

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

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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

Financial Statements

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "University"), and its discretely presented component units, the Salem State University Foundation, Inc. (the "Foundation") and Salem State University Assistance Corporation (the "Assistance Corp.") which comprise the statements of net position as of June 30, 2021, and 2020, the related statements of revenues and expenses, changes in net position, cash flows, combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Salem State University and its discretely presented major component units as of June 30, 2021 and 2020, and the respective changes in net position and, where applicable, cash flows, combining statements of net position of major component units and combining statements of revenues, expenses and changes in net position of major component units for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions of the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents, 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 audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2021

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

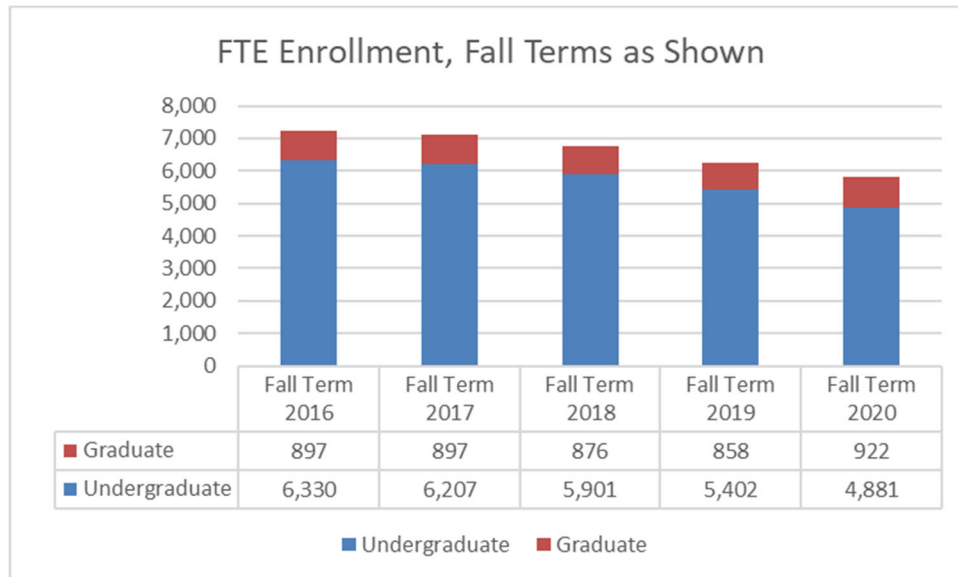
Management’s Discussion and Analysis - Continued (Unaudited)

Introduction

Salem State University (the “University”) offers readers this narrative overview and analysis of the financial statements and activities of the University for fiscal years ended June 30, 2021 and 2020. Readers are encouraged to consider the information presented here in conjunction with the financial statements and related footnotes. In accordance with Governmental Accounting Standards Board (“GASB”) requirements, the University financial statements report the Salem State University Assistance Corporation (“Assistance Corporation”) and Salem State University Foundation, Inc. (“Foundation”) as component units.

Background

The university was founded in 1854 as the Salem Normal School, at which time it offered innovative, ground-breaking education for women pursuing careers in education. Today, 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 School of Education, the School of Social Work, the School of Graduate Studies and the School of Continuing and Professional Studies. For Fall 2020 semester, Full-Time Equivalent (FTE) Enrollments were 4,881 (undergraduate) and 922 (graduate). Total FTE enrollment for the past five years is shown below.



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Management's Discussion and Analysis - Continued (Unaudited)

University students are diverse, hailing from 37 states and 49 countries. Nearly 40% of our first-year students (freshman and transfer) have self-identified as students of color (fall semester 2020). The approximate gender breakdown is 32% male and 68% female. The university has five residence halls with the capacity to house 1,928 students, although this capacity has been adjusted to 1,586 for Fall 2021 under COVID-19 precautions. Salem State fields men's and women's teams in 15 sports which compete in the: Little East Conference (LEC), the Massachusetts State College Athletic Conference (MASCAC), the National Collegiate Athletic Conference (NCAA) Division III, and the New England Hockey Conference.

In support of the university, there are two component units. The Salem State University Assistance Corporation (SSUAC, or the Assistance Corporation), formed in 1995 by the legislature, promotes the orderly growth and development of the University. The Salem State University Foundation (SSU Foundation, or the Foundation), a separate 501(c) (3) corporation is the primary recipient of endowments, alumni funds and various other donations made to benefit the university. Of the university's living alumni (nearly 70,000), more than 55,000 remain in Massachusetts.

Mission and Strategic Plan

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

University Mission

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

University Vision

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

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

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

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Management's Discussion and Analysis - Continued
(Unaudited)

Salem State's 2018-21 Four Strategic Goals

Student Success

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

Academic Excellence

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

Collaboration, Inclusion and Stewardship

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

Financial Vitality and Sustainability

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

In 2021-2022, a top priority will focus on developing Salem State's next strategic plan, through a shared governance process ensuring input from faculty, students, staff, and administrators.

Accreditation

The University is accredited by the New England Commission of Higher Education ("NECHE") and has been undergoing a comprehensive 10-year accreditation review that will culminate in fall 2021. This process has included a cross-campus evaluative process and many successful 2021 milestones to date, including: 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. Salem State participated in its final step of the NECHE review, a meeting with the Commission on September 23, prior to the NECHE commissioners voting on accreditation this fall.

While the process is not yet completed, NECHE has already invited Salem State to make two presentations at the Commission's annual self-study workshop in October. Each year, NECHE invites presenters from institutions who have recently completed the self-study process to return to the conference to present. Salem State was selected by NECHE based on preparing "an exemplary self-study."

Significant Events and Accomplishments

Salem State has many academic accomplishments to celebrate during FY21. What follows is a short list representing a range of academic programs and faculty members:

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

Bertolon School of Business Receives AACSB Accreditation

Salem State's Bertolon School of Business received the Association to Advance Collegiate Schools of Business (AACSB) accreditation, joining only five percent of the world's business schools to receive this distinction. Salem State is one of only 20 institutions in Massachusetts that are home to AACSB accredited Business Schools and is the first among the Commonwealth's nine state universities. This means that Viking business students will be graduating from one of the top business schools in Massachusetts.

Salem State Receives Historic \$6 Million Donation

We secured the largest private gift in state university history, which will focus on student success and retention. Having begun the largest campaign of any state university in the Commonwealth, alumna Kim Gassett-Schiller and her husband, Apple Fellow Philip Schiller, have contributed \$6 million. This amount represents the largest cash gift made to one of the Commonwealth's nine state universities. Of their gift, \$5 million establishes the Viking Completion Grant Endowment. Wishing to assist undergraduate seniors in overcoming their final financial hurdle before graduation, the Schillers' philanthropy will provide another resource to help students achieve their degree. The Viking Completion Grant Endowment has launched and will benefit 50-75 undergraduate students every year in perpetuity. The \$1 million balance from the couple's gift fuels additional student resources at Salem State University that the couple have long supported, including the Center for Academic Excellence and the Harold E. and Marilyn J. Gassett Fitness and Recreation Center, as well as flexible dollars that can be deployed to address emerging university priorities focusing on student support and success.

Salem State Holds Successful Viking Roll Call Ceremonies and Virtual Commencements

Considering the COVID-19 pandemic, Salem State University celebrated awarding nearly 1,500 undergraduate and graduate degrees to the class of 2021 and over 1900 undergraduate and graduate degrees to the class of 2020 in virtual ceremonies and small gatherings in May 2021. Students had the opportunity to bring guests to small, distanced in-person gatherings in which they crossed the commencement stage and celebrated with members of the campus community. Called Viking Roll Call events, these physically distanced gatherings allowed students multiple opportunities to be photographed in their commencement regalia, including on stage with President John Keenan and Provost David Silva. They were also given the option of having a friend, family member or a university official read their name and degree title as they crossed the stage.

One 2021 graduate who attended Viking Roll Call wrote: "The Salem State Graduation Ceremony was organized with such great thought with personalized details at every level. I am beyond appreciative that I was able to celebrate my accomplishment with my husband and children with the intimate awards presentation that allowed for my six year old daughter to present me with my diploma and announce my name as I crossed the stage. After a long year of remote learning, I was able to end the experience by celebrating with my Certificate of Advanced Graduate Study cohort members while enjoying the amazing display of music, food trucks and fun-filled activities. The entire experience from start to finish is now a memory that my family and I will cherish forever."

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Management's Discussion and Analysis - Continued
(Unaudited)

Salem State Hosts Renowned Guest Speakers

Taking advantage of increased virtual opportunities, Salem State expanded our programming and hosted several important forums, including: five former US Surgeons General who discussed health disparities in the era of COVID-19; renowned scholar and activist Angela Y. Davis who was the keynote speaker for our Martin Luther King Jr. celebration; CNN's Abby Phillip who discussed being a White House reporter; and a robust slate of virtual theater performances, poetry and other readings, and online art exhibitions.

Salem State Receives Board of Higher Education Approval to Launch Bachelor of Liberal Studies Major

During the 2020-2021 academic year, the Massachusetts BHE approved Salem State's new, flexible academic major in liberal studies, which launched in fall 2021. The new major, which provides an interdisciplinary curriculum, is responsive to many student needs and allows for a degree completion option at Salem State. It will benefit traditional, transfer and adult learners looking to develop knowledge across a variety of academic areas and grow as creative and critical thinkers. The major is primarily designed to meet the needs of learners with some prior college credits or students who have changed majors and are seeking a pathway to integrate what they have learned and graduate on time. The major is offered by Salem State's interdisciplinary studies department.

Bertolon School of Business Launches a New 4+1 Accelerated BSBA MSA Program

This new academic program allows students to earn both a Bachelor of Science in business administration and a Master of Science in Accounting in just five years, saving the student thousands of dollars in their academic pursuits.

Salem State University Awarded Nearly \$35,000 Grant from the U.S. Department of State to Expand Study Abroad Programming, Increase Diversity Among Students Studying Abroad

Salem State was selected to receive an IDEAS (Increase and Diversify Education Abroad for U.S. Students) grant from the U.S. Department of State's Capacity Building Program for U.S. Study Abroad. Salem State is one of 26 colleges and universities from across the United States, selected from 132 applicants, to create, expand, and/or diversify American student mobility overseas in support of U.S. foreign policy goals. This U.S. Government program is funded by the U.S. Department of State and supported in its implementation by World Learning. Salem State plans to use the \$34,800 State Department grant to create an annual study abroad experience to a destination in Latin America for 15-20 students in the healthcare studies department; and add international online learning components to five general education courses, a way to present material from a global perspective while potentially building students' interest in future study abroad opportunities, and to translate study abroad informational and outreach materials into Spanish and Portuguese to make them more accessible to more students and their families.

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Management’s Discussion and Analysis - Continued
(Unaudited)

Eastern Bank Charitable Foundation Supports Educator-Scholars of Color at Salem State University

Eastern Bank Charitable Foundation granted \$100,000 for Salem State’s School of Education to launch an Educator-Scholars of Color program. With the grant, Salem State is piloting this program over two years, inviting people of color majoring in early childhood and elementary education into supportive cohorts led by faculty members who will advise and help build community among these students throughout their college journeys. The program will also provide the selected students with monetary awards—both designed to help them succeed in obtaining bachelor’s degrees while breaking down racial and socioeconomic barriers to higher education. The new Educator-Scholars of Color program will focus on increasing racial and ethnic diversity in the teacher pipeline, initially focusing on the Gateway Cities of Salem, Lynn, Chelsea, and Revere, where Salem State School of Education graduates often serve as teachers and where white educators far outnumber educators of color.

Salem State Receives AASCU Excellence and Innovation Award for International Education

This award from the American Association of State Colleges and Universities (AASCU) is for Salem State’s program, “Collaborative Online International Education: Sustaining Global Engagement During a Pandemic.” In an email, AASCUE President/CIEO Mildred García, wrote that the program “was selected by the awards committee for its outstanding results and potential to influence and serve as a model for other institutions.”

Haverhill Resident Named Salem State University’s 29 Who Shine Recipient

Neal Hansen, of Haverhill, Massachusetts, was named as Salem State University’s 2021 recipient of Massachusetts Department of Higher Education’s 29 Who Shine Award. Hansen, a Navy submarine veteran, assisted in implementing a COVID-19 quarantine process for sailors deploying to the Portsmouth Naval Shipyard, volunteered as an accounting tutor on campus during the pandemic-related shutdown and participated in a federal work-study program at the Lowell Vet Center to help Massachusetts veterans obtain individual and group therapy for combat-related PTSD and sexual trauma experienced during military service.

Framingham Resident Named Newman Civic Fellow

Salem State University student Lizabeth Davis was named one of Campus Compact’s 2021-2022 Newman Civic Fellows, which is a year-long program for campus leaders who demonstrate a commitment to finding solutions for challenges facing communities locally, nationally and internationally.

Salem State Students Play Leading Roles in Statewide New Hampshire Writers’ Festival

Four Salem State University students played a central role in conducting and organizing The North Country Young Writers’ Festival, under the tutelage of the Granite State’s poet laureate, Salem State University Professor Alexandria Peary. In addition to their role organizing the event, the students shared their own expertise in workshops for the audience of young writers.

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Management's Discussion and Analysis - Continued
(Unaudited)

Salem State Professors Receive Grants from Shannon Community Safety Initiative, Massachusetts Executive Office of Public Safety and Security

Professor Joseph Gustafson (criminal justice) and Professor Gina Curcio (criminal justice) secured the Shannon Community Safety Initiative (CSI) Grant for SSU for the fifth consecutive year, resulting in a grant amount of about \$200,000 over a five-year period. Shannon CSI is a state-funded anti-gang initiative that operates in several cities across the Commonwealth, and SSU partners with Springfield, Massachusetts. Also this year, Professor Gustafson and Professor Curcio were awarded a three-year, \$199,524 grant from the Massachusetts Executive Office of Public Safety and Security (EOPSS) to analyze data on all state and local motor vehicle traffic stops in Massachusetts. The grant is to analyze data statewide and by municipality, including the demographic information of the stopped motorist (age, race and gender) and the time, reason and outcomes of the stop.

Newly Launched Digital Humanities Journal Receives \$66,000 from the Mellon Foundation

A journal being piloted by editors Professor Roopika Risam of Salem State University and Professor Jennifer Guiliano of IUPUI, *Reviews in Digital Humanities*, received a \$66,000 grant from The Andrew W. Mellon Foundation to support its growth as the only publication dedicated to peer reviewing digital scholarship.

Theatre Production Wins National Awards

Salem State's fall 2020 theatre production received 13 national awards at the Kennedy Center American College Theatre Festival.

Impact of COVID-19

Due to thoughtful planning, good communication and a strong health services and risk management team, Salem State's positive COVID-19 case counts during the 2020-2021 academic year were consistently below rates in the Commonwealth and regional averages. Supporting this effort was that just a third of classes were held in-person with the remainder being held online in various modalities. Faculty members embraced new technologies and teaching methods to ensure that our students could successfully continue their academic journeys, while student support areas developed new ways to connect and assist Vikings. These efforts included open Zoom meetings, student and parent virtual forums, implementing a new care case management program and providing on- and off-campus (outdoor, virtual, grab and go and deliver to you) student engagements that helped build community. Due to the success of these initiatives, the university is exploring how they can be expanded in a post-pandemic world.

Additional measures taken during the 2020-2021 academic year included limiting residence halls to single bedrooms only, arranging campus spaces and providing signage to allow for physical distancing, providing health and safety trainings for students and employees, providing on-campus COVID-19 (symptomatic and surveillance) testing, hiring contact tracers, creating and maintaining quarantine facilities for resident students and continuing the university's partnership which provides us to access to the symptom monitoring application, CoVerified.

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Management's Discussion and Analysis - Continued **(Unaudited)**

Financially, the university fared much better in FY21 than anticipated despite the COVID-19 pandemic, in large measure due to extraordinary events:

- The Massachusetts State College Building Authority (MSCBA) closed a deal on July 1, 2020, to restructure the debt it holds pertaining to the residence halls and several other facilities on Salem State's campus. This reduced Salem State's MSCBA assessment expense from \$14.5 million in FY20 to \$4.5 million in FY21, providing helpful financial and cash flow relief. Based on the structure of the debt, the assessment will climb back to previous levels over a several-year period.
- The federal government enacted three pieces of legislation that together with some smaller relief programs, awarded \$16.0 million to students and \$22.2 million to the university over several years beginning in FY20. The individual acts were CARES, CRRSAA, and ARPA signed into law on March 27, 2020, December 27, 2020 and March 11, 2021, respectively. These programs ultimately came to be known as the Higher Education Emergency Relief Fund (HEERF I, II, and III.) Through FY21, the university has distributed all of the HEERF I and HEERF II funds to students and recognized as revenue the applicable institutional piece, in FY21 amounting to \$11.5 million.
- In past periods of dramatic economic disruption, the Commonwealth has sharply reduced state operating support to the university and that was factored into the FY21 budget approved by the Board of Trustees in June 2020. The Commonwealth deferred enacting an FY21 budget until December. At that time, the Commonwealth did not reduce the university's operating support.
- When the university developed its FY21 budget two months into the pandemic, and with the above assistance unknown (except for CARES or HEERF I, which did not even fully cover pandemic-related expenses and lost revenue incurred during FY20) the university included a five-week furlough program for nearly all benefitted employees. Ultimately the program was reduced to two weeks. The financial sacrifice of employees through the furlough program was significant and is appreciated.

University's Largest Comprehensive Fundraising Campaign

Currently in the silent and major gift phase, the university's largest transformational campaign is now in its second fiscal year. This landmark fundraising initiative will advance the university's mission on multiple fronts. Campaign funding priorities include student financial assistance (\$15 million); high-impact retention practices (\$15 million); SSU BOLD (\$10 million); and unrestricted support (\$10 million).

Diversity and Inclusion

Salem State University remains one of the most diverse state universities in the Commonwealth. We have a rich tradition of welcoming students from varied social, economic and cultural traditions. However, as Commissioner Carlos E. Santiago acknowledged during the launch of the Department of Education's Equity Agenda, many state university policies and procedures were not designed with Black, Indigenous, People of Color (BIPOC) students in mind. Salem State embraces its responsibility to critically evaluate outcomes for BIPOC students and enact strategies improving student success.

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Management's Discussion and Analysis - Continued
(Unaudited)

Although the university has experienced some good results in this work previously, positive academic outcomes for BIPOC students have not been as strong or as consistent as we would like. As part of a focus on student success, the university is being more proactive about reaching out to our Black and Latinx students to ensure they have all the tools and supports they need to succeed. In February 2021, Salem State announced two efforts designed to benefit all students while closing achievement gaps.

Hispanic Serving Institution

A vital component in our effort to improve student success is being better prepared to serve our growing Hispanic and Latinx population. Currently, 20% of our students identify as Hispanic or Latinx. Demographic trends in our region indicate that 25% of our undergraduate students will identify as Hispanic or Latinx by 2025. Supporting the academic, personal and professional success of these students must be an institutional priority. Provost David Silva has begun the process of exploring what it means to be a Hispanic Serving Institution (HSI), a federal designation overseen by the U.S. Department of Education, not just in name, but as an intentional and holistic practice.

Viking Success Collaborative

In June 2020, Salem State announced that Vice President Nate Bryant, who had been on a leave of absence while serving as Interim President of North Shore Community College, would return to campus in the newly created role of vice president of student success. In this role, Vice President Bryant will be partnering with Vice President Sean Bennett, Provost David Silva and colleagues across campus to advance the Viking Success Collaborative.

The Viking Success Collaborative will streamline operations among all student service offices on campus with a focus on providing students the resources and supports they need to achieve their goals. The creation of this collaborative will include clarifying staff and office responsibilities, reducing duplication of work between offices, refining the university's coaching model and exploring opportunities to build on technology and automation in student service areas. The Viking Success Collaborative was created with SSU's BIPOC student population in mind, as the university believes that centralizing student support functions will eliminate systematic and sometimes invisible barriers that impact these students most. Vice Presidents Bryant and Bennett will oversee the creation of the collaborative, guiding the work of campus leaders from academic affairs, admissions, advising, enrollment management, inclusive excellence and student life. The Viking Success Collaborative's work compliments the university's commitments to community building through the National Coalition Building Institute (NCBI) and data driven analysis through the Racial Equity and Justice Institute (REJI).

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Management's Discussion and Analysis - Continued
(Unaudited)

University Capital Planning

The university will continue its pursuit of funding for SSU BOLD: A Campus Unification and Modernization Project (SSU BOLD), which addresses some of the major capital needs of the university identified in the Campus Master Vision (Sasaki, 2013). The university is working with state partners and donors to secure funding to support SSU BOLD through multiple sources, including the Division of Capital Asset Management and Maintenance's major capital project process for FY23, the sale of South Campus and through fundraising efforts. SSU BOLD is considered a crucial part of the university's plan to chart a sustainable path forward.

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

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

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

Statement of Net Position Summary & Analysis

The Statement of Net Position presents information on the University's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. The University's total unrestricted net position for fiscal year 2021 increased \$24.1 million compared to fiscal year 2020, excluding the impact of the current year expenses for pensions and other post-employment benefits (see below).

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Management’s Discussion and Analysis - Continued
(Unaudited)

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

The Governmental Accounting Standards Board (GASB) issued two standards that materially impacted the presentation of the university’s financial statements over the last several years, 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 2021 and FY 2020.

	FY 2021	FY 2020
	<i>(In Thousands)</i>	
<u>Statement of Net Position (Balance Sheet)</u>		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 7,734	\$ 8,000
GASB 75 - Other Post Employment Benefits	13,254	13,979
Total deferred outflows	20,988	21,979
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(39,994)	(40,624)
GASB 75 - Other Post Employment Benefits	(51,462)	(76,583)
Total Net Pension & OPEB Liability	(91,456)	(117,207)
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(10,523)	(9,074)
GASB 75 - Other Post Employment Benefits	(49,400)	(30,270)
Total deferred inflows	(59,923)	(39,344)
Net position impact - (Decrease)	\$ (130,391)	\$ (134,572)
One-year Change	4,181	(4,215)
<u>Statement of Revenues, Expenses & Changes in Net Position</u>		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ 1,085	\$ 3,123
GASB 75 - Other Post Employment Benefits	(5,266)	1,092
Total Net Pension & OPEB Expense	\$ (4,181)	\$ 4,215

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

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

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

	Unrestricted Net Position Impacted by GASB 68 (Pension) and 75 (OPEB)			
	<i>(In Thousands)</i>			
	Without Pension & OPEB	Pension Adjustment	OPEB Adjustment	With Pension and OPEB
Unrestricted Net Position at June 30, 2019	\$ 13,704	\$ (38,576)	\$ (91,781)	\$ (116,653)
Unrestricted net increase (decrease) for FY 2020	4,935	(3,123)	(1,092)	720
Unrestricted Net Position at June 30, 2020	18,639	(41,699)	(92,873)	(115,933)
Unrestricted net increase (decrease) for FY 2021	24,112	(1,085)	5,266	28,293
Unrestricted Net Position at June 30, 2021	\$ 42,751	\$ (42,784)	\$ (87,607)	\$ (87,640)

The net pension liability balance in the June 30, 2021 and 2020 financial statements amounted to approximately \$40.0 million and \$40.6 million, respectively. The total net OPEB liability balance in the June 30, 2021 and 2020 financial statements amounted to approximately \$51.5 million and \$76.6 million, respectively. Combined, the pension and OPEB liabilities at June 30, 2021 were \$91.5 million and \$117.2 million, respectively.

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

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2021, 2020 and 2019 is as follows. Note that this information includes the impact of the Pension and OPEB accounting standards:

Statement of Net Position Summary & Analysis

(In Thousands)

<u>Assets</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 86,176	\$ 56,784	\$ 56,789
Capital Assets (net)	157,958	159,761	164,375
Noncurrent Assets	<u>3,053</u>	<u>3,643</u>	<u>5,162</u>
Total Assets	<u>247,187</u>	<u>220,188</u>	<u>226,326</u>
Deferred Outflows of Resources	<u>20,988</u>	<u>22,043</u>	<u>27,374</u>
Total Assets and Deferred Outflows	<u>\$ 268,175</u>	<u>\$ 242,231</u>	<u>\$ 253,700</u>
<u>Liabilities</u>			
Current Liabilities	\$ 25,620	\$ 25,535	\$ 26,912
Noncurrent Liabilities	<u>130,488</u>	<u>160,344</u>	<u>189,695</u>
Total Liabilities	<u>156,108</u>	<u>185,879</u>	<u>216,607</u>
Deferred Inflows of Resources	<u>65,866</u>	<u>39,416</u>	<u>18,112</u>
<u>Net Position</u>			
Net investment in capital assets	122,095	125,110	129,002
Restricted	11,746	7,759	6,632
Unrestricted	<u>(87,640)</u>	<u>(115,933)</u>	<u>(116,653)</u>
Total Net Position	<u>46,201</u>	<u>16,936</u>	<u>18,981</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 268,175</u>	<u>\$ 242,231</u>	<u>\$ 253,700</u>

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

Total assets increased in FY 2021 by \$27.0 million or 12.3% over the prior year compared with a 2.7% decrease of \$6.1 million in FY 2020. Most of the changes within the asset categories are primarily associated with an increase in cash and investments of \$29.1 million which is offset by a decrease in capital assets of \$1.8 million due to depreciation exceeding the capital asset additions. Decreases in deferred outflows are primarily related to adjustments in actuarial pension costs from FY 2020 to FY 2021. Total liabilities decreased in FY 2021 by \$29.8 million or 16.0% over prior year. This change is attributable to the decrease in the Pension and OPEB liability of \$25.8 million along with a decrease in bonds and notes payable of \$6.1 million primarily due to the refinancing of bonds with MSCBA. The increase in deferred inflows of \$26.5 million is due to the increase of \$20.6 million for Pension and OPEB and \$5.6 million related to deferred gain on bond refunding.

For fiscal 2021, 2020 and 2019, total net position amounted to \$46.2 million, \$16.9 million and \$19.0 million, respectively. The University’s net position in the investment in capital assets (e.g. land, buildings and equipment) less any related debt used to acquire those assets is the largest positive component of the total net position, which is consistent with prior years and is detailed below in the next section. The University uses its capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the University’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as room rents, auxiliary and other fees, since the capital assets themselves are not in cash form and cannot be used to satisfy these liabilities.

Capital Assets

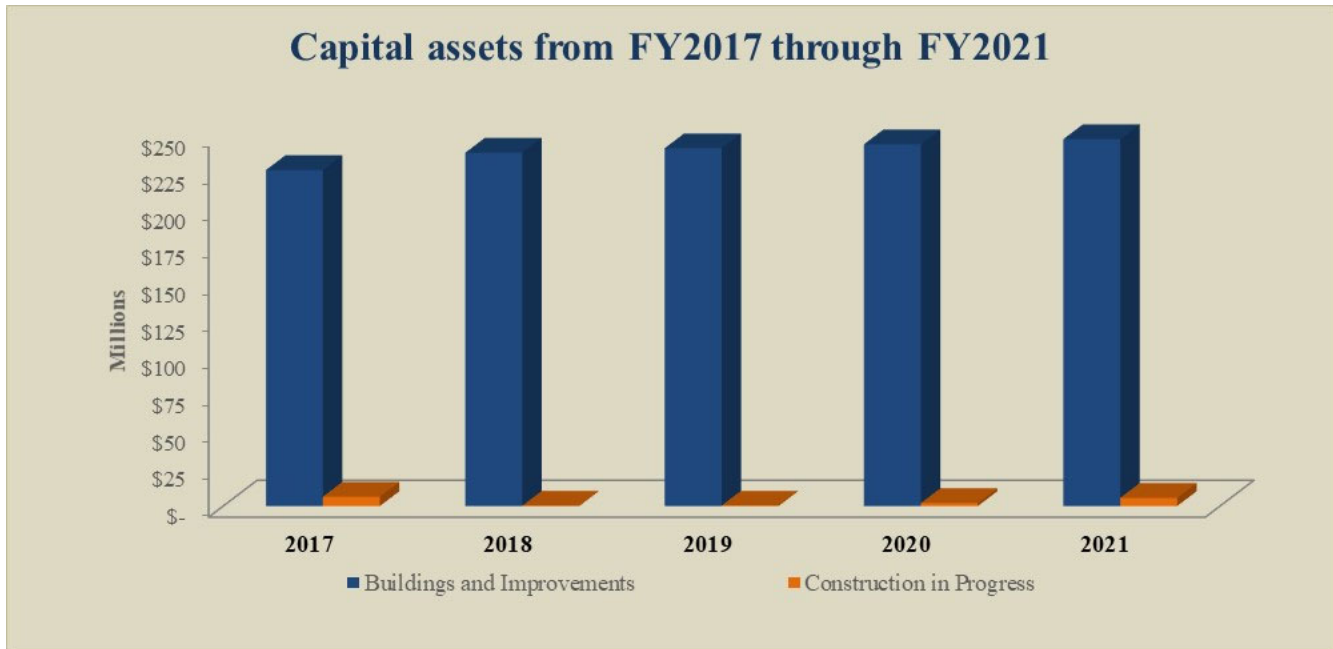
A summarized comparison of the University’s capital assets categories at June 30, 2021, 2020 and 2019 is as follows:

Capital Asset Summary			
	<i>(In Thousands)</i>		
	2021	2020	2019
Building and improvements	\$ 247,948	\$ 244,459	\$ 241,833
Construction in Progress	5,535	2,031	320
Land	2,536	2,536	2,536
Furniture and Equipment	32,547	31,870	31,545
Total	288,566	280,896	276,234
Less: accumulated depreciation	(130,608)	(121,135)	(111,859)
Total capital assets, net	\$ 157,958	\$ 159,761	\$ 164,375

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

The following graph shows the progression of certain 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, 2021, 2020 and 2019 are depicted below:

Changes in Capital Assets

	<i>(In Thousands)</i>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Building and Land Improvements</u>			
Sophia Gordon Center	\$ -	\$ 367	\$ 268
Meier Hall Renovation/Roof Repair	1,127	807	1,609
Library and Learning Commons Improvements	-	-	327
Bloomberg Lab	-	120	-
Sullivan Building Renovation	-	-	341
Equipment purchases for IT	1,714	868	-
Comprehensive Energy Performance Contract Project	-	-	298
Dining Capital Improvements	454	464	-
Various Other Improvements	194	-	197
Net Additions to Buildings and Improvements	<u>3,489</u>	<u>2,626</u>	<u>3,040</u>
<u>Construction in Progress ("CIP")</u>			
Sophia Gordon Center	-	367	268
Various Ongoing Renovation Projects	1,603	3,102	2,607
Comprehensive Energy Performance Contract Project	-	868	298
Roofing Projects	3,677	-	-
IT Projects	1,713	-	-
Additions to Construction in Progress	<u>6,993</u>	<u>4,337</u>	<u>3,173</u>
Transfer of Construction in Progress to Capital Assets	<u>(3,489)</u>	<u>(2,626)</u>	<u>(3,040)</u>
Net Additions to CIP	<u>3,504</u>	<u>1,711</u>	<u>133</u>
<u>Furniture & Equipment</u>			
Solar Panels	-	-	195
IT and Police	625	325	532
Vehicle	52	-	-
Net Additions to Furniture and Equipment	<u>677</u>	<u>325</u>	<u>727</u>
Total Net Asset Additions	<u>7,670</u>	<u>4,662</u>	<u>3,900</u>
Depreciation Expense for the Year	<u>9,473</u>	<u>9,276</u>	<u>9,216</u>
Net Decrease in Capital Assets	<u>\$ (1,803)</u>	<u>\$ (4,614)</u>	<u>\$ (5,316)</u>

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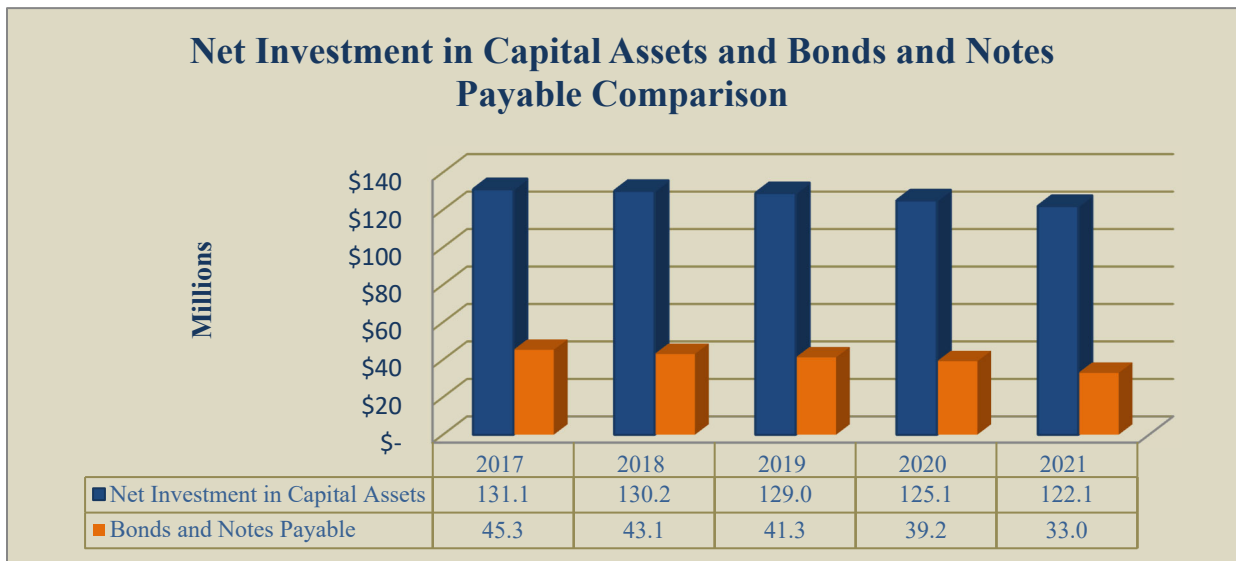
Management’s Discussion and Analysis - Continued
(Unaudited)

Bonds Payable Refunding

The MSCBA closed the 2020A bond refunding/restructure effective July 1, 2020, to restructure debt it holds pertaining to the residence halls and several other facilities on various State university campuses, including Salem State. This reduced Salem State’s MSCBA on book bond debt by approximately \$6 million. Due to this bond refunding/restructure, the MSCBA was able to waive the Fall 2020 assessment and it accommodated a large reduction in the Spring 2021 assessment bill. This reduced the assessment expense from \$14.5 million in FY20 to \$4.5 million in FY21. Based on the restructure of the debt, the MSCBA assessments will reach previous levels within the next several years.

Net Investment in Capital Assets and Bonds Payable Comparison

The following graph displays long-term debt for Bond Payables on the university’s books and the Net Investment in Capital Assets balances for fiscal years ended 2017 through 2021:



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

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

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

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

A summarized comparison of the University's operating and non-operating revenues and expenses and the resulting increase or decrease in net position at June 30, 2021, 2020 and 2019 follows. Note that this information includes the impact of the Pension and OPEB accounting standards:

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

(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>			
Tuition and Fees, Net	\$ 61,774	\$ 65,755	\$ 68,192
Federal, State, and Private Grants	19,843	18,108	19,902
Sales and Services	350	660	1,054
Auxiliary and Other	12,739	24,583	22,678
Total Operating Revenues	<u>94,706</u>	<u>109,106</u>	<u>111,826</u>
<u>Operating Expenses</u>			
Compensation, benefits and other *	100,740	124,106	128,640
Supplies and services	29,916	42,068	39,137
Utilities	3,124	3,780	4,213
Depreciation	9,474	9,276	9,216
Scholarships	12,776	10,305	7,135
Total Operating Expenses	<u>156,030</u>	<u>189,535</u>	<u>188,341</u>
<u>Non-Operating Revenues (Expenses)</u>			
State appropriations	67,963	66,737	65,735
HEERF Funds	11,776	6,234	-
Contribution from the Assistance Corporation	-	473	-
Gifts	2,370	2,341	2,429
Investment Income, net	5,283	2,435	2,111
Interest Expense	(511)	(1,395)	(1,642)
Total Non-Operating Revenues, Net	<u>86,881</u>	<u>76,825</u>	<u>68,633</u>
Capital Grants	3,708	1,560	2,067
Increase (Decrease) in Net Position	<u>\$ 29,265</u>	<u>\$ (2,044)</u>	<u>\$ (5,815)</u>
 * This total is comprised of the following:			
Compensation and Benefits	\$ 104,920	\$ 119,891	\$ 116,326
Retroactive compensation for prior years	-	-	2,671
Pension and OPEB expense	(4,180)	4,215	9,643
	<u>\$ 100,740</u>	<u>\$ 124,106</u>	<u>\$ 128,640</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

Highlights for Operating Revenues

The decrease in total operating revenues of \$14.4 million (13.2%) in FY21 resulted primarily from the following:

Tuition and Fees, net: Tuition and fees, net of scholarships and fellowships decreased by 6.1% (\$4.0 million) in FY 2021. The decrease is due to declining enrollments, elimination of the on-line learning fee, and temporary elimination of certain academic program fees while the university operated largely in remote teaching/learning due to the COVID-19 pandemic.

Federal, State and Private Grants: Federal, state and private grant revenues increased \$1.7 million or 9.6% over FY 2020. Federal grant revenue decreased \$823 thousand or 6.0%, primarily due to lower Pell grants awarded. State grant revenue increased \$2.5 million or 58.6% due to additional grants from the Commonwealth.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues decreased substantially in FY 2021, by \$11.8 million (48.2%) over the prior year. This was primarily due to the impact to housing, meals and parking revenue as a result of low occupancy on campus because of the COVID-19 emergency.

Highlights for Operating Expenses

The decrease in total operating expenses of \$33.5 million (17.7%) in FY 2021 over prior year resulted primarily from the following:

Compensation and Benefits: Compensation and benefits decreased during FY 2021 by \$23.4 million (18.8%) including impact of FY 2021 pension and OPEB expenditures which decreased \$8.4 million compared to FY 2020. During FY20, the university implemented a Voluntary Separation Incentive Program (VSIP.) In FY21, the approximately 52 VSIP net positions that were not refilled reduced the compensation expense year over year by approximately \$6.7 million and, incentive payment expenses were not incurred as they had been in the prior year. The university reduced its adjunct budget resulting in almost \$2.5 million in FY21 savings. Most benefitted employees participated in a mandatory two-week furlough program during FY21. Due to operating largely remotely (COVID-19) the university experienced savings in student employment as well.

Supplies and services: The decrease of \$12.2 million was primarily due to lower MSCBA assessment (\$10.1 million) due to the restructured MSCBA debt. Support expenditures were lower overall due to operating largely remotely because of the COVID-19 emergency.

Depreciation: Depreciation for buildings and building improvements remained consistent for FY 2021 when compared to FY2020 and 2019.

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Management's Discussion and Analysis - Continued
(Unaudited)

Changes in Pension and OPEB Activity: The seventh year of adoption of GASB 68 for pensions resulted in an expense of \$1.1 million in FY 2021, a decrease of \$2.0 million as compared to the prior year. This is due to changes in salaries and in the discount rate utilized in calculating the pension liability, as provided by the Commonwealth's Comptroller's Office.

The fourth year of adoption of GASB 75 for other post-employment benefits resulted in a negative expense of \$5.3 million, which was a decrease of \$6.4 million, as compared to the prior year. 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.

Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2021 of \$10.1 million (13.1%) resulted primarily from the following:

State Appropriations: State appropriations increased by \$1.2 million (1.8%) in FY 2021 over prior year, primarily to support employee payroll and related fringe benefit costs. Greater than half (63.0%) of the University's payroll and fringe is funded by state operating appropriations.

HEERF funds: The University received \$11.8 million in HEERF funding from the federal government as assistance to students (\$3.4 million) and to the University (\$8.4 million) for offsetting costs and lost revenue related to the COVID-19 emergency. The assistance to students is reflected in the scholarship expenses and the assistance to the university was used to partially reimburse the university for lost revenue and COVID related expenses.

Gifts: Gift revenue is a variable source. During FY 2021 gifts transferred from the Salem State University Foundation increased slightly by \$29 thousand (1.2%).

Contribution to Salem State University: During FY 2020 \$473 thousand was received from the Assistance Corporation related to a one time sale of an unused property, as requested by the university.

Investment Income, net: Investment income increased by \$2.8 million in 2021 and is attributable to favorable market conditions.

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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 2021 is \$27.6 million, the actual increase in cash for the year is \$12.5 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.

Managed Net Income for FY 2021 was approximately \$27.6 million, which represents a 189% increase over the prior year. At the bottom line, Increase (Decrease) in Net Position per the management report is the same as per the GAAP-basis audited Statement of Revenues and Expenses for completed years. FY 2021 reflects a large increase in Net Position as compared to the decreases in the two prior years. For FY 2020 and 2019 the change in net position would have been positive without the non-cash expenses that were recorded as required by GASB 68 for Pensions and GASB 75 for OPEB. The next page shows the Managed Revenue and Expense report for the three fiscal years 2021, 2020 and 2019.

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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)

	FY2021	FY2020	FY2019
Managed Revenue:			
Net Tuition and Fees	\$ 48,998	\$ 55,450	\$ 61,057
Federal, State, Private Grants and Assistance	31,619	24,342	19,901
Auxiliary Enterprises	12,100	24,082	22,569
State General Appropriations	67,963	66,737	65,735
Other Revenue	5,390	6,065	5,291
Total Managed Revenue	166,070	176,676	174,553
<i>Year over Year Change</i>	<i>3.6%</i>	<i>1.2%</i>	<i>1.3%</i>
Managed Expenses:			
Compensation	104,920	119,890	118,997
Support	20,317	22,868	19,222
Facility-related	13,235	24,376	25,772
Total Managed Expenses	138,472	167,134	163,991
<i>Year over Year Change</i>	<i>-16.7%</i>	<i>1.9%</i>	<i>1.1%</i>
Managed Net Income	27,598	9,542	10,562
Non-Cash Revenue/(Expenses):			
Capital Grants	3,708	1,560	2,067
Depreciation	(9,474)	(9,276)	(9,215)
Unrealized Gains/Losses	3,252	345	414
GASB 68 Pension	(1,085)	(3,123)	(3,755)
GASB 75 OPEB	5,266	(1,092)	(5,888)
Total Non-Cash Revenue/(Expenses)	1,667	(11,586)	(16,377)
<i>Year over Year Change</i>	<i>-114.4%</i>	<i>-29.3%</i>	<i>13.2%</i>
Total Increase/(Decrease) in Net Position	\$ 29,265	\$ (2,044)	\$ (5,815)

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).

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Management’s Discussion and Analysis - Continued
(Unaudited)

A summarized comparison of the University’s cash flows and the resulting increase in cash at June 30, 2021, 2020 and 2019 follows. *It should be noted that for the presentation below, the state appropriation funds are shown in Operating Activities rather than Non-Capital Financing Activities since State appropriations are intended and used to support operations.* According to accounting standards, the state appropriation is presented as required in Non-Capital Financing Activities on the audited Cash Flow Statement of the Financial Statements.

Summary of Cash Flows

(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Activities	\$ 15,679	\$ (2,305)	\$ 11,006
Non Capital Financing Activities	11,804	7,614	1,454
Capital Financing Activities	(3,721)	(6,341)	(5,080)
Investing Activities	<u>(11,305)</u>	<u>1,432</u>	<u>432</u>
Net Increase/(Decrease) in Cash	<u>\$ 12,457</u>	<u>\$ 400</u>	<u>\$ 7,812</u>

Highlights for Cash Flows

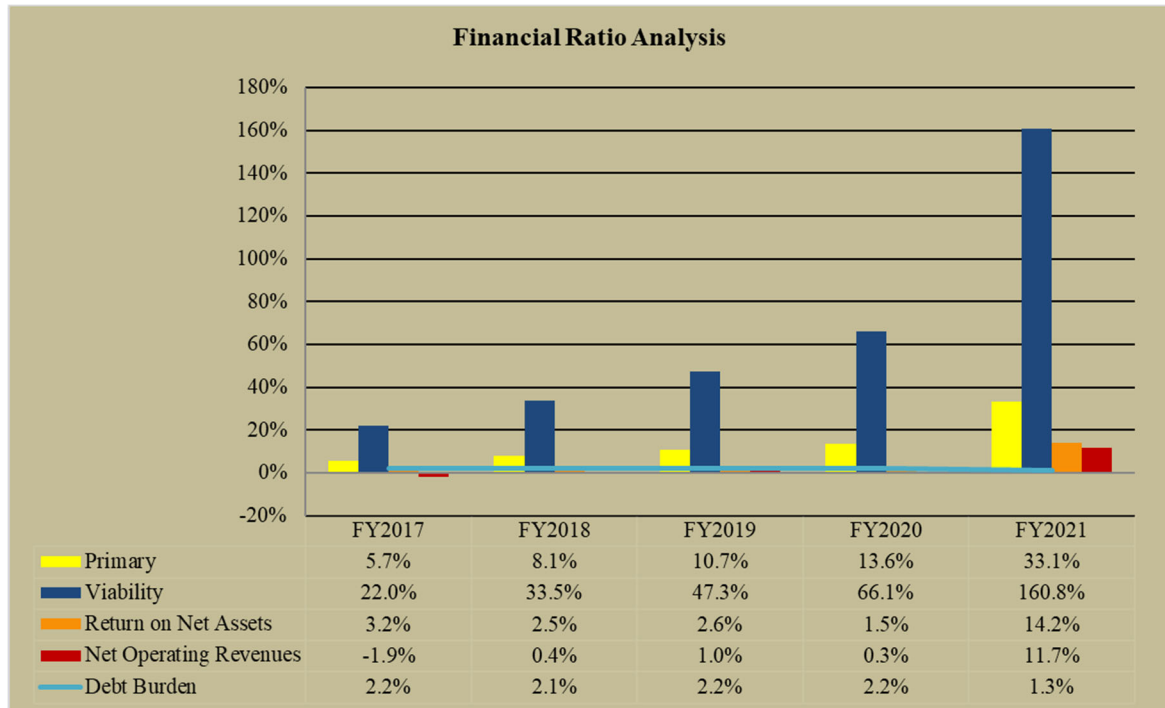
The overall increase in cash and cash equivalents for FY 2021 amounted to \$12.5 million. Cash applied to operating, non-capital financing and capital financing activities was down in FY 2021. Additionally, contribution of cash from non-capital financing activities, which includes HEERF and gift funds, increased in FY21.

Ratio Analysis

Ratio analysis is a management tool which indicates the University’s effective use of its resources, its overall financial viability, its direction in achieving institutional strategic goals, and its ability to meet short and long-term obligations in a managed fashion. Ratios are also useful in analyzing trends of an institution over time. A one-year fluctuation in a ratio may be indicative of an aberration for that year or may indicate a relevant trend. **Readers should bear in mind that FY21 was not a representative year due to the COVID-19 pandemic**, which created a variety of impacts to revenues and expenses as discussed previously. The ratios presented here are calculated without the inclusion of the University’s component units and without factoring in the effect of the implementation of GASB 68 and 75.

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Management’s Discussion and Analysis - Continued
(Unaudited)



Primary

This ratio provides a snapshot of an institution’s financial strength and flexibility. The ratio indicates how long the college could operate using unrestricted and restricted expendable reserves without relying on additional new assets generated by operations. SSU’s FY 2021 ratio of 33.1% suggests the university could cover expenses from reserves for over four months (33.1% of 12 months = 4 months). Trend analysis indicates whether an institution has increased its net worth in proportion to its rate of growth. A negative or decreasing trend indicates a weakening financial condition.

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

Viability

This ratio measures the availability of expendable net assets to pay off long term debt should the university need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient net position to satisfy debt requirements. However, many public institutions can operate effectively at a ratio far less than 1:1. The university’s viability ratio at FY 2021 increased to 1.61:1.

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

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Management's Discussion and Analysis - Continued
(Unaudited)

Return on Net Assets

This ratio reports whether an institution's resources are growing and if it is financially better off than in previous years by measuring total economic return. It is important to assess this ratio as a linear trend – an increasing trend indicates an increase in net position and an increased likelihood that the institution is able to set aside financial resources to strengthen future flexibility. Single year events, like a substantial gift or extreme investment performance or a pandemic, can cause significant year-to-year volatility. For the last three fiscal years, the university has had a positive return (2.6% for FY 2019, 1.5% for FY 2020, and 14.2% in FY 2021.)

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

Net Operating Revenues

This ratio indicates whether operating activities resulted in a surplus or deficit. It measures financial performance by answering the question "Did the university live within its means during a fiscal year?" A positive ratio indicates the university experienced an operating surplus; a continuing decline or pattern of deficits indicates financial problems. In FY 2021, Salem State had a positive net operating revenue of 11.7%

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

Debt Burden

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

Ratio Calculation = Annual Debt Service/Total Expenses

This numerator is annual debt service for debt on the university's books only, thus, it excludes debt issued by the Massachusetts State College Building Authority to fund its residence halls operated by the university on our campus. As a general guideline, it is believed that if more than 5% of an institution's budget were devoted to debt service, that institution's flexibility to devote its resources to other needs would be compromised. The university's debt burden ratio for FY 2021 is 1.2%, which is lower than the previous four fiscal years.

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

Management's Discussion and Analysis - Continued
(Unaudited)

Looking Ahead to FY 2022

In the next fiscal year, the university will continue to manage and anticipate the effects of COVID-19, update its strategic plan, and continue its fundraising campaign. Regarding COVID-19, the university will work to ensure campus safety and to mitigate the impact on operations such as instruction, enrollment, and campus life including housing and dining. Additionally, collective bargaining agreements for all labor unions are due to be negotiated, settled, and implemented during FY22. The university anticipates hearing from the New England Commission of Higher Education (NECHE) about the results of its ten-year reaccreditation process, following an in depth virtual "visit" held in April 2021.

Requests for Further Information

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

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

Statements of Net Position

June 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	<u>Primary</u> <u>Government</u>		<u>Component</u> <u>Units</u>	
	<u>2021</u> <u>University</u>	<u>2020</u> <u>University</u>	<u>2021</u> <u>Combined</u>	<u>2020</u> <u>Combined</u>
Current Assets:				
Cash and cash equivalents	\$ 33,380,174	\$ 24,019,628	\$ 3,224,691	\$ 3,242,203
Restricted cash and cash equivalents	4,025,239	3,405,919	1,008,391	723,292
Deposits held by State Treasurer	4,514,525	3,354,765	-	-
Cash held by State Treasurer	789,853	3,438	-	-
Deposits held by MSCBA and DCAMM	1,468,955	937,682	-	-
Investments	32,968,432	16,595,969	-	-
Accounts, grants and other receivable, net	8,246,546	8,080,094	28,342	17,900
Pledges receivable, net	-	-	3,436,789	3,557,252
Loans receivable	417,438	270,199	-	-
Other current assets	364,594	116,463	35,675	28,105
Total Current Assets	86,175,756	56,784,157	7,733,888	7,568,752
Non-Current Assets:				
Investments	1,077,106	850,888	43,224,327	33,391,116
Loans receivable, net of current portion	800,308	1,318,522	-	-
Pledges receivable, net	-	-	5,774,372	900,668
Capital assets, net	157,957,923	159,760,943	10,875,951	10,956,325
Debt service reserve	1,176,075	1,473,340	-	-
Total Non-Current Assets	161,011,412	163,403,693	59,874,650	45,248,109
Total Assets	247,187,168	220,187,850	67,608,538	52,816,861
Deferred Outflow of Resources:				
Deferred outflows for pensions	7,733,947	8,000,334	-	-
Deferred outflows for other post employment benefits	13,254,199	13,978,837	-	-
Deferred outflows for bond refunding	-	63,695	-	-
Total Deferred Outflows of Resources	20,988,146	22,042,866	-	-
Total Assets and Deferred Outflows of Resources	\$ 268,175,314	\$ 242,230,716	\$ 67,608,538	\$ 52,816,861

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary</u> <u>Government</u>		<u>Component</u> <u>Units</u>	
	<u>2021</u> <u>University</u>	<u>2020</u> <u>University</u>	<u>2021</u> <u>Combined</u>	<u>2020</u> <u>Combined</u>
Current Liabilities:				
Accounts payable and accrued expenses	\$ 6,120,740	\$ 6,342,200	\$ 803,657	\$ 953,748
Accrued payroll	7,680,886	7,410,892	-	-
Accrued compensated absences	5,888,251	5,246,555	-	-
Accrued workers' compensation	227,741	184,165	-	-
Unearned revenues	3,660,385	3,280,606	101,365	121,884
Note payable	319,188	272,508	27,206	28,844
Bonds payable	1,518,972	2,547,594	-	-
Deposits	203,622	250,657	-	-
Total Current Liabilities	25,619,785	25,535,177	932,228	1,104,476
Non-Current Liabilities:				
Accrued compensated absences	4,260,911	3,925,445	-	-
Accrued workers' compensation	1,662,350	809,451	-	-
Notes payable, net of current portion	475,908	315,405	1,039,977	1,064,431
Bond payable, net of current portion	30,716,076	36,025,683	-	-
Loans payable - Federal financial assistance programs	1,916,243	2,061,183	-	-
Net pension liability	39,993,737	40,623,739	-	-
Net other post employment benefits liability	51,462,578	76,582,635	-	-
Other non-current liabilities	-	-	71,199	109,924
Total Non-Current Liabilities	130,487,803	160,343,541	1,111,176	1,174,355
Total Liabilities	156,107,588	185,878,718	2,043,404	2,278,831
Deferred Inflows of Resources:				
Service concession arrangements	351,427	72,003	-	-
Deferred inflows for pensions	10,523,207	9,074,225	-	-
Deferred inflows for other post employment benefits	49,399,486	30,269,781	-	-
Deferred inflows for bond refunding	5,592,265	-	-	-
Total Deferred Inflows of Resources	65,866,385	39,416,009	-	-
Net Position:				
Net investment in capital assets	122,095,359	125,109,658	9,808,768	9,863,050
Restricted:				
Nonexpendable	1,268,006	1,030,316	31,402,890	24,697,634
Expendable	10,477,961	6,728,700	21,303,621	13,333,852
Unrestricted	(87,639,985)	(115,932,685)	3,049,855	2,643,494
Total Net Position	46,201,341	16,935,989	65,565,134	50,538,030
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 268,175,314	\$ 242,230,716	\$ 67,608,538	\$ 52,816,861

See accompanying notes to the financial statements.

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

Statements of Revenues and Expenses
For the Years Ended June 30, 2021 and 2020

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>2021 University</u>	<u>2020 University</u>	<u>2021 Combined</u>	<u>2020 Combined</u>
Operating Revenues:				
Tuition and fees	\$ 80,468,545	\$ 84,392,502	\$ -	\$ -
Less: scholarships and fellowships	(18,694,682)	(18,637,194)	-	-
Net tuition and fees	61,773,863	65,755,308	-	-
Federal grants and contracts	12,869,235	13,692,495	-	-
State grants and contracts	6,850,349	4,320,362	-	-
Private grants and contracts	123,331	94,628	-	-
Gifts and contributions	-	-	10,031,264	2,311,220
Sales and services of educational departments	350,386	660,339	-	-
Auxiliary enterprises	12,100,426	24,082,551	1,536,528	2,068,967
Other operating revenues	638,426	500,393	206,367	97,715
Total Operating Revenues	94,706,016	109,106,076	11,774,159	4,477,902
Operating Expenses:				
Educational and general:				
Instruction	51,673,400	64,672,437	-	-
Public service	1,146,251	1,710,792	2,638,611	2,483,213
Academic support	15,007,902	17,728,372	-	-
Student services	17,908,898	20,138,169	-	-
Institutional support	13,487,639	19,350,256	263,850	312,775
Operation and maintenance of plant	21,918,332	21,976,986	-	-
Scholarships	12,776,147	10,304,987	298,248	109,424
Depreciation	9,473,612	9,276,033	151,444	144,986
Auxiliary enterprises	12,638,295	24,377,349	1,765,165	1,778,648
Total Operating Expenses	156,030,476	189,535,381	5,117,318	4,829,046
Net Operating Income (Loss)	(61,324,460)	(80,429,305)	6,656,841	(351,144)
Non-Operating Revenues (Expenses):				
State appropriations, net	67,962,635	66,736,681	256,114	310,717
Federal grants	11,776,359	6,234,500	-	-
Gifts	2,369,583	2,340,663	-	-
Contribution from Assistance Corporation	-	473,428	-	(473,428)
Investment income, net	5,283,371	1,787,156	8,157,349	2,090,301
Other revenue - MSCBA	-	647,787	-	-
Other non-operating revenue	-	-	1,351	88,488
Interest expense	(510,805)	(1,395,265)	(44,551)	(64,566)
Net Non-Operating Revenues	86,881,143	76,824,950	8,370,263	1,951,512
Increase (Decrease) in Net Position Before Capital Grants	25,556,683	(3,604,355)	15,027,104	1,600,368
Capital grants	3,708,669	1,559,931	-	-
Total Increase (Decrease) in Net Position	\$ 29,265,352	\$ (2,044,424)	\$ 15,027,104	\$ 1,600,368

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, 2021 and 2020

	University				Total
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	
Balance at June 30, 2019	\$ 129,002,204	\$ 971,914	\$ 5,659,632	\$ (116,653,337)	\$ 18,980,413
Changes in net position for 2020	<u>(3,892,546)</u>	<u>58,402</u>	<u>1,069,068</u>	<u>720,652</u>	<u>(2,044,424)</u>
Balance at June 30, 2020	125,109,658	1,030,316	6,728,700	(115,932,685)	16,935,989
Changes in net position for 2021	<u>(3,014,299)</u>	<u>237,690</u>	<u>3,749,261</u>	<u>28,292,700</u>	<u>29,265,352</u>
Balance, June 30, 2021	<u>\$ 122,095,359</u>	<u>\$ 1,268,006</u>	<u>\$ 10,477,961</u>	<u>\$ (87,639,985)</u>	<u>\$ 46,201,341</u>

	Component Units				Total
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	
Balance at June 30, 2019	\$ 9,728,146	\$ 24,360,307	\$ 12,335,620	\$ 2,513,589	\$ 48,937,662
Changes in net position for 2020	<u>134,904</u>	<u>337,327</u>	<u>998,232</u>	<u>129,905</u>	<u>1,600,368</u>
Balance at June 30, 2020	9,863,050	24,697,634	13,333,852	2,643,494	50,538,030
Changes in net position for 2021	<u>(54,282)</u>	<u>6,705,256</u>	<u>7,969,769</u>	<u>406,361</u>	<u>15,027,104</u>
Balance, June 30, 2021	<u>\$ 9,808,768</u>	<u>\$ 31,402,890</u>	<u>\$ 21,303,621</u>	<u>\$ 3,049,855</u>	<u>\$ 65,565,134</u>

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

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	Primary Government	
	2021 University	2020 University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 63,261,882	\$ 64,773,715
Grants and contracts	20,846,160	17,344,747
Payments to suppliers and vendors	(34,588,165)	(44,035,717)
Payments to employees	(78,543,569)	(96,253,524)
Payments for benefits	(6,545,772)	(9,121,119)
Payments to students	(12,776,146)	(10,304,987)
Loans issued to students	-	(20,000)
Collection of loans to students	368,153	301,529
Auxiliary enterprises receipts	11,998,503	24,168,961
Sales and services of educational departments	711,303	252,409
Other	(126,765)	667,408
	(35,394,416)	(52,226,578)
Net Cash Applied to Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
State appropriations	51,072,727	49,921,767
HEERF funds	10,182,977	6,234,500
Contribution from the Assistance Corp	-	473,428
Tuition remitted to State	(797,180)	(895,668)
Student interest received (paid)	(135,830)	(70,787)
Gifts	2,554,618	1,872,721
	62,877,312	57,535,961
Net Cash Provided by Non-Capital Financing Activities		
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(2,246,215)	(2,359,724)
Principal paid on bonds payable and notes payable	(819,186)	(2,354,157)
Interest paid on bonds and notes payable	(952,772)	(1,627,313)
Release of debt service reserves	297,265	-
	(3,720,908)	(6,341,194)
Net Cash Applied to Capital Financing Activities		
Cash Flows from Investing Activities:		
Investment income	369,026	1,479,492
Proceeds from sale of investments	6,555,574	6,449,515
Purchase of investments	(18,229,274)	(6,497,195)
	(11,304,674)	1,431,812
Net Cash (Applied to) Provided by Investing Activities		
Net Increase in Cash and Equivalents	12,457,314	400,001
Cash and Cash Equivalents, Beginning of the Year	31,721,432	31,321,431
Cash and Cash Equivalents, End of the Year	\$ 44,178,746	\$ 31,721,432

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, 2021 and 2020

	Primary Government	
	2021 University	2020 University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (61,324,460)	\$ (80,429,305)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	9,473,612	9,276,033
Bad debts	452,758	849,745
Fringe benefits provided by State	17,687,088	17,710,582
Changes in assets and liabilities:		
Accounts receivable	630,231	(2,275,287)
Accounts payable and accrued liabilities	(1,247,370)	796,376
Accrued payroll and benefits	2,143,630	(3,194,824)
Due from Concessions Vendor	-	3,550,000
Other assets	(151,763)	988,367
Loans to/from students	370,975	274,270
Deposits	(47,034)	(3,010)
Unearned revenues	798,362	137,390
Deferred inflows	20,578,616	21,303,691
Deferred outflows	991,025	5,394,427
Net pension activity	(630,015)	(4,483,804)
Net OPEB activity	(25,120,071)	(22,121,229)
Net Cash Applied to Operating Activities	\$ (35,394,416)	\$ (52,226,578)

Cash Flow Information

	Primary Government	
	2021 University	2020 University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 33,380,174	\$ 24,019,628
Restricted cash and cash equivalents	4,025,239	3,405,919
Deposits held by State Treasurer	4,514,525	3,354,765
Cash held by State Treasurer	789,853	3,438
Deposits held by MSCBA and DCAMM	1,468,955	937,682
	\$ 44,178,746	\$ 31,721,432

Schedule of noncash investing and financing activities

	Primary Government	
	2021 University	2020 University
Acquisition of capital assets	\$ 7,670,592	\$ 4,661,606
Accounts and notes payable beginning of year	685,755	268,812
Accounts and notes payable end of year	(2,401,463)	(685,755)
Payments made by DCAMM	(3,708,669)	(1,559,931)
Cash payments for capital assets	\$ 2,246,215	\$ 2,684,732
Bond refunding	\$ (5,592,265)	\$ -
Unrealized gain (loss) on marketable securities	\$ 3,251,802	\$ 344,825
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 17,687,088	\$ 17,710,582

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

Combining Statements of Net Position of Major Component Units

June 30, 2021 and 2020

	<u>Assets</u>					
	2021			2020		
	Foundation	Assistance Corp.	Combined	Foundation	Assistance Corp.	Combined
Current Assets:						
Cash and cash equivalents	\$ 2,643,131	\$ 581,560	\$ 3,224,691	\$ 2,681,406	\$ 560,797	\$ 3,242,203
Restricted cash and cash equivalents	1,008,391	-	1,008,391	723,292	-	723,292
Accounts, grants and other receivable, net	-	28,342	28,342	-	17,900	17,900
Pledges receivable, net	3,436,789	-	3,436,789	3,557,252	-	3,557,252
Other current assets	29,925	5,750	35,675	28,105	-	28,105
Total Current Assets	7,118,236	615,652	7,733,888	6,990,055	578,697	7,568,752
Non-Current Assets:						
Investments securities	43,224,327	-	43,224,327	33,391,116	-	33,391,116
Pledges receivable, net of current portion	5,774,372	-	5,774,372	900,668	-	900,668
Capital assets, net	-	10,875,951	10,875,951	-	10,956,325	10,956,325
Total Non-Current Assets	48,998,699	10,875,951	59,874,650	34,291,784	10,956,325	45,248,109
Total Assets	\$ 56,116,935	\$ 11,491,603	\$ 67,608,538	\$ 41,281,839	\$ 11,535,022	\$ 52,816,861
	<u>Liabilities and Net Position</u>					
Current Liabilities:						
Accounts payable and accrued expenses	\$ 712,439	\$ 91,218	\$ 803,657	\$ 865,247	\$ 88,501	\$ 953,748
Unearned revenues	-	101,365	101,365	-	121,884	121,884
Note payable	-	27,206	27,206	-	28,844	28,844
Total Current Liabilities	712,439	219,789	932,228	865,247	239,229	1,104,476
Non-Current Liabilities:						
Note payable, net of current portion	-	1,039,977	1,039,977	-	1,064,431	1,064,431
Other non-current liabilities	-	71,199	71,199	-	109,924	109,924
Total-Non Current Liabilities	-	1,111,176	1,111,176	-	1,174,355	1,174,355
Total Liabilities	712,439	1,330,965	2,043,404	865,247	1,413,584	2,278,831
Net Position:						
Net investment in capital assets		9,808,768	9,808,768	-	9,863,050	9,863,050
Restricted:						
Nonexpendable	31,402,890	-	31,402,890	24,697,634	-	24,697,634
Expendable	21,303,621	-	21,303,621	13,333,852	-	13,333,852
Unrestricted	2,697,985	351,870	3,049,855	2,385,106	258,388	2,643,494
Total Net Position	55,404,496	10,160,638	65,565,134	40,416,592	10,121,438	50,538,030
Total Liabilities and Net Position	\$ 56,116,935	\$ 11,491,603	\$ 67,608,538	\$ 41,281,839	\$ 11,535,022	\$ 52,816,861

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Combining Statements of Revenues and Expenses
of Major Component Units
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Foundation	Assistance Corp.	Combined	Foundation	Assistance Corp.	Combined
Operating Revenues:						
Gifts and contributions	\$ 10,031,264	\$ -	\$ 10,031,264	\$ 2,311,220	\$ -	\$ 2,311,220
Auxiliary enterprises	-	1,536,528	1,536,528	-	2,068,967	2,068,967
Other operating revenues	-	206,367	206,367	-	97,715	97,715
Total Operating Revenues	10,031,264	1,742,895	11,774,159	2,311,220	2,166,682	4,477,902
Operating Expenses:						
Educational and general:						
Public service	2,638,611	-	2,638,611	2,483,213	-	2,483,213
Institutional support	263,850	-	263,850	312,775	-	312,775
Scholarships	298,248	-	298,248	109,424	-	109,424
Depreciation and amortization	-	151,444	151,444	-	144,986	144,986
Auxiliary enterprises	-	1,765,165	1,765,165	-	1,778,648	1,778,648
Total Operating Expenses	3,200,709	1,916,609	5,117,318	2,905,412	1,923,634	4,829,046
Net Operating Income (Loss)	6,830,555	(173,714)	6,656,841	(594,192)	243,048	(351,144)
Non-Operating Revenues (Expenses):						
State appropriations, net	-	256,114	256,114	-	310,717	310,717
Contribution to Salem State University	-	-	-	-	(473,428)	(473,428)
Investment income	8,157,349	-	8,157,349	2,090,301	-	2,090,301
Other non-operating revenue	-	1,351	1,351	-	88,488	88,488
Interest expense	-	(44,551)	(44,551)	-	(64,566)	(64,566)
Net Non-Operating Revenues	8,157,349	212,914	8,370,263	2,090,301	(138,789)	1,951,512
Total Increase in Net Position	14,987,904	39,200	15,027,104	1,496,109	104,259	1,600,368
Net Position, Beginning of Year	40,416,592	10,121,438	50,538,030	38,920,483	10,017,179	48,937,662
Net Position, End of Year	\$ 55,404,496	\$ 10,160,638	\$ 65,565,134	\$ 40,416,592	\$ 10,121,438	\$ 50,538,030

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

Notes to the Financial Statements

June 30, 2021 and 2020

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. During the year ended June 30, 2021, COVID-19 had a significant effect on the University’s operations in response to government requirements and observing safety measures. As a result, the University’s maximum housing’s capacity decreased by approximately 60% for the 2020-2021 academic year.

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. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 2022, while the SIP funding must be spent by August 2022.

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

Notes to the Financial Statements

June 30, 2021 and 2020

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, 2021:

	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 non-operating Federal grants for the years ended June 30, 2021, and 2020.

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

For the Year Ended June 30, 2020				
	Student Aid	Institutional	Strengthening Institutions	Total
	Award	Award	Program	
CARES	\$ 3,117,250	\$ 3,117,250	\$ -	\$ 6,234,500
CRRSAA	-	-	-	-
ARPA	-	-	-	-
Total	\$ 3,117,250	\$ 3,117,250	\$ -	\$ 6,234,500

For the years ended June 30, 2021 and 2020 the University also received approximately \$464,000 and \$0, respectively, of Coronavirus relief funds as a pass through from the state of Massachusetts.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Basis of Presentation and Accounting - continued

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

During the years ended June 30, 2021 and 2020, the Foundation distributed scholarships in the amount of \$725,283 and \$610,623, 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 effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined University- wide basis.

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Basis of Presentation and Accounting - continued

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

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

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

Net Position

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

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

Restricted:

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Net Position - continued

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

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

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

Cash and Cash Equivalents and Deposits

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

Accounts Receivable

Accounts receivable are stated at the amount the University expects to collect from outstanding balances. Provisions for losses on accounts receivables 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, 2021 and 2020

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
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Loans Receivable and Payable- continued

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

Capital Assets

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

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Capital Assets - continued

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

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

Contributions - Foundation

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

Deposits Held by Other State Agencies

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

Pensions

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Interest Costs

During 2021 and 2020, total interest costs incurred were approximately \$511,000 and \$1,395,000, respectively. There was no interest costs capitalized in 2021 or 2020.

Tax Status

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

Use of Estimates

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

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases*, is effective for periods beginning after June 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations results from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period*, is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

New Governmental Accounting Pronouncements - continued

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

GASB Statement 92 – *Omnibus 2020*, is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 94 – *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-of-use asset and a corresponding liability would be recognized for SBITAs. Management has not completed its review of the requirements of this standard and its applicability.

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Note 2 - **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, 2021 and 2020 were \$37,405,413 and \$27,425,547 respectively. This includes amounts held in deposit at the Massachusetts Municipal Depository Trust ("MMDT") of \$32,573,786 and \$21,918,621 as of June 30, 2021 and 2020, respectively.

At June 30, 2021 and 2020, the University had deposits of \$0 and \$5,186,956, respectively, held in a money market account which was insured by a third party up to a maximum of \$5 million. During fiscal year 2021 the University consolidated this deposit with other investments.

Custodial Credit Risk

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

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 2 - **Cash and Cash Equivalents and Deposits – Continued**

Custodial Credit Risk - continued

Amounts that may be exposed to custodial risk at June 30, 2021 and 2020 were \$38,210,102 and \$27,869,514, 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.

As of June 30, 2021, and 2020, the fair values of the University's deposits held at the MMDT were \$32,573,786 and \$21,918,621, respectively. At June 30, 2021, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 52% at 30 days or less; 32% at 31-90 days; 11% at 91-180 days and 5.0% at 181 days or more. At June 30, 2020, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 55% at 30 days or less; 23% at 31-90 days; 17% at 91-180 days and 5% at 181 days or more.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 3 - **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, 2021 and 2020 through Massachusetts Management Accounting Reporting System (“MMARS”) were recorded in the sums of \$4,514,525 and \$3,354,765, respectively.

Liabilities to be funded by state appropriations at June 30, 2021 and 2020 were \$789,853 and \$3,438, respectively.

Note 4 - **Investments**

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

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

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

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

Mutual funds and common stock are valued at daily closing prices as reported by the fund while common stocks and corporate bonds are valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager. The stock and mutual funds are classified as Level 1 and are deemed to be actively traded. U.S. Government obligations are valued using quoted prices, documented trade history in the security and pricing models maximizing the use of observable inputs. Corporate bonds are valued as Level 2 based on the closing price reported in the active market in which the individual securities are traded.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Investments - Continued**

University

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Investments - Continued**

University - continued

The University's investments at fair value measurement are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
International equities	\$ 771,320	\$ -	\$ -	\$ 771,320
U.S. equities	1,860,212	-	-	1,860,212
Corporate bonds	1,016,251	-	-	1,016,251
U.S. Treasuries	294,993	-	-	294,993
International emerging	551,332	-	-	551,332
Small and Mid Cap equities	370,437	-	-	370,437
Total mutual funds	4,864,545	-	-	4,864,545
Common stocks	7,429,695	-	-	7,429,695
Corporate bonds	-	5,152,617	-	5,152,617
Total investment assets	<u>\$12,294,240</u>	<u>\$ 5,152,617</u>	<u>\$ -</u>	<u>\$17,446,857</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Investments - Continued**

Foundation

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Investments – Continued**

Foundation - continued

The Foundation's investments at fair value measurement are as follows at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 15,388,344	\$ -	\$ -	\$ 15,388,344
Corporate bonds	-	7,324,257	-	7,324,257
Mutual funds:				
Corporate bonds	-	2,026,512	-	2,026,512
International equities	808,913	-	-	808,913
Large cap equities	1,484,454	-	-	1,484,454
International emerging	728,751	-	-	728,751
Small and mid-cap equities	518,673	-	-	518,673
U.S. bonds and notes	452,473	-	-	452,473
Short-term fixed income	190,761	-	-	190,761
Total mutual funds	4,184,025	2,026,512	-	6,210,537
Money market	1,529,528	-	-	1,529,528
U.S. Government Obligations	1,367,456	-	-	1,367,456
Exchange-traded funds	1,019,293	-	-	1,019,293
State municipal bonds	-	308,686	-	308,686
Other	-	500	-	500
Variable rate bonds	-	125,929	-	125,929
Certificates of deposits	-	116,586	-	116,586
Total assets at fair value	<u>\$ 23,488,646</u>	<u>\$ 9,902,470</u>	<u>\$ -</u>	<u>\$ 33,391,116</u>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2021 and 2020, investments totaled \$34,045,538 and \$17,446,857, 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, 2021 and 2020, there were no individual investments that represented 5% or more of the University's portfolio. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal policies approved by the University's Board of Trustees

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **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, 2021 Investment Maturity in Years

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>> 10</u>
Corporate bonds	\$ 5,091,585	\$ -	\$ 3,768,880	\$ 1,322,705	\$ -
Corporate bond funds	6,980,224	447,004	3,787,040	2,742,506	3,674
Total fixed income	12,071,809	<u>\$ 447,004</u>	<u>\$ 7,555,920</u>	<u>\$ 4,065,211</u>	<u>\$ 3,674</u>
Equity securities	21,973,729				
Total investments	<u>\$ 34,045,538</u>				

June 30, 2020 Investment Maturity in Years

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>> 10</u>
Corporate bonds	\$ 5,152,617	\$ 203,244	\$ 3,432,740	\$ 1,516,633	\$ -
Corporate bond funds	1,016,251	3,639	302,758	706,570	3,284
U.S. Treasuries	294,993	-	275,494	19,499	-
Total fixed income	6,463,861	<u>\$ 206,883</u>	<u>\$ 4,010,992</u>	<u>\$ 2,242,702</u>	<u>\$ 3,284</u>
Equity securities	10,982,996				
Total investments	<u>\$ 17,446,857</u>				

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 4 - **Investments - Continued**

University - continued

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

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	Baa3	A1	A2	A3	Not Rated
Corporate bonds	\$ 5,091,585	\$ -	\$ 1,760,098	\$ 1,231,728	\$ 342,596	\$ 214,540	\$ 632,338	\$ 910,285	\$ -
Corporate bond funds	6,980,224	-	-	-	-	-	-	-	6,980,224
Totals	\$ 12,071,809	\$ -	\$ 1,760,098	\$ 1,231,728	\$ 342,596	\$ 214,540	\$ 632,338	\$ 910,285	\$ 6,980,224

The following table summarizes the quality ratings of the University's debt investments at June 30, 2020:

	Quality Ratings								
	Fair Value	Ba2	Baa1	Baa2	Baa3	A1	A2	A3	Not Rated
Corporate bonds	\$ 5,152,617	\$ 196,042	\$ 1,353,563	\$ 1,544,599	\$ 126,103	\$ 217,930	\$ 647,372	\$ 935,279	\$ 131,729
Corporate bond funds	1,016,251	-	-	-	-	-	-	-	1,016,251
U.S. Treasuries	294,993	-	-	-	-	-	-	-	294,993
Totals	\$ 6,463,861	\$ 196,042	\$ 1,353,563	\$ 1,544,599	\$ 126,103	\$ 217,930	\$ 647,372	\$ 935,279	\$ 1,442,973

Investment Income, net

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

	University 2021	University 2020	Foundation 2021	Foundation 2020
Interest and dividends	\$ 463,922	\$ 918,735	\$ 787,723	\$ 758,065
Net realized and unrealized gains	4,924,980	945,861	7,580,326	1,502,298
Investment fees	(105,531)	(77,440)	(210,700)	(170,062)
Total investment income	\$ 5,283,371	\$ 1,787,156	\$ 8,157,349	\$ 2,090,301

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Accounts, Grants and Other Receivables**

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

	<u>2021</u>	<u>2020</u>
Student accounts	\$ 9,300,150	\$ 10,641,128
Grants	2,406,965	1,346,917
Other	1,575,556	1,422,963
Total gross receivables	<u>13,282,671</u>	<u>13,411,008</u>
Less: allowance for doubtful accounts	<u>(5,036,125)</u>	<u>(5,330,914)</u>
Total accounts, grants and other receivables, net	<u>\$ 8,246,546</u>	<u>\$ 8,080,094</u>

Note 6 - **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:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 3,436,789	\$ 3,657,252
Between one to five years	6,214,925	1,069,996
Receivable after five years	2,500	7,917
Less: allowance for doubtful accounts	<u>(120,000)</u>	<u>(100,000)</u>
Total pledges receivables	<u>9,534,214</u>	<u>4,635,165</u>
Less: discount to net present value at 3%	<u>(323,053)</u>	<u>(177,245)</u>
Pledges receivable, net	<u>9,211,161</u>	<u>4,457,920</u>
Less: current portion of receivable	<u>(3,436,789)</u>	<u>(3,557,252)</u>
Long-term pledges receivable, net	<u>\$ 5,774,372</u>	<u>\$ 900,668</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Loans Receivable and Payable**

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

The Federal Perkins Loan Program Extension Act of 2015 (the “Extension Act”), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. No further extensions were granted for the program as of the date of issuance of these financial statements.

Loans receivable from students include the following at June 30:

	<u>2021</u>	<u>2020</u>
Perkins	\$ 772,763	\$ 1,011,980
Nursing	444,983	576,741
Total loans receivable	<u>1,217,746</u>	<u>1,588,721</u>
Less: amount due in one year	<u>(417,438)</u>	<u>(270,199)</u>
Long-term loan receivables	<u>\$ 800,308</u>	<u>\$ 1,318,522</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 7 - **Loans Receivable and Payable - Continued**

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:

	2021	2020
Perkins	\$ 1,207,201	\$ 1,292,794
Nursing	709,042	768,389
Total loans payable	\$ 1,916,243	\$ 2,061,183

Note 8 - **Capital Assets**

University

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

	Beginning Balance	Additions	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	2,030,524	6,993,172	(3,488,822)	5,534,874
Total capital assets not depreciated	4,566,697	6,993,172	(3,488,822)	8,071,047
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	154,329,316	-	3,488,822	157,818,138
Furniture and equipment	31,869,717	677,420	-	32,547,137
Total capital assets depreciated	276,328,968	677,420	3,488,822	280,495,210
Total capital assets	280,895,665	7,670,592	-	288,566,257
Less: accumulated depreciation:				
Buildings	32,612,953	1,928,973	-	34,541,926
Building improvements	59,381,920	6,388,918	-	65,770,838
Furniture and equipment	29,139,849	1,155,721	-	30,295,570
Total accumulated depreciation	121,134,722	9,473,612	-	130,608,334
Capital assets, net	\$ 159,760,943	\$ (1,803,020)	\$ -	\$ 157,957,923

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Capital Assets - Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer to Depreciable Assets</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 2,536,173	\$ -	\$ -	\$ 2,536,173
Construction in process	319,565	4,336,596	(2,625,637)	2,030,524
Total capital assets not depreciated	<u>2,855,738</u>	<u>4,336,596</u>	<u>(2,625,637)</u>	<u>4,566,697</u>
Capital assets depreciated:				
Buildings	90,129,935	-	-	90,129,935
Buildings and land improvements	151,703,679	-	2,625,637	154,329,316
Furniture and equipment	31,544,707	325,010	-	31,869,717
Total capital assets depreciated	<u>273,378,321</u>	<u>325,010</u>	<u>2,625,637</u>	<u>276,328,968</u>
Total capital assets	<u>276,234,059</u>	<u>4,661,606</u>	<u>-</u>	<u>280,895,665</u>
Less: accumulated depreciation:				
Buildings	30,683,978	1,928,975	-	32,612,953
Building improvements	53,046,500	6,335,420	-	59,381,920
Furniture and equipment	28,128,211	1,011,638	-	29,139,849
Total accumulated depreciation	<u>111,858,689</u>	<u>9,276,033</u>	<u>-</u>	<u>121,134,722</u>
Capital assets, net	<u>\$ 164,375,370</u>	<u>\$ (4,614,427)</u>	<u>\$ -</u>	<u>\$ 159,760,943</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Capital Assets - Continued**

Assistance Corporation

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

	Beginning Balance	Additions	Ending Balance
Capital assets not depreciated:			
Land	\$ 8,023,132	\$ -	\$ 8,023,132
Total capital assets not depreciated	<u>8,023,132</u>	<u>-</u>	<u>8,023,132</u>
Capital assets depreciated:			
Buildings	1,508,859	-	1,508,859
Building improvements	4,244,567	71,070	4,315,637
Furniture and equipment	210,331	-	210,331
Total capital assets depreciated	<u>5,963,757</u>	<u>71,070</u>	<u>6,034,827</u>
Total capital assets	<u>13,986,889</u>	<u>71,070</u>	<u>14,057,959</u>
Less accumulated depreciation:			
Buildings	669,938	37,721	707,659
Buildings improvements	2,166,229	111,278	2,277,507
Furniture and equipment	194,397	2,445	196,842
Total accumulated depreciation	<u>3,030,564</u>	<u>151,444</u>	<u>3,182,008</u>
Capital assets, net	<u>\$ 10,956,325</u>	<u>\$ (80,374)</u>	<u>\$ 10,875,951</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8 - **Capital Assets - Continued**

Assistance Corporation - continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets not depreciated:			
Land	\$ 8,161,482	\$ (138,350)	\$ 8,023,132
Total capital assets not depreciated	8,161,482	(138,350)	8,023,132
Capital assets depreciated:			
Buildings	1,785,560	(276,701)	1,508,859
Building improvements	4,235,940	8,627	4,244,567
Furniture and equipment	198,941	11,390	210,331
Total capital assets depreciated	6,220,441	(256,684)	5,963,757
Total capital assets	14,381,923	(395,034)	13,986,889
Less accumulated depreciation:			
Buildings	658,659	11,279	669,938
Buildings improvements	2,061,482	104,747	2,166,229
Furniture and equipment	192,456	1,941	194,397
Total accumulated depreciation	2,912,597	117,967	3,030,564
Capital assets, net	\$ 11,469,326	\$ (513,001)	\$ 10,956,325

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 9 - **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses include the following at June 30, 2021 and 2020:

	2021	2020
Accounts payable - trade	\$ 4,174,185	\$ 4,696,835
Accrued interest payable	213,843	330,161
Tuition due to state	212,110	225,940
Other	1,520,602	1,089,264
Total accounts payable and accrued expenses	\$ 6,120,740	\$ 6,342,200

Note 10 - **Unearned Revenues**

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

	2021	2020
Tuition and fees	\$ 2,645,291	\$ 2,746,918
Grants	1,015,094	533,688
Total unearned revenue	\$ 3,660,385	\$ 3,280,606

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Bond Refunding Increase (Decrease)	Ending Balance	Current Portion
Bond, loans and note payable:						
Bonds payable	\$ 36,817,788	\$ -	\$ 397,785	\$ (4,433,755)	\$ 31,986,248	\$ 1,414,709
Bond premiums	1,755,489	20,098	104,263	(1,422,524)	248,800	104,263
Loans payable	2,061,183	-	144,940	-	1,916,243	-
Note payable	587,913	483,644	276,461	-	795,096	319,188
Total bonds, loans and note payable	<u>41,222,373</u>	<u>503,742</u>	<u>923,449</u>	<u>(5,856,279)</u>	<u>34,946,387</u>	<u>1,838,160</u>
Other long-term liabilities:						
Accrued compensated absences	9,172,000	977,162	-	-	10,149,162	5,888,251
Workers' compensaton	993,616	896,475	-	-	1,890,091	227,741
Net pension liability	40,623,739	-	630,002	-	39,993,737	-
Net OPEB liability	76,582,635	-	25,120,057	-	51,462,578	-
Total other long-term liabilities	<u>127,371,990</u>	<u>1,873,637</u>	<u>25,750,059</u>	<u>-</u>	<u>103,495,568</u>	<u>6,115,992</u>
Total long-term liabilities	<u>\$ 168,594,363</u>	<u>\$ 2,377,379</u>	<u>\$ 26,673,508</u>	<u>\$ (5,856,279)</u>	<u>\$ 138,441,955</u>	<u>\$ 7,954,152</u>

Long-term liabilities of the University at June 30, 2020 consist of:

	Beginning Balance	Additions	Reductions	Bond Refunding Increase (Decrease)	Ending Balance	Current Portion
Bond, loans and note payable:						
Bonds payable	\$ 37,884,368	\$ -	\$ 2,155,050	\$ 1,088,470	\$ 36,817,788	\$ 2,326,434
Bond premiums	2,981,162	-	200,898	(1,024,775)	1,755,489	221,160
Loans payable	2,139,865	-	78,682	-	2,061,183	-
Note payable	462,010	325,010	199,107	-	587,913	272,508
Total bonds, loans and note payable	<u>43,467,405</u>	<u>325,010</u>	<u>2,633,737</u>	<u>63,695</u>	<u>41,222,373</u>	<u>2,820,102</u>
Other long-term liabilities:						
Accrued compensated absences	9,606,784	-	434,784	-	9,172,000	5,246,555
Workers' compensaton	1,198,155	-	204,539	-	993,616	184,165
Net pension liability	45,107,543	-	4,483,804	-	40,623,739	-
Net OPEB liability	98,703,864	-	22,121,229	-	76,582,635	-
Total other long-term liabilities	<u>154,616,346</u>	<u>-</u>	<u>27,244,356</u>	<u>-</u>	<u>127,371,990</u>	<u>5,430,720</u>
Total long-term liabilities	<u>\$ 198,083,751</u>	<u>\$ 325,010</u>	<u>\$ 29,878,093</u>	<u>\$ 63,695</u>	<u>\$ 168,594,363</u>	<u>\$ 8,250,822</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities - Continued**

MSCBA Bonds Payable University

On July 1, 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, 2021 and 2020 the outstanding amounts related to all MSCBA bond series was \$27,348,964 and \$33,289,413 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 \$846,062 and \$1,155,320 at June 30, 2021 and 2020, respectively.

Central Campus Athletic Field and Tennis Court:

During fiscal year 2006, the MSCBA issued Project 2006A bonds to support a project for the construction of a multi-purpose athletic field and tennis courts on the Central Campus of the University. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2006A, 2012B, 2019C, 2020A). The University has an agreement with the MSCBA to re-pay this debt in semi-annual installments, which started May 1, 2006 and ends May 1, 2049, at an annual coupon rate of approximately 1.95%. The outstanding balance of this obligation including unamortized bond premium was \$1,187,403 and \$1,507,593 at June 30, 2021 and 2020, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities - Continued**

MSCBA Bonds Payable University - continued

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

In January of 2012, the University was allotted \$16,028,603 for the construction of a Fitness Center as part of the O'Keefe Athletic Complex. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A, 2019C, 2020A). At the issuance of this debt, the University's portion of this issue consisted of principal of \$14,230,000 with a premium of \$1,798,603. The term of this debt extends to May 1, 2049 and has an annual coupon rate of approximately 1.95%. The outstanding balance of this obligation including unamortized bond premium was \$11,714,411 and \$12,350,445 at June 30, 2021 and 2020, respectively. A debt service reserve remains for these bonds in the amount of \$240,545 and \$312,242 at June 30, 2021 and 2020, respectively.

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

During January 2014, the MSCBA issued 2014 project bonds on behalf of the University. These bond proceeds along with other University funds are being used to fund the construction of various projects on campus. These projects include the creation of the Student Navigation Center, comprehensive renovations to the Sophia Gordon Center for Creative and Performing Arts Theatre, relocation of the Public Safety station and the development and creation of a parking lot on Assistance Corporation owned land. These bonds consist of principal in the amount of \$19,030,000, issued at a premium of \$2,243,187. The average annual coupon rate is approximately 4.0% over the life of the issue, and the term of this debt extends to June 30, 2033. The outstanding balance of this obligation including unamortized bond premium was \$11,729,065 and \$16,466,881 at June 30, 2021 and 2020, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$894,488 and \$1,107,823 at June 30, 2021 and 2020, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **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 \$1,531,496 and \$1,060,610 at June 30, 2021 and 2020, 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 \$340,527 and \$748,564 as of June 30, 2021 and 2020, respectively. There was a reduction of this bond by MSCBA during 2018. A debt service reserve remains for these excess bond proceeds in the amount of \$41,042 and \$53,275 at June 30, 2021 and 2020, respectively. The average annual coupon rate is approximately 5.0% over the life of the issue, and the term of this debt extends to June 30, 2044.

Other Bonds Payable University

Clean Renewable Energy Initiatives:

During fiscal year 2008, the MDFA issued Clean Renewable Energy Bonds totaling \$214,500 on behalf of the University. The proceeds from this issue were used to install solar panels on various buildings on campus. Through its agreement with MDFA, the University agreed to re-pay this interest free debt with annual principal installments of \$14,300. The term of the issue is from December 31, 2007 to December 31, 2020. The outstanding balance of this obligation was \$14,300 and \$28,600 at June 30, 2021 and 2020, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities - Continued**

Other Bonds Payable University - continued

In September 2010, the Commonwealth of Massachusetts issued Clean Renewable Energy Bonds (“CREBS”) at 3.5%. From this bond issue, the University received \$289,995 for the purpose of acquiring and installing solar panels on the O’Keefe Center. The University makes semi-annual payments of interest and principal. The bond holder is Century Bank. The term of the bond extends to May 2027. The outstanding balance of the obligation was \$102,350 and \$119,409 at June 30, 2021 and 2020, respectively.

Clean Energy Investment Program:

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

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

The total project cost for Phase 1 is \$1,694,560 and is to be repaid over 15 years at 4.0% interest per annum. Annual payments of principal and interest for Phase 1 in the amount of \$152,411 commenced in January 2015. The total project cost for Phase 2 is \$2,291,402 and is to be repaid over 15 years at 3.75% interest per annum. Annual payments of principal and interest for Phase 2 in the amount of \$202,505 commenced in January 2015. The total project cost for the University for Phase 3 is \$2,801,950 and will be repaid over 20 years at 3.0% interest per annum commenced on January 1, 2018. The annual payments of principal and interest for Phase 3 amount to \$188,335 per annum. The outstanding balance of the obligations for Phase 1, 2 and 3 was \$4,769,434 and \$5,135,855 at June 30, 2021 and 2020, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities - Continued**

Bond Payable Maturities University

Maturities of the bonds payable subsequent to June 30, 2021 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2022	\$ 1,414,709	\$ 104,263	\$ 955,667	\$ 2,474,639
2023	2,513,269	68,392	893,994	3,475,655
2024	2,612,758	47,324	809,307	3,469,389
2025	2,685,723	25,042	719,924	3,430,689
2026	1,449,503	1,864	625,391	2,076,758
2027-2031	8,538,181	1,915	2,455,624	10,995,720
2032-2036	7,202,550	-	1,533,293	8,735,843
2037-2041	896,467	-	771,419	1,667,886
2042-2046	3,618,058	-	385,961	4,004,019
2047-2049	1,055,030	-	52,907	1,107,937
Total	<u>\$ 31,986,248</u>	<u>\$ 248,800</u>	<u>\$ 9,203,487</u>	<u>\$ 41,438,535</u>

Notes Payable University

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities – Continued**

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

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

Maturities of the notes payable subsequent to June 30, 2021 are as follows:

Years Ending June 30,	Principal	Interest
2022	\$ 319,902	\$ 33,733
2023	301,240	21,961
2024	138,521	8,682
2025	35,433	1,399
Total	<u>\$ 795,096</u>	<u>\$ 65,775</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities – Continued**

Long-term Liabilities - Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2021 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>
Notes Payable	\$ 1,093,275	\$ -	\$ 26,092	\$ 1,067,183	\$ 27,206	\$ 1,039,977
Other non-current	231,808	63,615	122,859	172,564	101,365	71,199
Total	<u>\$ 1,325,083</u>	<u>\$ 63,615</u>	<u>\$ 148,951</u>	<u>\$ 1,239,747</u>	<u>\$ 128,571</u>	<u>\$ 1,111,176</u>

Long-term liabilities for the Assistance Corporation at June 30, 2020 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>
Notes Payable	\$ 1,120,663	\$ -	\$ 27,388	\$ 1,093,275	\$ 28,844	\$ 1,064,431
Bonds payable	620,517	-	620,517	-	-	-
Other non-current	187,398	86,613	42,203	231,808	121,884	109,924
Total	<u>\$ 1,928,578</u>	<u>\$ 86,613</u>	<u>\$ 690,108</u>	<u>\$ 1,325,083</u>	<u>\$ 150,728</u>	<u>\$ 1,174,355</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.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 11 - **Long-Term Liabilities – Continued**

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

Years Ending June 30,	Principal	Interest
<u> </u>	<u> </u>	<u> </u>
2022	\$ 27,206	\$ 41,665
2023	28,301	40,570
2024	29,439	39,432
2022	30,623	38,248
2026	31,855	37,016
2027-2031	179,555	164,799
2032-2036	218,691	125,664
2037-2038	521,513	24,340
Total	<u>\$ 1,067,183</u>	<u>\$ 511,734</u>

Bonds Payable Assistance Corporation

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

The loan proceeds were used to acquire additional rental property that would be leased to the University for approximately \$4,500,000 and to pay for associated financing and closing costs. This property is currently being leased under an agreement with Salem State University. During the year ending June 30, 2020, the bond was paid off.

Unearned Revenue Assistance Corporation

The balance of this account represents prepayment of rent by the University for the use of two buildings with lease terms that expire in August 2020 and August 2023. The lease expiring in August will be renewed, but, no rental income will be charged to the University. Rental income associated with this lease during the year ending June 30, 2021 was \$121,884.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 – **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.

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.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

Contributions

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

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

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

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 \$7,127,342, \$7,028,320, and \$8,671,164, for the years ended June 30, 2021, 2020 and 2019, 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 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The University contributed \$1,798,972, \$2,518,943, and \$2,764,339, for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 81%, 74%, and 68% of total related payroll for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

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

At June 30, 2021 and 2020, the University reported a liability of \$39,993,737 and \$40,623,739, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, 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, 2019 rolled forward to June 30, 2019.

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 2021 and 2020. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the University's proportion was 0.233% and 0.278% and, respectively.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

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

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$1,085,285 and \$3,122,843, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 1,272,542	\$ 1,349,123
Net difference between projected and actual Investment earnings	2,198,473	-
Change in plan actuarial assumptions, net	2,267,586	3,011,209
Changes in proportion from Commonwealth	30,204	71,722
Changes in proportion due to internal allocation	166,170	1,049,337
Contributions subsequent to the measurement date	<u>1,798,972</u>	<u>2,518,943</u>
Total deferred outflows related to pension	<u>\$ 7,733,947</u>	<u>\$ 8,000,334</u>
	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 258,789	\$ 528,333
Net differences between projected and actual earnings on pension plan investments	-	605,887
Changes in proportion from Commonwealth	97,480	2,064
Changes in proportion due to internal allocation	<u>10,166,938</u>	<u>7,937,941</u>
Total deferred inflows related to pension	<u>\$ 10,523,207</u>	<u>\$ 9,074,225</u>

The University's contributions of \$1,798,972 and \$2,518,943 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

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

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

<u>Years Ending June 30:</u>	
2021	\$ (1,260,435)
2022	(755,083)
2023	(687,439)
2024	(1,252,619)
2025	<u>(632,656)</u>
Total	<u>\$ (4,588,232)</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, 2020</u>	<u>June 30, 2019</u>
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.35%
Interest rate credited to annuity savings fund	3.50%	3.50%

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

Actuarial Assumptions- continued

For measurement dates June 30, 2020 and 2019, 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 RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 2019 and rolled forward to June 30, 2020. The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 2019 and rolled forward to June 30, 2019.

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	2021		2020	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.8%	39%	4.9%
Portfolio Completion Strategies	11%	3.2%	11%	3.9%
Core Fixed Income	15%	0.7%	15%	1.3%
Private Equity	13%	8.2%	13%	8.2%
Real Estate	10%	3.5%	10%	3.6%
Value Added Fixed Income	8%	4.2%	8%	4.7%
Timber/Natural Resources	4%	4.1%	4%	4.1%
	100%		100%	

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% at June 30, 2021 and 2020, 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:

2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.15%	7.15%	8.15%
\$ 52,649,218	\$ 39,993,737	\$ 29,554,928
2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.35%	7.35%	8.35%
\$ 54,071,527	\$ 40,623,739	\$ 29,133,268

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **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, 2021 and 2020

Note 13 - **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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), 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 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The University contributed \$944,662 and \$1,304,875 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the University reported a liability of \$51,462,578 and \$76,582,635 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, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, 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 2020 and 2019. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the University's proportion was 0.249% and 0.439%, respectively.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits - Continued**

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

For the year ended June 30, 2021 the University recognized income related to OPEB of \$5,265,728. For the year ended June 30, 2020, the University recognized OPEB expense of \$1,092,799. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2021	2020
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 944,662	\$ 1,304,875
Changes in OPEB plan actuarial assumptions	4,238,029	58,927
Differences between expected and actual experience	1,420,267	3,071,321
Net differences between projected and actual earnings on OPEB plan investments	148,798	-
Changes in the proportion from Commonwealth	77,993	186,733
Changes in the proportion due to internal allocation	6,424,450	9,356,981
Total deferred outflows related to OPEB	\$ 13,254,199	\$ 13,978,837
	2021	2020
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 4,973,679	\$ 35,222
Differences between expected and actual experience	1,270,271	98,070
Changes in proportion due to internal allocations.	42,980,761	18,620,429
Changes in OPEB from Commonwealth	174,775	11,516,060
Total deferred inflows related to OPEB	\$ 49,399,486	\$ 30,269,781

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits - Continued**

Contributions

The University's contributions of \$944,662 and \$1,304,875 made during the fiscal year 2021 and 2020, 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>	
2021	(9,351,270)
2022	(9,111,054)
2023	(8,295,685)
2024	(8,245,175)
2025	<u>(2,086,765)</u>
	<u>\$ (37,089,949)</u>

Actuarial Assumptions

The total OPEB liability for 2021 and 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	4.0% per year	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, 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 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5%, decreasing by 0.5% each year to 5.5% in 2023 and 2024 and then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP until 2025 then decreasing to 4.5% in 2026; 4.5% for administrative costs

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

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

The participation rates are actuarially assumed as below:

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

	2021		2020	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	25.0%	85.0%
POS/PPO	60.0%	0.0%	60.0%	0.0%
HMO	12.0%	4.0%	15.0%	15.0%

The actuarial assumptions used in the January 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2019 and 2018 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits - Continued**

Actuarial Assumptions- continued

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2021 and 2020, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.15% and 7.25%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits- Continued**

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

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

June 30, 2021		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 61,843,623	\$ 51,462,564	\$ 43,260,265
June 30, 2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
2.95%	3.95%	4.95%
\$ 91,414,916	\$ 76,582,635	\$ 64,855,476

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Other Post-Employment Benefits (Restated) - 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>2021</u>		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 41,799,519	\$ 51,462,564	\$ 64,300,767

	<u>2020</u>		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 63,113,767	\$ 76,582,635	\$ 94,353,367

(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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 14 - **Deferred Inflows of Resources**

Service Concession Arrangements – Aramark

During 2020 the University finalized the termination with its relationship with its food service provider. In accordance with this termination agreement the University recognized approximately \$1,800,000 due to Aramark as of June 30, 2020 as an accrued expense, including returning a negotiated amount of the payments described in the preceding paragraph.

Service Concession Arrangements - Other

Amounts related to agreements with vendors at June 30, 2021 and 2020 approximated \$351,000 and \$72,000, respectively.

Note 15 - **Rental Income**

Assistance Corporation

The Assistance Corporation has long-term operating leases agreements with lessees that expire at various dates through October 2041. Minimum future rentals under the non-cancellable operating leases as of June 30, 2021 are as follows:

Years Ending June 30,	Amount
2022	\$ 1,219,983
2023	945,791
2024	807,988
2025	828,188
2026	896,106
Thereafter	15,809,621
Total	<u>\$ 20,507,677</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 15 - **Rental Income - Continued**

Assistance Corporation - continued

The base rent under one of the lease agreements with the University is equal to the monthly debt service on the debt held by TD Bank. The terms of the lease agreement require the University to remit monthly rent directly to TD Bank. During the year ended June 30, 2020, the University paid off this debt.

Note 16 - **Operating Lease Commitments**

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

The leases expire in various years through 2043. Future minimum payments related to these leases are as follows:

<u>Years Ending June 30,</u>	<u>Assistance Corporation</u>	<u>Outside Vendors</u>	<u>Total</u>
2022	\$ 1,031,652	\$ 253,282	\$ 1,284,934
2023	871,550	243,035	1,114,585
2024	807,988	227,713	1,035,701
2025	828,188	155,084	983,272
2026	896,106	-	896,106
Thereafter	15,809,620	-	15,809,620
Total	<u>\$20,245,104</u>	<u>\$ 879,114</u>	<u>\$21,124,218</u>

The rent expense on these leases amounted to approximately \$1,085,765 and \$1,781,964 for fiscal years 2021 and 2020, respectively.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 17 - **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:

	<u>2021</u>	<u>2020</u>
Restricted - nonexpendable:		
Scholarship and fellowship	<u>\$ 1,268,006</u>	<u>\$ 1,030,316</u>
Restricted - expendable:		
Scholarship, fellowship		
loans, gifts and research		
grants and contracts	<u>\$ 10,477,961</u>	<u>\$ 6,728,700</u>

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

Note 18 - **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.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 18 - **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.

The various employee collective bargaining agreement contracts have expired and negotiations for most but not all have been completed. The Massachusetts State College Association (MSCA) and the Association of Professional Administrators (APA) are completed, as well as the Non-Union Professionals (NUP), who are not unionized but authorized by the Department of Higher Education (DHE). Retroactive payments will be made when all required steps of having the contracts ratified, signed, formally approved and funding have occurred. The university has not recognized a liability for the retroactive compensation for the completed contracts of 2.5% as of the date of these financial statements since certain legal requirements to establish the obligation for retroactive payments have not been completely fulfilled in their entirety as of balance sheet date. The estimated amount of retroactive payments of salary and related fringe benefits is approximately \$2.2 million.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 19 - **Operating Expenses**

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

	2021	2020
Compensation and benefits	\$ 100,739,614	\$ 124,105,960
Supplies and services	29,916,661	42,068,187
Utilities	3,124,442	3,780,214
Depreciation	9,473,612	9,276,033
Scholarships and fellowships	12,776,147	10,304,987
Total operating expenses	\$ 156,030,476	\$ 189,535,381

Note 20 - **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 37.91% in 2020 to 38.32% in 2021 which includes 2.43% and 1.94% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 14.08% in 2020 to 14.66% in 2021. 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, 2021, 2020, and 2019 were \$2,948,211, \$3,721,612 and \$5,213,093, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 20 - **Fringe Benefit Program - Continued**

Insurance

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

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

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 20 - **Fringe Benefit Program - Continued**

Insurance - continued

The GIC is a quasi-independent state agency governed by an 17-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2021 and 2020, the GIC provided health insurance for its members through indemnity, PPO and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 21 - **Massachusetts Management Accounting Reporting System ("MMARS")**

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

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 21 - **Massachusetts Management Accounting Reporting System (“MMARS”) - Continued**

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

	2021	2020
General Appropriations	\$ 51,013,153	\$ 49,644,426
Other Appropriations	59,574	277,341
Total Appropriations	51,072,727	49,921,767
 <u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	17,687,088	17,710,582
 <u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	(797,180)	(895,668)
Total unrestricted appropriations	\$ 67,962,635	\$ 66,736,681

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

	2021	2020
Revenue per MMARS	\$ 128,188,518	\$ 134,088,518
Revenue per University	128,188,518	134,088,518
Difference	-	-

Note 22 - **Pass-Through Student Federal Loans**

The University distributed approximately \$35,512,000 and \$41,288,000 for the years ended June 30, 2021 and 2020, for student loans through the William D. Ford Federal Direct Lending Program. These distributions and related funding sources are not included in the accompanying financial statements.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 23 - **Massachusetts State College Building Authority (“MSCBA”)**

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

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

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

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the years ended June 30, 2021 and 2020 were \$4,464,666 and \$14,527,457, respectively, and are included in auxiliary enterprises and operation and maintenance of plant in the accompanying statements of revenues and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Massachusetts State Employees' Retirement System

Year ended	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, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	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	0.233%	0.278%	0.341%	0.347%	0.341%	0.389%	0.295%
Proportionate share of the collective net pension liability	\$ 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	\$ 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	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	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 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>(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>
College's covered payroll	\$ 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	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, 2021 and 2020

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

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

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

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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2021 and 2020

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

Measurement date – June 30, 2016

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

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

Measurement date – June 30, 2015

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

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

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
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Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.249%	0.439%	0.531%	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 51,462,578	\$ 76,582,635	\$ 98,703,864	\$ 86,677,734	\$ 83,576,460
College's covered payroll	\$ 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	287.67%	334.11%	372.93%	317.46%	322.87%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

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Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 944,662	\$ 1,304,875	\$ 2,015,741	\$ 2,360,585	\$ 2,181,990
Contributions in relation to the statutorily required contribution	<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>
College's covered payroll	\$ 12,271,298	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 25,885,577
Contribution as a percentage of covered payroll	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.

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Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2021 and 2020

Note 1 - **Change in Plan Assumptions**

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%.

Change in Trend on Future Costs

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

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

June 30, 2021 and 2020

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

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**

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Assets:		
Cash and equivalents	\$ 3,602,188	\$ 945,829
Accounts receivable, net	<u>228,032</u>	<u>314,205</u>
Total Assets	<u>\$ 3,830,220</u>	<u>\$ 1,260,034</u>
 <u>Liabilities and Net Position</u>		
Liabilities:		
Accounts payable	\$ 246,342	\$ 230,712
Accrued payroll and fringe benefits	70,209	65,172
Accrued compensated absences	<u>236,753</u>	<u>241,489</u>
Total Liabilities	553,304	537,373
Net Position	<u>3,276,916</u>	<u>722,661</u>
Total Liabilities and Net Position	<u>\$ 3,830,220</u>	<u>\$ 1,260,034</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, 2021 and 2020

	2021	2020
Revenues:		
Student fees	\$ 8,630,936	\$ 14,528,350
Less: scholarships and fellowships	(1,780,970)	(1,899,993)
Commissions	-	47,560
Rentals	216,434	199,870
State grant	77,021	36,000
	7,143,421	12,911,787
Total Revenues		
Expenses:		
Regular employee compensation	1,575,440	1,916,073
Regular employee related expenses	-	323
Special employee compensation	577,598	578,281
Fringe benefits	769,937	919,699
Administrative	45,166	20,668
Facility operational	46,956	85,670
Energy and space rental	1,068,707	1,441,965
Operational services	76,911	66,212
Equipment purchase	-	6,647
Equipment maintenance	991,187	781,464
Loans and special payments	3,944,310	12,421,633
Information technology	6,130	9,128
	9,102,342	18,247,763
Total Expenses		
Excess of Expenses over Revenues Before Federal grants and Transfers	(1,958,921)	(5,335,976)
Federal grants	4,513,176	3,117,250
Net Transfers	-	1,972,682
	2,554,255	(246,044)
Total Increase (Decrease) in Net Position		
Net Position, Beginning of Year	722,661	968,705
Net Position, End of Year	\$ 3,276,916	\$ 722,661

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salem State University (the "University"), which comprise the statements of net position as of June 30, 2021 and 2020, the related statements of revenues, expenses and changes in net position, cash flows, the combining statements of net position of major component units, and combining statements of revenues and expenses of major component units for the year then ended, and the related notes to the financial statements, which collectively comprise Salem State University's basic financial statements and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

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

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

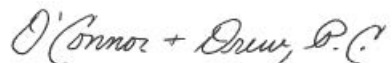
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants
Braintree, Massachusetts

October 8, 2021