
Building improvements	72,259,695	6,908,130	(1,587,349)	-	77,580,476
Furniture and equipment	31,081,530	587,665	(10,898,535)	-	20,770,660
Leased buildings - MSCBA	16,071,729	7,979,865	-	-	24,051,594
Leased space - SSUAC	1,765,330	882,666	-	-	2,647,996
Leased equipment	250,972	125,486	-	-	376,458
Intangible Right-to-Use Software agreements	1,128,064	1,284,193	-	-	2,412,257
Total accumulated depreciation and amortization	<u>159,028,221</u>	<u>19,696,979</u>	<u>(12,585,403)</u>	<u>-</u>	<u>166,139,797</u>
Capital assets, net	<u>\$ 355,535,370</u>	<u>\$ (8,236,790)</u>	<u>\$ (219,371)</u>	<u>\$ -</u>	<u>\$ 347,079,209</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Capital Assets - Continued**

University - continued

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

	(Restated) Beginning Balance	Additions	Lease Defeasance	Transfer to Capital Assets	(Restated) 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
Intangible Right-to-Use Software agreements	2,928,523	-	-	-	2,928,523
Total capital assets depreciated and amortized	<u>506,286,466</u>	<u>-</u>	<u>(3,425,937)</u>	<u>6,303,518</u>	<u>509,164,047</u>
Total capital assets	<u>514,357,513</u>	<u>3,632,015</u>	<u>(3,425,937)</u>	<u>-</u>	<u>514,563,591</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
Intangible Right-to-Use Software agreements	-	1,128,064	-	-	1,128,064
Total accumulated depreciation	<u>139,850,199</u>	<u>19,552,567</u>	<u>(374,545)</u>	<u>-</u>	<u>159,028,221</u>
Capital assets, net	<u>\$ 374,507,314</u>	<u>\$ (15,920,552)</u>	<u>\$ (3,051,392)</u>	<u>\$ -</u>	<u>\$ 355,535,370</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Capital Assets - Continued**

Assistance Corporation

Capital asset activity of the Assistance Corporation for the year ended June 30, 2023 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Capital assets at historical cost:				
Land	\$ 8,023,132	\$ -	\$ -	\$ 8,023,132
Buildings	1,508,859	-	-	1,508,859
Building improvements	4,451,317	84,204	-	4,535,521
Furniture and equipment	213,700	4,605	-	218,305
Leased equipment	-	11,111	-	11,111
Leased building	<u>11,321,248</u>	<u>-</u>	<u>-</u>	<u>11,321,248</u>
Total capital assets at historical cost	<u>25,518,256</u>	<u>99,920</u>	<u>-</u>	<u>25,618,176</u>
Less accumulated depreciation:				
Buildings	745,378	37,733	-	783,111
Building improvements	2,400,415	137,325	-	2,537,740
Furniture and equipment	199,781	3,998	-	203,779
Leased equipment	-	3,086	-	3,086
Leased building	<u>1,065,528</u>	<u>532,764</u>	<u>-</u>	<u>1,598,292</u>
Total accumulated depreciation	<u>4,411,102</u>	<u>714,906</u>	<u>-</u>	<u>5,126,008</u>
Capital assets, net	<u>\$ 21,107,154</u>	<u>\$ (614,986)</u>	<u>\$ -</u>	<u>\$ 20,492,168</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Capital Assets - Continued**

Assistance Corporation – continued

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Capital assets at historical cost:				
Land	\$ 8,023,132	\$ -	\$ -	\$ 8,023,132
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
Leased building	<u>11,321,248</u>	<u>-</u>	<u>-</u>	<u>11,321,248</u>
Total capital assets at historical cost	<u>25,379,207</u>	<u>139,049</u>	<u>-</u>	<u>25,518,256</u>
Less accumulated depreciation:				
Buildings	707,658	37,720	-	745,378
Building improvements	2,277,507	122,908	-	2,400,415
Furniture and equipment	196,842	2,939	-	199,781
Leased building	<u>532,764</u>	<u>532,764</u>	<u>-</u>	<u>1,065,528</u>
Total accumulated depreciation	<u>3,714,771</u>	<u>696,331</u>	<u>-</u>	<u>4,411,102</u>
Capital assets, net	<u>\$ 21,664,436</u>	<u>\$ (557,282)</u>	<u>\$ -</u>	<u>\$ 21,107,154</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Accounts payable and accrued expenses include the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>(Restated) 2022</u>
Accounts payable - trade	\$ 3,875,553	\$ 3,860,087
Accrued interest payable	1,318,364	1,407,898
Tuition due to state	185,841	195,249
Other	1,110,398	979,312
Total accounts payable and accrued expenses	<u>\$ 6,490,156</u>	<u>\$ 6,442,546</u>

Note 11 - **Unearned Revenues**

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

	<u>2023</u>	<u>2022</u>
Tuition and fees	\$2,055,541	\$2,301,310
Grants	3,578,891	2,596,346
Other	57,074	40,000
Total unearned revenue	<u>\$5,691,506</u>	<u>\$4,937,656</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 12 - Long-Term Liabilities

Long-term liabilities of the University at June 30, 2023 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 30,571,547	\$ -	\$ 2,513,277	\$ 28,058,270	\$ 2,612,758
Bond premiums	144,537	-	68,392	76,145	47,324
Loans payable	1,549,594	-	18,316	1,531,278	-
Note payable	475,194	199,020	316,520	357,694	201,927
Total bonds, loans and note payable	<u>32,740,872</u>	<u>199,020</u>	<u>2,916,505</u>	<u>30,023,387</u>	<u>2,862,009</u>
Other long-term liabilities:					
Lease Liability	215,029,785	160,308	5,785,743	209,404,350	5,242,326
SBITA Liability	1,751,487	2,617,540	1,312,313	3,056,714	1,248,244
Accrued compensated absences	10,974,288	-	199,698	10,774,591	6,309,857
Workers' compensaton	2,068,229	-	-	2,068,229	249,306
Net pension liability	15,782,623	5,164,367	-	20,946,990	-
Net OPEB liability	27,710,622	-	1,349,033	26,361,589	-
Total other long-term liabilities	<u>273,317,034</u>	<u>7,942,215</u>	<u>8,646,787</u>	<u>272,612,463</u>	<u>13,049,733</u>
Total long-term liabilities	<u>\$ 306,057,906</u>	<u>\$ 8,141,235</u>	<u>\$ 11,563,292</u>	<u>\$ 302,635,850</u>	<u>\$ 15,911,742</u>

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

	(Restated) Beginning Balance	Additions	(Restated) Reductions	(Restated) 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	<u>34,946,387</u>	<u>-</u>	<u>2,205,515</u>	<u>32,740,872</u>	<u>2,882,901</u>
Other long-term liabilities:					
Lease Liability	221,580,046	-	6,550,261	215,029,785	5,785,742
SBITA Liability	2,928,523	-	1,177,036	1,751,487	1,062,970
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	<u>328,004,137</u>	<u>1,003,264</u>	<u>55,690,367</u>	<u>273,317,034</u>	<u>13,513,905</u>
Total long-term liabilities	<u>\$ 362,950,524</u>	<u>\$ 1,003,264</u>	<u>\$ 57,895,882</u>	<u>\$ 306,057,906</u>	<u>\$ 16,396,806</u>

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 and 2022 the outstanding amounts related to all MSCBA bond series was \$24,069,531 and \$26,240,925 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 \$512,676 and \$732,331 at June 30, 2023 and 2022, 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 \$826,172 and \$1,065,845 at June 30, 2023 and 2022, respectively.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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 \$10,706,346 and \$11,381,412 at June 30, 2023 and 2022, respectively. A debt service reserve remains for these bonds in the amount of \$240,545 at June 30, 2023 and 2022.

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 \$10,219,758 and \$11,213,373 at June 30, 2023 and 2022, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$894,488 at June 30, 2023 and 2022.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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 \$1,498,685 and \$1,519,983 at June 30, 2023 and 2022, 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 \$305,894 and \$327,981 as of June 30, 2023 and 2022, respectively. There was a reduction of this bond by MSCBA during 2018. The average annual coupon rate is approximately 5.0% over the life of the issue, and the term of this debt extends to June 30, 2044. A debt service reserve remains for these excess bond proceeds in the amount of \$41,042 at June 30, 2023 and 2022.

Other Bonds Payable University

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 \$68,234 and \$85,300 at June 30, 2023 and 2022, respectively.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 12 - Long-Term Liabilities - Continued

Other Bonds Payable University - continued

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 \$3,996,650 and \$4,389,859 at June 30, 2023 and 2022, respectively.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Bond Payable Maturities University

Maturities of the bonds payable subsequent to June 30, 2023 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
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	2,741,481	645	550,573	3,292,699
2029-2033	6,574,358	-	2,040,189	8,614,547
2033-2038	5,819,054	-	1,140,912	6,959,966
2039-2043	2,063,913	-	674,996	2,738,909
2044-2048	2,813,881	-	204,172	3,018,053
2049	76,431	-	2,348	78,779
Total	<u>\$ 28,058,270</u>	<u>\$ 76,145</u>	<u>\$ 7,353,826</u>	<u>\$ 35,488,241</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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Notes Payable University - continued

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.

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.

During March of 2023, a note payable was acquired for \$199,019 to purchase assorted fitness equipment. The note payable is for three years, requires monthly payments of \$6,045 which includes principal and interest, has an average interest rate of 0.5% and is payable through March of 2026.

Maturities of the notes payable subsequent to June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest
2024	\$ 201,927	\$ 17,811
2025	102,677	6,690
2026	53,090	1,311
Total	\$ 357,694	\$ 25,812

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Lease Liability University

The University is a lessee of multiple long-term leases for buildings and improvements with MSCBA, equipment and software with vendors and space leased from the Assistance Corporation.

Significant lease terms are described below for fiscal year 2023:

Description	Maturity Date	Payment		Interest Rate	Lease Liability 6/30/23
		Amount	Rate Type		
MSCBA - Atlantic Hall	10/30/2049	Varies	Implicit Rate	3.20%	\$38,556,359
MSCBA - Marsh Hall	10/30/2049	Varies	Implicit Rate	2.85%	53,998,160
MSCBA - Marsh Dining Commons	10/30/2030	Varies	Implicit Rate	2.02%	4,438,134
MSCBA - Viking Hall	10/30/2048	Varies	Implicit Rate	2.93%	60,151,354
MSCBA - Viking Hall (Starbucks)	10/30/2046	Varies	Implicit Rate	3.01%	4,683,677
MSCBA - Peabody/Bowditch Hall	10/30/2039	Varies	Implicit Rate	3.57%	6,794,434
MSCBA - Parking Lot (Canal St.)	10/30/2049	Varies	Implicit Rate	4.02%	33,712
MSCBA - Parking Garage	10/30/2041	Varies	Implicit Rate	2.75%	24,538,379
MSCBA - 03A - Renewal	10/30/2049	Varies	Implicit Rate	4.31%	24,861
MSCBA - 04A - Renewal	10/30/2049	Varies	Implicit Rate	3.99%	55,815
MSCBA - 05A - Renewal	10/30/2049	Varies	Implicit Rate	2.40%	694,908
MSCBA - 10B - Renewal	10/30/2049	Varies	Implicit Rate	4.97%	297,485
MSCBA - 99A Pooled Debt Service	6/30/2028	Varies	Implicit Rate	30.70%	1,796,291
287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,525,213
331 Lafayette	10/30/2042	Varies	IBR	3.75%	7,425,430
Enterprise Center Suite 100	6/30/2023	Varies	IBR	7.25%	160,308
Ricoh Copiers	3/31/2025	Varies	IBR	3.75%	229,829
					\$209,404,350

Significant lease terms are described below for fiscal year 2022:

Description	Maturity Date	Payment		Interest Rate	Lease Liability 6/30/22
		Amount	Rate Type		
MSCBA - Atlantic Hall	10/30/2049	Varies	Implicit Rate	3.20%	\$39,778,323
MSCBA - Marsh Hall	10/30/2049	Varies	Implicit Rate	2.85%	55,041,681
MSCBA - Marsh Dining Commons	10/30/2030	Varies	Implicit Rate	2.02%	4,529,558
MSCBA - Viking Hall	10/30/2048	Varies	Implicit Rate	2.93%	61,151,821
MSCBA - Viking Hall (Starbucks)	10/30/2046	Varies	Implicit Rate	3.01%	4,750,366
MSCBA - Peabody/Bowditch Hall	10/30/2039	Varies	Implicit Rate	3.57%	7,087,336
MSCBA - Parking Lot (Canal St.)	10/30/2049	Varies	Implicit Rate	4.02%	184,756
MSCBA - Parking Garage	10/30/2041	Varies	Implicit Rate	2.75%	25,048,618
MSCBA - 03A - Renewal	10/30/2049	Varies	Implicit Rate	4.31%	241,419
MSCBA - 04A - Renewal	10/30/2049	Varies	Implicit Rate	3.99%	290,332
MSCBA - 05A - Renewal	10/30/2049	Varies	Implicit Rate	3.71%	837,640
MSCBA - 10B - Renewal	10/30/2049	Varies	Implicit Rate	4.97%	329,839
MSCBA - 99A Pooled Debt Service	6/30/2028	Varies	Implicit Rate	30.70%	1,912,397
287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,674,473
331 Lafayette	10/30/2042	Varies	IBR	3.75%	7,572,700
Enterprise Center Suite 100	6/30/2023	Varies	IBR	3.75%	162,356
Enterprise Center Suite 400	6/30/2023	Varies	IBR	3.75%	81,593
Ricoh Copiers	3/31/2025	Varies	IBR	3.75%	354,577
					\$215,029,785

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Lease Liability University - continued

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, 2023, debt service payments and operating costs paid by the University was \$10,589,355 and \$1,672,706, respectively. 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.

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2023 and 2022 was \$7,108,002 and \$7,385,329, 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 \$193,751,948 and \$203,149,224 at June 30, 2023 and 2022, respectively.

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.

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Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Lease Liability University - continued

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, 2023 and 2022. 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 \$5,057,519 and \$5,355,020 at June 30, 2023 and 2022, 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 \$ 6,791,651 and \$7,142,944 at June 30, 2023 and 2022, 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 \$ 0 and \$233,872 at June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022 the University made payments of principal and interest totaling \$1,037,221 and \$1,015,962, respectively, to the Assistance Corporation for the above disclosed related party leases.

For the years ended June 30, 2023 and 2022, the total right of use assets were \$219,597,105 and \$219,436,796, respectively. For the years ended June 30, 2023 and 2022, the accumulated amortization related to the right of use assets were \$27,076,048 and \$18,088,031, respectively.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Future Lease Payments

Lease payments due subsequent to June 30, 2023 are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 5,242,326	\$ 6,876,307	\$ 12,118,633
2025	5,155,376	6,667,934	11,823,310
2026	6,522,070	6,446,855	12,968,925
2027	6,986,616	6,174,456	13,161,072
2028	6,093,575	5,854,572	11,948,147
2029-2033	43,653,994	24,575,838	68,229,832
2034-2038	51,884,229	17,446,893	69,331,122
2039-2043	49,833,496	9,294,681	59,128,177
2044-2048	30,910,099	3,200,762	34,110,861
2049-2050	3,122,569	127,869	3,250,438
	<u>\$ 209,404,350</u>	<u>\$ 86,666,167</u>	<u>\$ 296,070,517</u>

SBITA Liability University

The University has entered into subscription-based information technology arrangements (SBITAs) for various software products which were initiated in fiscal years ended ranging from June 30, 2021 to 2023. There were no payments made for additional services not included in the annual SBITA payments. The University has no options to renew these agreements and there is no option to purchase the software products.

Significant arrangement terms are described below for fiscal year 2023:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	SBITA Liability 6/30/23
TouchNet Information Systems Inc.	6/30/2025	Varies	IBR	4.75%	615,966
Konica Minolta	9/30/2024	Varies	IBR	4.75%	72,552
Connection_Adobe	9/26/2025	Varies	IBR	4.75%	431,179
Pantheon	5/31/2026	Varies	IBR	4.75%	34,102
Instructure	6/30/2026	Varies	IBR	7.25%	735,407
SHI- Microsoft	6/30/2026	Varies	IBR	7.25%	1,003,953
SHI- Elasticsearch	6/30/2026	Varies	IBR	7.25%	163,555
					<u>\$3,056,714</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

SBITA Liability University

Significant arrangement terms are described below for fiscal year 2022

<u>Description</u>	<u>Maturity Date</u>	<u>Payment Amount</u>	<u>Rate Type</u>	<u>Interest Rate</u>	<u>SBITA Liability 6/30/22</u>
TouchNet Information Systems Inc.	6/30/2025	Varies	IBR	4.75%	891,062
Software House International_Elasticsearch	6/30/2023	Varies	IBR	4.75%	45,513
Konica Minolta	9/30/2024	Varies	IBR	4.75%	141,744
Software House International_Microsoft	6/30/2023	Varies	IBR	4.75%	360,600
Instructure Inc.	6/30/2023	Varies	IBR	4.75%	230,056
Blackbaud	6/30/2023	Varies	IBR	4.75%	82,512
					<u>1,751,487</u>

For the years ended June 30, 2023 and 2022, the total right to use software arrangement assets were \$5,546,063 and \$2,928,523, respectively. For the years ended June 30, 2023 and 2022, the accumulated amortization related to the right of use assets were \$2,412,257 and \$1,128,064, respectively.

Future SBITA Payments

SBITA payments due subsequent to June 30, 2023 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,248,244	\$ 54,882	\$ 1,303,126
2025	1,154,918	117,167	1,272,085
2026	653,552	47,382	700,934
	<u>\$ 3,056,714</u>	<u>\$ 219,431</u>	<u>\$ 3,276,145</u>

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Long-term Liabilities – Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2023 consisted of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Bond and notes payable:						
Notes payable	\$ 1,040,569	\$ -	\$ 27,700	\$ 1,012,869	\$ 29,439	\$ 983,430
Other long-term liabilities:						
Security deposits	31,917	4,040	5,580	30,377	-	30,377
Lease liability	<u>11,092,134</u>	<u>11,111</u>	<u>157,501</u>	<u>10,945,744</u>	<u>187,542</u>	<u>10,758,202</u>
Total long-term liabilities	<u>\$ 12,164,620</u>	<u>\$ 15,151</u>	<u>\$ 190,781</u>	<u>\$ 11,988,990</u>	<u>\$ 216,981</u>	<u>\$ 11,772,009</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Bond and notes payable:						
Notes payable	\$ 1,067,183	\$ -	\$ 26,614	\$ 1,040,569	\$ 28,301	\$ 1,012,268
Other long-term liabilities:						
Security deposits	26,877	8,225	3,185	31,917	-	31,917
Lease liability	<u>11,219,329</u>	<u>-</u>	<u>127,195</u>	<u>11,092,134</u>	<u>154,444</u>	<u>10,937,690</u>
Total long-term liabilities	<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>

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.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Notes Payable Assistance Corporation - continued

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

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	29,439	39,432	68,871
2025	30,623	38,248	68,871
2026	31,855	37,016	68,871
2027	33,136	35,735	68,871
2028	34,468	34,402	68,870
2029-2033	194,288	150,062	344,350
2034-2038	659,060	94,599	753,659
	<u>\$ 1,012,869</u>	<u>\$ 429,494</u>	<u>\$ 1,442,363</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, 2023 and 2022 was \$634,285 and \$641,860, respectively. The right of use asset was amortized on a straight-line basis over the lease term. There were no additional payments made as part of these agreements.

For the years ended June 30, 2023 and 2022, the total right of use assets were \$11,332,359 and \$11,321,248, respectively. For the years ended June 30, 2023 and 2022, the total accumulated amortization related to the right of use assets was \$1,601,378 and \$1,065,528, respectively.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Lease Liability Assistance Corporation - continued

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

For the years ended:

<i>June 30:</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	187,542	624,538	812,080
2025	219,353	612,927	832,280
2026	298,178	598,269	896,447
2027	327,272	580,377	907,649
2028	358,741	560,740	919,481
2029-2033	2,346,309	2,439,198	4,785,507
2034-2038	3,734,124	1,590,307	5,324,431
2039-2043	3,474,225	398,328	3,872,553
	<u>\$ 10,945,744</u>	<u>\$ 7,404,684</u>	<u>\$ 18,350,428</u>

Note 13 - **Pensions**

Defined Benefit Plan Description

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 13 – **Pensions – Continued**

Contributions - continued

The Commonwealth does not require the university to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$9,714,980 \$9,543,385, and \$7,127,342, for the years ended June 30, 2023, 2022, and 2021, 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 16.70%, 16.11%, and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The University contributed \$2,225,712, \$2,119,546, and \$1,798,972, for the fiscal years ended June 30, 2023, 2022, and 2021, 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

At June 30, 2023, 2022 and 2021, the University reported a liability of \$20,946,990, and \$15,782,623, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, 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, 2022 rolled forward to June 30, 2022. 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 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 2023 and 2022. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023 and 2022, the University's proportion was 0.151% and 0.151% and, respectively.

For the year ended June 30, 2023 the University recognized pension income of \$3,670,003. For the year ended June 30, 2022 the University recognized pension income of \$4,519,453.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 13 – **Pensions – Continued**

The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2023</u>	<u>2022</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 521,065	\$ 544,595
Net difference between projected and actual Investment earnings	-	-
Change in plan actuarial assumptions, net	576,705	1,075,965
Changes in proportion from Commonwealth	1,433	6,309
Changes in proportion due to internal allocation	-	47,477
Contributions subsequent to the measurement date	<u>2,225,712</u>	<u>2,119,546</u>
Total deferred outflows related to pension	<u>\$ 3,324,915</u>	<u>\$ 3,793,892</u>
	<u>2023</u>	<u>2022</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 817,568	\$ 1,142,650
Net differences between projected and actual earnings on pension plan investments	111,670	6,187,703
Changes in proportion from Commonwealth	56,661	49,865
Changes in proportion due to internal allocation	<u>11,640,305</u>	<u>16,775,046</u>
Total deferred inflows related to pension	<u>\$ 12,626,204</u>	<u>\$ 24,155,264</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.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 13 – **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:

Years Ending June 30:	
2023	(2,595,218)
2024	(2,960,351)
2025	(3,618,689)
2026	(1,536,776)
2027	(815,967)
Total	<u>\$ (11,527,001)</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, 2022</u>	<u>June 30, 2021</u>
Inflation	2.50%	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%

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.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 13 – **Pensions – Continued**

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 2022 and rolled forward to June 30, 2022. 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.

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	2023		2022	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	38%	4.2%	39%	4.8%
Portfolio Completion Strategies	15%	5.0%	11%	2.9%
Core Fixed Income	15%	7.3%	15%	0.3%
Private Equity	10%	2.7%	13%	7.8%
Real Estate	10%	3.3%	10%	3.7%
Value Added Fixed Income	8%	3.7%	8%	3.9%
Timber/Natural Resources	4%	3.9%	4%	4.3%
	<u>100%</u>		<u>100%</u>	

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

Note 13 – **Pensions – Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 7.00% at June 30, 2023 and 2022, 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:

2023		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 28,890,668	\$ 20,946,990	\$ 14,225,484
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

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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, 2023 and 2022, and as of the valuation date (January 1, 2022 and 2021), 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 7.28% and 7.65% of annual covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The University contributed \$969,945 and \$1,006,598 for the fiscal years ended June 30, 2023 and 2022, 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, 2023 and 2022, the University reported a liability of \$26,361,589 and \$27,710,622 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, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 and 2021, 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 2022 and 2021. The University's proportionate share was based on the actual employer contributions to the SRBT 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 0.197% and 0.173%, respectively.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

For the year ended June 30, 2023 the University recognized income related to OPEB of \$10,380,877. For the year ended June 30, 2022 the University recognized income related to OPEB of \$9,514,240. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	<u>2023</u>	<u>2022</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 969,945	\$ 1,006,598
Changes in OPEB plan actuarial assumptions	1,941,618	2,327,242
Differences between expected and actual experience	485,282	707,367
Net differences between projected and actual earnings on OPEB plan investments	40,073	-
Changes in the proportion from Commonwealth	12,112	31,069
Changes in the proportion due to internal allocation	<u>5,050,484</u>	<u>3,491,919</u>
Total deferred outflows related to OPEB	<u>\$ 8,499,514</u>	<u>\$ 7,564,195</u>
	<u>2023</u>	<u>2022</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 9,540,818	\$ 5,451,099
Differences between expected and actual experience	4,364,447	4,877,953
Difference between projected and actual investment earnings	-	336,746
Changes in proportion due to internal allocations.	33,479,828	46,109,540
Changes in OPEB from Commonwealth	<u>130,187</u>	<u>120,356</u>
Total deferred inflows related to OPEB	<u>\$47,515,280</u>	<u>\$56,895,694</u>

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Contributions

The University's contributions of \$969,945 and \$1,006,598 made during the fiscal year 2023 and 2022, 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>	
2024	(9,436,257)
2025	(9,396,163)
2026	(9,244,049)
2027	(9,066,366)
2028	<u>(2,842,876)</u>
	<u>\$ (39,985,711)</u>

Actuarial Assumptions

The total OPEB liability for 2023 and 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, 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 2022_#4. Medicare and non-medicare benefits range from 5.00% to 7.60%	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%

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020 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.
- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	2023		2022	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	28.0%	96.0%
POS/PPO	62.0%	0.0%	60.0%	0.0%
HMO	10.0%	4.0%	12.0%	4.0%

The actuarial assumptions used in the January 1, 2022 and 2021 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2022 and 2021 through December 31, 2021 and 2020, depending upon the criteria being evaluated.

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, 2023 and 2022, are the same as discussed in the pension footnote.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 and 2021 was 4.30% and 2.77%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.54% and 2.16%) 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 2042 and 2041 for the fiscal years 2023 and 2022, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% and 7.00%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2023		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
3.30%	4.30%	5.30%
\$ 30,753,639	\$ 26,361,589	\$ 22,753,841
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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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>2023</u>		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 22,098,557	\$ 26,361,589	\$ 31,758,075

	<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

(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**

Public- Private Partnerships

The University has entered into agreements with a nongovernmental operator for management of the food services operations, vending machines, related dining facilities, and bookstore of the University (the "agreements"). Pursuant to the terms of these agreements, financial commitments totaling approximately \$623,000 were made at the beginning of each agreement and are being amortized over the agreement term expiring in 2025 and 2031. The financial commitments are for facilities renovations to the University, including areas of the dining facilities, vending machines, and bookstore. This financial commitment is categorized as a public-private partnership under GASB 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*. The University has accounted for these monies as deferred inflows of resources. The balance of deferred inflows of resources at June 30, 2023 and 2022 is approximately \$336,000, and \$407,000.

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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:

	2023	(Restated) 2022
Restricted - nonexpendable:		
Scholarship and fellowship	\$ 110,000	\$ 110,000
Restricted - expendable:		
Scholarship, fellowship loans, gifts and research grants and contracts	\$ 13,435,912	\$ 11,499,800

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
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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:

	2023	(Restated) 2022
	<u>2023</u>	<u>2022</u>
Compensation and benefits	\$ 100,558,968	\$ 101,464,221
Supplies and services	29,506,786	30,324,032
Utilities	3,539,827	3,730,167
Depreciation	9,424,769	9,203,792
Amortization	10,272,210	10,348,775
Scholarships	12,700,771	19,891,374
Total operating expenses	<u>\$ 166,003,331</u>	<u>\$ 174,962,361</u>

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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 39.43% in 2022 to 39.50% in 2023 which includes 1.97% and 1.85% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 16.11% in 2022 to 16.70% in 2023. 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, 2023, 2022, and 2021 were \$2,619,854, \$2,528,349 and \$2,948,211, 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
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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, 2022 and 2021, 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).

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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
General Appropriations	\$ 56,688,737	\$ 56,547,628
Other Appropriations	182,231	125,395
Total Appropriations	<u>56,870,968</u>	<u>56,673,023</u>
<u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	22,354,474	21,413,480
<u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(751,390)</u>	<u>(777,394)</u>
Total unrestricted appropriations	<u>\$ 78,474,052</u>	<u>\$ 77,309,109</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Revenue per MMARS	\$ 126,775,124	\$ 136,724,291
Revenue per University	<u>126,775,124</u>	<u>136,724,291</u>
Difference	<u>-</u>	<u>-</u>

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

The University distributed approximately \$32,369,000 and \$33,626,000 for the years ended June 30, 2023 and 2022, 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
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Notes to the Financial Statements – Continued

June 30, 2023 and 2022

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 lease 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, 2023 and 2022 were \$12,262,061 and \$14,552,968, 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.

Note 23 – **Subsequent Events**

The Salem State University Alumni Association founded in 1856 and the Salem State University Foundation Inc. founded in 1977, have combined commencing in the 2024 fiscal year. This newly formed organization, referred to as the Salem State University Alumni Association and Foundation, Inc. (AA&F), will continue to support the university and encourage philanthropy to invest in student success.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Draft

SALEM STATE UNIVERSITY
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Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2023	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, 2022	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, 2022	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%	0.151%	0.233%	0.278%	0.341%	0.347%	0.341%	0.389%	0.295%
Proportionate share of the collective net pension liability	\$ 20,946,989	\$ 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	\$ 13,156,710	\$ 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	159.21%	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	71.05%	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
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Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2023</u>	<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	\$ 2,225,712	\$ 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>(2,225,712)</u>	<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>	<u>\$ -</u>
College's covered payroll	\$ 13,327,617	\$ 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	16.70%	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.

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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2023 and 2022

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

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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2023 and 2022

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, 2023 and 2022

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, 2023	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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2022	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	0.197%	0.173%	0.249%	0.439%	0.531%	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 26,361,580	\$ 27,710,622	\$ 51,462,578	\$ 76,582,635	\$ 98,703,864	\$ 86,677,734	\$ 83,576,460
College's covered payroll	\$ 13,156,708	\$ 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	200.37%	225.82%	287.67%	334.11%	372.93%	317.46%	322.87%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 969,945	\$ 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>(969,945)</u>	<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>	<u>\$ -</u>
College's covered payroll	\$ 13,327,617	\$ 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	7.28%	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, 2023 and 2022

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2023

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 2022_f4. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.00% (based upon a blend of the Bond Buyer Index rate (3.54%) as of the measurement date as required by GASB Statement 74.

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.

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

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

June 30, 2023 and 2022

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

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.

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%.

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

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

June 30, 2023 and 2022

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

Fiscal year June 30, 2020- Continued

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.

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**

Draft

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2023 and 2022

	<u>Assets</u>	
	2023	2022
Assets:		
Cash and equivalents	\$ 3,313,835	\$ 2,582,830
Accounts receivable, net	<u>410,223</u>	<u>529,772</u>
Total Assets	<u>\$ 3,724,058</u>	<u>\$ 3,112,602</u>
 <u>Liabilities and Net Position</u>		
Liabilities:		
Accounts payable	\$ 240,424	\$ 329,613
Accrued payroll and fringe benefits	117,567	94,066
Accrued compensated absences	<u>250,750</u>	<u>268,799</u>
Total Liabilities	608,741	692,478
Net Position	<u>3,115,317</u>	<u>2,420,124</u>
Total Liabilities and Net Position	<u>\$ 3,724,058</u>	<u>\$ 3,112,602</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, 2023 and 2022

	2023	2022
Revenues:		
Student fees	\$ 15,625,246	\$ 14,275,092
Less: scholarships and fellowships	(2,487,392)	(2,311,239)
Commissions	59,566	58,412
Leases	451,091	374,059
State grant	102,864	33,500
Total Revenues	13,751,375	12,429,824
Expenses:		
Regular employee compensation	2,105,367	2,192,486
Special employee compensation	563,317	543,061
Fringe benefits	1,017,562	942,339
Administrative	171,157	101,060
Facility operational	124,528	112,030
Energy and space rental	1,383,641	1,407,298
Operational services	54,324	56,964
Equipment maintenance	679,076	763,681
Loans and special payments	10,454,683	13,116,262
Information technology	2,525	7,138
Total Expenses	16,556,180	19,242,319
Excess of Expenses over Revenues Before Federal grants and Transfers	(2,804,806)	(6,812,495)
Federal grants	-	5,933,611
State grants	3,500,000	-
Net Transfers	-	22,092
Total Increase (Decrease) in Net Position	695,194	(856,792)
Net Position, Beginning of Year	2,420,124	3,276,916
Net Position, End of Year	\$ 3,115,318	\$ 2,420,124

**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 AUDITOR'S 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:

We have audited, in accordance with the 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 component units, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated DATE,

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

DATE

Draft

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, 2023

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, 2023

C O N T E N T S

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

To the Board of Trustees of
Salem State University:

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 the University's major federal programs for the year ended June 30, 2023. 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, 2023.

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 ("GAAS"); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 Boston Architectural University's federal programs.

Auditor's 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 GAAS, 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 GAAS, 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 the 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 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 Auditor's 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University, as of and for the year ended June 30, 2023 and have issued our report thereon dated **DATE**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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.

INDEPENDENT AUDITOR'S 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:

We have audited, in accordance with the 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 component units, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated DATE,

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

DATE

Draft

**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, 2023

	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	\$ 545,946	\$ -
Federal Work-Study Program	84.033	N/A	N/A	383,213	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	652,792	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	9,400,544	-
Federal Direct Student Loans	84.268	N/A	N/A	32,368,678	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	10,845	-
Nursing Student Loans (beginning of year)	93.364	N/A	N/A	344,343	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	156,367	-
Total Student Financial Assistance Cluster				<u>43,862,728</u>	<u>-</u>
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Student Support Services	84.042	N/A	N/A	529,638	-
Upward Bound	84.047	N/A	N/A	367,799	-
Total TRIO Cluster				<u>897,437</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	11,462	-
STEM Education	47.076	N/A	N/A	17,352	-
Subtotal - Direct Awards				<u>28,814</u>	<u>-</u>
Passthrough Awards:					
STEM Education	47.076	Florida International University Board of Trustees	N/A	11,096	-
Subtotal - Passthrough Awards				<u>11,096</u>	<u>-</u>
U.S. Department of Health and Human Services					
Direct Awards:					
Title X Family Planning Program	93.217	N/A	N/A	28,154	-
Phonological Research	93.173	N/A	N/A	78,213	-
Subtotal - Direct Awards				<u>106,367</u>	<u>-</u>
Total Research and Development Cluster				<u>146,277</u>	<u>-</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, 2023

	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:					
Undergraduate International Studies and Foreign Language Programs	84.016	N/A	N/A	33,638	-
Subtotal - Direct Awards				33,638	-
Pass-through Awards:					
Fund for the Improvement of Postsecondary Education	47.074	Framingham State University	N/A	401	-
Moving to College	14.000	HUD	N/A	69,383	-
Subtotal - U.S. Department of Education				103,422	-
U.S. Department of Homeland Security					
Direct Awards:					
FEMA Public Assistance	97.036	N/A	N/A	1,933,417	-
Subtotal - Pass-through Awards				1,933,417	-
U.S. Small Business Administration					
Pass-through Awards:					
SBDC - Core	59.037	University of Massachusetts	N/A	458,382	-
SBDC - CARES	59.037	University of Massachusetts	N/A	12,143	-
Subtotal - Pass-through Awards				470,525	-
National Oceanic and Atmospheric Administration					
Direct Awards:					
NOAA Sea Grant	11.417	N/A	N/A	47,041	-
Subtotal - Direct Awards				47,041	-
U.S. Department of Justice:					
Direct Awards:					
Violence Against Women	16.525	N/A	N/A	62,947	-
Subtotal - Direct Awards				62,947	-
Corporation for National and Community Service					
Pass-through Awards:					
Americorps/Jumpstart	94.006	Corporation for National and Community Service	N/A	83,136	-
Subtotal - Pass-through Awards				83,136	-

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, 2023

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of State Bureau of Education and Cultural Affairs					
Pass-through Awards:					
IDEA Grant	19.009	World Learning	N/A	8,900	-
Subtotal - Pass-through Awards				<u>8,900</u>	
National Endowment for the Humanities					
Pass-through Awards:					
Promotion of the Humanities Research	45.161	CA State University, Dominguez	N/A	39,803	-
Subtotal - Pass-through Awards				<u>39,803</u>	
Environmental Protection Agency					
Pass-through Awards:					
National Estuary Program	66.456	Umass Boston	N/A	11,922	-
Subtotal - Pass-through Awards				<u>11,922</u>	
Total Non-Cluster				<u>2,761,113</u>	-
Total Federal Funds				<u>\$ 47,667,555</u>	<u>\$ -</u>

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, 2023

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, 2023. 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, 2023, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2023, loan balances receivable, net under Perkins was \$495,814.

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 \$156,367 of loans disbursed during fiscal year 2023. As of June 30, 2023, the loan balances receivable for this program was \$405,511.

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 \$32,368,678 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, 2023. 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.

Draft

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Noncompliance material to the financial statements noted? yes no

Federal Awards

Type of auditors’ report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

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

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2023

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 3)	84.268
Nursing Student Loans	93.364
Non- Cluster:	
Disaster Grants – Public Assistance	97.036

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

REQUEST FOR TRUSTEE ACTION

Date: October 10, 2023
To: Risk Management and Audit Committee/Board of Trustees
From: Karen P. House, vice president for finance and facilities
Subject: FY23 audited financial statements
Request action: Discussion/Acceptance

The FY23 audited financial statements are due for submission to the Commonwealth by October 15, 2023. The university's auditors, Withum Brown+Smith, PC have presented the draft FY23 audited financial statements.

MOTION

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion pertaining to the FY23 Salem State University draft audited financial statements and programs and related materials.

Recommended Motion

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

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2023

Salem State University Independent Auditors' Reports as Required by the Uniform Guidance and Government Auditing Standards and Related Information, June 30, 2023

Further, the Board of Trustees delegates authority to accept the final audit packages to Vice President Karen House, with the proviso that significant changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee. Further, the trustees acknowledge that Vice President House and her team will submit the audit to the Commonwealth by its October 15, 2023 deadline.

Committee Assigned: Finance and Facilities

Committee Action: Acceptance

Date of Action: October 11, 2023

Trustee Action:

Trustee Approval Date:

Effective Date:

Signed: _____

Title: Secretary of the Board of Trustees

Date: _____