
SUBJECT: Risk Management and Audit Committee Meeting Report for October 15, 2025

The committee met in accordance with the General Laws of the Commonwealth of Massachusetts, Chapter 30A and An Act Relative to Extending Certain State of Emergency Accommodations, which, among other things, extended the expiration of the provisions pertaining to the Open Meeting Law and remote meetings. All votes taken during this meeting were by roll call vote.

Present for the Committee: Trustees Davis (chair), Billings (vice-chair), Kezer and Lancome. Also, present and participating: President Keenan (ex-officio), Interim Vice President Lopez (co-committee liaison), Vice President Colucci (co-committee liaison), Assistant Vice President/Controller Bethoney and executive support specialist Fiore.

Trustee Davis, committee chair, called the meeting to order at 4:04 pm.

FY2025 draft audits for discussion and acceptance

Managing Partner Zachary LaFlash from the university's external auditing firm, Withum, PC, was present.

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

An unmodified opinion (clean report) is expected to be issued on the university's FY25 financial statements (Attachment B) when the draft is finalized. There were no significant deficiencies, material weaknesses or comments on internal control. A summation of the draft FY25 audited financial statements was provided.

The university's draft FY25 Uniform Guidance audit report on compliance for each major federal program (Attachment C) is clean, with one minor finding noted regarding a delayed student status notification to the National Student Loan Data System. No financial miscalculations or impacts were associated with the finding.

Trustee Lacombe **MOVED** that the Risk Management and Audit Committee hereby approve the following motion pertaining to the draft FY25 Salem State University audited financial statements, **SECONDED** by Trustee Kezer.

MOTION

The Risk Management and Audit Committee hereby recommends that the Board of Trustees approve the following motion pertaining to the FY25 Salem State University draft audited financial statements and programs and related materials.

Recommended Motion

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

Salem State University Financial Statements and Management's Discussion and Analysis June 30, 2025.

Salem State University Independent Auditors' Reports as Required by the
Uniform Guidance and Government Auditing Standards and Related
Information, June 30, 2025

Further, the Board of Trustees delegates authority to accept the final audit packages to Interim Vice President Sallyann Lopez, with the proviso that significant changes from the draft statements, if any, be discussed first with the chair of the Risk Management and Audit committee.

The trustees acknowledge that Interim Vice President Lopez and her team will submit the audited financial statements to the Commonwealth by its October 31, 2025 deadline and the Uniform Guidance audit report to the Federal Government by its March 31, 2026 deadline.

Voting in the affirmative: Davis, Billings, Kezer and Lancome

Voting against: None

Perkins Loan Program Closeout

The University completed the required closeout of the Federal Perkins Loan program in FY25, returning its federal capital contribution and assigning all outstanding loan receivables to the U.S. Department of Education. Going forward, the DOE is solely responsible for administering and collecting these loans, and the University has no further liability. As a result, there are no Perkins loan balances in the FY25 financial statements.

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

Trustee Lancome **MOVED** that the Risk Management and Audit Committee meeting adjourn **SECONDED** by Trustee Kezer.

Voting in the affirmative: Davis, Billings, Kezer and Lancome

Voting against: None

The meeting adjourned at 4:45 pm.

Prepared by B. Fiore, executive support specialist, finance and facilities.

Salem State University

October 15, 2025

Required Communications

AUDITORS' RESPONSIBILITY UNDER GAAS

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

Required Communications - Continued

AUDITORS' RESPONSIBILITY UNDER GAAS - continued

- Financial Statement Audit-
 - Unmodified audit report for June 30, 2025.
 - No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Single Audit –
 - 2025 Compliance Supplement is not yet issued. As such we can not formally complete this engagement.
 - One compliance finding related to timely reporting on student status change

Required Communications - Continued

SIGNIFICANT ACCOUNTING POLICIES AND TRANSACTIONS

- Initial Selection of or Changes in Policies
 - All accounting policies are discussed in Note 1 of the financial statements.
 - During fiscal year 2025, the following accounting standards were adopted:
 - *GASB 101 – Compensated Absences*
 - *GASB 102 – Certain Risk Disclosures*
 - Application of all other existing policies were not changed during current year.
- Significant Transactions:
 - None.

Required Communications - Continued

INDEPENDENCE

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

Related to our audit for 2025, we are independent with respect to the University within the meaning of the pronouncements of the Independence Standards Board, *Government Auditing Standards*, and under Rule 101 of the AICPA Code of Professional Conduct.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

There were no audit differences recorded as a result of the audit that are required to be communicated to the Committee.

There were no uncorrected misstatements that are required to be communicated to the Committee.

Required Communications - Continued

MANAGEMENT'S JUDGEMENTS AND ACCOUNTING ESTIMATES

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

OTHER COMMUNICATIONS

- Disagreements with management – None
- Consultation with other accountants/auditors:
 - Auditors for the MA State Employees' Retirement and OPEB Plans
 - Lease Query GASB 87/96 Calculations
- Major issues discussed with management prior to retention – None
- Difficulties encountered in performing the audit – None
- Significant written communications between the auditor and management:
 - Engagement letter
 - Management representation letter

Required Communications - Continued

MANAGEMENT ADVISORY SERVICES/TAX SERVICES

- No management advisory services were performed by Withum during 2025.
- Withum performed a Single Audit, as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements. This will be completed upon the issuance of the final 2025 Federal Compliance Supplement

Financial Statement Fraud Risks

PERVASIVE RISK

No pervasive financial statement fraud risks were identified.

SPECIFIC RISKS PRESUMED BY AUDITING STANDARDS

-All risks were presented to the board during the 5/21/2025 board meeting

Risk of misstatement relating to revenue recognition

Risk of management override of controls

- Journal entries and adjustments
- Revenue recognition
- Significant accounting estimates
- Significant unusual transactions

Adopted Accounting Pronouncements

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

GASB Statement 102 - *Certain Risk Disclosures* is effective for fiscal years beginning after June 15, 2024. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

Neither of these statements had a material impact to the University's financial statements.

Upcoming Accounting Pronouncements

GASB Statement 103 – *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this statement is to improve the financial reporting model to enhance decision making by the organization and assessing a government's accountability. Management has not completed its review of the requirements of these standards and their applicability.

GASB Statement 104 – *Disclosure of Certain Capital Assets* is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets.

Discussion of Financial Statements

Overview of Deliverables:

- ***June 30, 2025 Audited Financial Statements:***
 - *Unmodified Audit Report- “clean report”*
 - *Management Discussion and Analysis*
 - *Basic Financial Statements*
 - *Notes to the Financial Statements*
 - *Supplementary Information:*
 - *RSI -Pension and OPEB*
 - *SI- Dormitory Trust (Unaudited)*
 - *Internal Control Report- no comments, Significant Deficiencies, or Material Weaknesses*
- ***June 30, 2025 Uniform Guidance Report (Single Audit):***
 - *Audit Report on Compliance for Each Major Federal Program- “clean report”*
 - *Schedule of Expenditures of Federal Awards and Notes*
 - *Schedule of Findings and Questioned Costs- one finding related to the timely reporting of student status change*
 - *Internal Control Report- no comments, Significant Deficiencies, or Material Weaknesses*

Audited Financial Statements- Summarized Statement of Net Position (Balance Sheet)

	(rounded) <u>2025</u>	(rounded) <u>2024</u>	\$ <u>Change</u>	% <u>Change</u>
Current Assets	127,265,000	125,285,000	1,980,000	2%
Non-Current Assets	<u>324,269,000</u>	<u>336,925,000</u>	<u>(12,656,000)</u>	-4%
Total Assets	451,534,000	462,210,000	(10,676,000)	-2%
Deferred Outflows (DO)	<u>7,696,000</u>	<u>10,143,000</u>	<u>(2,447,000)</u>	-24%
Total Assets and DO	459,230,000	472,353,000	(13,123,000)	-3%
Current Liabilities	39,812,000	43,918,000	(4,106,000)	-9%
Non-Current Liabilities	<u>255,078,000</u>	<u>268,753,000</u>	<u>(13,675,000)</u>	-5%
Total Liabilities	294,890,000	312,671,000	(17,781,000)	-6%
Deferred Inflows (DI)	41,437,000	57,197,000	(15,760,000)	-28%
Net Position (NP)	<u>122,903,000</u>	<u>102,485,000</u>	<u>20,418,000</u>	20%
Total Liabilities, DI, and NP	459,230,000	472,353,000	(13,123,000)	-3%

Statement of Net Position-

Impact of Leases, SBITA's, Pension and OPEB- FY2025

	<u>Total 2025</u>	<u>Leases</u>	<u>SBITAs</u>	<u>Pension / OPEB</u>	<u>All Remaining Accounts</u>
Current Assets	127,265,000	-	-	-	127,265,000
Non-Current Assets	<u>324,269,000</u>	<u>175,078,000</u>	<u>3,398,000</u>	<u>-</u>	<u>145,793,000</u>
Total Assets	451,534,000	175,078,000	3,398,000	-	273,058,000
Deferred Outflows (DO)	<u>7,696,000</u>	<u>-</u>	<u>-</u>	<u>7,696,000</u>	<u>-</u>
Total Assets and DO	459,230,000	175,078,000	3,398,000	7,696,000	273,058,000
Current Liabilities	39,812,000	6,059,000	1,470,000	-	32,283,000
Non-Current Liabilities	<u>255,078,000</u>	<u>185,918,000</u>	<u>1,722,000</u>	<u>39,210,000</u>	<u>28,228,000</u>
Total Liabilities	294,890,000	191,977,000	3,192,000	39,210,000	60,511,000
Deferred Inflows (DI)	41,437,000	-	-	35,723,000	5,714,000
Net Position (NP)	<u>122,903,000</u>	<u>(16,899,000)</u>	<u>206,000</u>	<u>(67,237,000)</u>	<u>206,833,000</u>
Total Liabilities, DI, and NP	459,230,000	175,078,000	3,398,000	7,696,000	273,058,000

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

	(rounded) <u>2025</u>	(rounded) <u>2024</u>	\$ <u>Change</u>	% <u>Change</u>
Operating Revenues	117,294,000	104,470,000	12,824,000	12%
Operating Expenses	<u>200,558,000</u>	<u>187,143,000</u>	<u>13,415,000</u>	7%
Net Operating Loss	(83,264,000)	(82,673,000)	(591,000)	1%
State Appropriations, net	93,850,000	89,565,000	4,285,000	5%
Federal Grants	44,000	748,000	(704,000)	-94%
Investment Income (Loss), net	9,008,000	10,765,000	(1,757,000)	-16%
Interest Expense	(6,773,000)	(7,298,000)	525,000	-7%
Other Non-Operating Revenue	4,089,000	4,977,000	(888,000)	-18%
Capital Grants	<u>3,464,000</u>	<u>3,799,000</u>	<u>(335,000)</u>	-9%
Total Increase in Net Position	20,419,000	19,883,000	536,000	3%

Audited Financial Statements- Summarized Statements of Changes in Net Position

	(rounded) Net Investment in Capital Assets	(rounded) Restricted Non-Expendable	(rounded) Restricted Expendable	(rounded) Unrestricted	(rounded) Total
Balances at June 30, 2023	103,032,000	110,000	13,443,000	(33,984,000)	82,601,000
Change in net position for 2024	<u>(5,421,000)</u>	<u>-</u>	<u>(135,000)</u>	<u>25,439,000</u>	<u>19,883,000</u>
Balances at June 30, 2024	97,611,000	110,000	13,308,000	(8,545,000)	102,484,000
Change in net position for 2025	<u>(5,020,000)</u>	<u>-</u>	<u>678,000</u>	<u>24,761,000</u>	<u>20,419,000</u>
Balances at June 30, 2025	92,590,000	110,000	13,986,000	16,216,000	122,903,000

Audited Financial Statements- Summarized Statements of Cash Flows

	(rounded) <u>2025</u>	(rounded) <u>2024</u>
Net Cash Applied to Operating Activities	(55,081,000)	(45,753,000)
Net Cash Provided by Non-Capital Financing Activities	68,478,000	68,326,000
Net Cash Applied to Capital Financing Activities	(19,865,000)	(17,764,000)
Net Cash Provided by (Applied to) Investment Activities	<u>3,376,000</u>	<u>3,250,000</u>
Change in Cash and Equivalents	(3,092,000)	8,059,000
Cash and Equivalents, Beginning of Year	<u>62,089,000</u>	<u>54,031,000</u>
Cash and Equivalents, End of Year	58,997,000	62,090,000

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**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

Financial Statements

June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem State University:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units, of Salem State University (an agency of the Commonwealth of Massachusetts, the "Commonwealth")(the "University"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

DATE

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Management's Discussion and Analysis

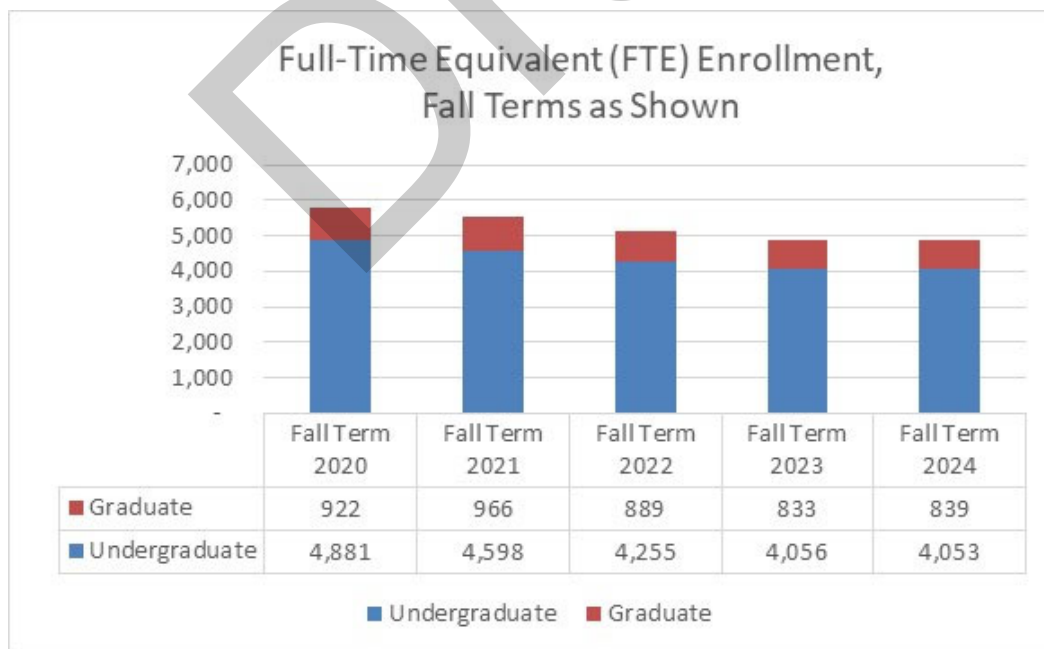
(Unaudited)

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, 2025 and 2024. Readers are encouraged to consider the information presented here in conjunction with the financial statements and related footnotes. In accordance with Governmental Accounting Standards Board ("GASB") requirements, the University financial statements report the component unit Salem State University Assistance Corporation ("Assistance Corporation") along with the University Statements. The Salem State University Alumni Association and Foundation, Inc. ("Foundation") component unit is presented separately.

Background

The University was founded in 1854 as the Salem Normal School, at which time it offered innovative, ground-breaking education for women pursuing careers in education. Today, Salem State, which is one of the most diverse state universities in the Commonwealth, thrives as a comprehensive institution of academic strength offering high quality education at the undergraduate and graduate levels. Salem State is located on 115 acres, which is spread across five sites: North Campus, Harrington Campus, South Campus, School of Social Work and International Programs and the O'Keefe Athletic Complex. The curriculum spans the arts, sciences and professional programs contained within the College of Arts and Sciences, the Bertolon School of Business, the Maguire Meservey College of Health and Human Services, the McKeown School of Education, the School of Social Work, the School of Graduate Studies and the School of Continuing and Professional Studies. For the Fall 2024 semester, Full-Time Equivalent (FTE) Enrollments were 4,053 (undergraduate) and 839 (graduate). Total FTE enrollment for the past five years is shown below.



SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
(Unaudited)

The university has a 12:1 undergraduate student to faculty ratio and these students select from 33 majors, 100 plus concentrations, and more than 80 minors. In addition, we offer 30 graduate programs, and 22 licensures only and/or graduate certificate programs. University students are diverse, hailing from 40 states and 47 countries. Over 48.3% of our first-year students (freshman) have self-identified as students of color (fall semester 2024). The approximate gender breakdown is 37% male and 63% female. The University operates five residence halls with a design capacity for 1,928 students. Salem State fields men's and women's teams in 15 sports; plus 10 intramural/club teams. Athletic teams compete in the Eastern Collegiate Athletic Conference (ECAC) Division III, the Little East Conference (LEC), the Massachusetts State College Athletic Conference (MASCAC), the National Collegiate Athletic Conference (NCAA) Division III, and the New England College Athletic Conference (NECAC).

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 Alumni Association and Foundation (SSUAF, 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 alumni (nearly 75,000), more than 58,000 remain in Massachusetts.

Mission and Strategic Plan

Salem State University developed its mission and strategic plan through an extensive community-wide process, and the Massachusetts Department of Higher Education approved it in May 2023. The mission, values, and strategic goals are provided below:

University Mission

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

Core Institutional Values

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

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

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

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

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

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

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

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

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

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

SALEM STATE UNIVERSITY
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Salem State's Strategic Goals (2023-2028)

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

Goal I. Academic Excellence and Active Learning

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

Goal II. Civic Engagement and Public Good

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

Goal III. Justice, Diversity, Equity, and Inclusion

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

Goal IV. Environmental Stewardship and Climate Action

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

Goal V. Campus Community and Culture

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

Goal VI. Operational Excellence and Infrastructure

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

Goal VII. Financial Vitality and Sustainability

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

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Accreditation

The university is accredited by the New England Commission of Higher Education (“NECHE”) and successfully completed a comprehensive 10-year accreditation review in the fall 2021. Accreditation of an institution of higher education by NECHE indicates that it meets or exceeds criteria for the assessment of institutional quality periodically applied through a peer review process. An accredited college or university is one which has available the necessary resources to achieve its stated purposes through appropriate educational programs, is substantially doing so, and gives reasonable evidence that it will continue to do so in the foreseeable future. Institutional integrity is also addressed through accreditation. Salem State is currently in the process of our NECHE mid-accreditation report, which is to be submitted no later than mid-January 2026.

Significant Events and Accomplishments

Salem State had many academic and campus accomplishments to celebrate during FY25. What follows is an itemized list representing a range of these activities.

University Programs, Celebrations or Recognitions

- Salem State Earns National Recognition for Marketing Excellence
- Salem State University Cleared HSI Eligibility Milestone
- SSU BOLD: Campus Unification and Modernization Project Broke Ground in April 2025
- Celebrating Hispanic and Latinx Heritage Month
- Phi Kappa Phi Honor Society Initiates Outstanding Students
- The 2025 Civic Engagement Hall of Fame Winners Honored
- Fire Captain Wins SSU Viking Business Pitch Competition
- Bertolon School of Business Students Visits Nasdaq
- Women's History Month 2025 Events Celebrated
- Salem State's Darwin Festival Returned for 46th Year
- Berry IOP Fellows Announced: Marylou Sudders and James Hills
- Salem State Hosted a Three-Day Hip-Hop Dance Symposium
- Students Participated in an Alternative Spring Break at the Massachusetts State House

Grants / Awards to Students

- \$10 million Anonymous Donor Established Clipper Scholarships in Support of Students in the McKeown School of Education and the Maguire Meservey College of Health and Human Services
- Professor Elizabeth Duclos-Orsello Received a \$480,000 Mellon Grant for The Humanities Brigade
- The Nate Bryant and Family Student Emergency Fund Created
- Salem State Received \$930,000 to Support Behavioral Health Internships

Grants / Recognition of Faculty

- Professor Avia Chomsky Invited to Prestigious Oxford Debate
- School of Social Work Launched a Faculty Presents Series
- Professor Marcos Luna Received Latino Excellence Award at the Massachusetts State House
- Salem State Launched a New Institute Funded by the Cummings Foundation

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Statement of Net Position Summary & Analysis

The Statement of Net Position presents information on the University's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the residual balance being reported as net position. Total net position as of June 30, 2025 is \$122.9 million, compared to \$102.5 million as of June 30, 2024. Within FY25's net position, the largest component is the net investment in capital assets of \$92.6 million. The University's total unrestricted net position for fiscal year 2025 is \$16.2 million, however this figure includes the impact of GASB No. 68 and 75 standards relating to pension and other post-employment benefits, discussed below.

Excluding the impact of GASB No. 68 and 75, unrestricted net position at June 30, 2025 is \$74.9 million, an increase of \$6.0 million compared to fiscal year 2024.

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

The Governmental Accounting Standards Board (GASB) issued two standards that materially impacted the presentation of the university's financial statements some years ago, notably GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (commonly referred to as OPEB.). GASB No. 68 was implemented by Salem State University in its FY 2015 financial statements which required, among other impacts, restating the net position as of June 30, 2014. GASB 75 was implemented by Salem State University in its FY 2018 financial statements which required, among other things, restating net position as of July 1, 2016 in order to provide comparability with FY 2018. The following table 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 2025 and FY 2024.

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	<u>FY 2025</u>	<u>FY 2024</u>
	<i>(In Thousands)</i>	
Statement of Net Position Excerpts related to GASB 68/75		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 3,428	\$ 3,897
GASB 75 - Other Post Employment Benefits	<u>4,268</u>	<u>6,246</u>
Total deferred outflows	<u>7,696</u>	<u>10,143</u>
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	(18,433)	(22,111)
GASB 75 - Other Post Employment Benefits	<u>(20,776)</u>	<u>(23,516)</u>
Total Net Pension & OPEB Liability	<u>(39,209)</u>	<u>(45,627)</u>
Deferred Inflows (like a Liability):		
GASB 68 - Pension	(5,512)	(7,259)
GASB 75 - Other Post Employment Benefits	<u>(21,620)</u>	<u>(34,662)</u>
Total deferred inflows	<u>(27,132)</u>	<u>(41,921)</u>
Net position impact - (Decrease)	<u>\$ (58,645)</u>	<u>\$ (77,405)</u>
One-year Change	18,760	18,220
Statement of Revenues, Expenses & Changes in Net Position Excerpts related to GASB 68/75		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ (4,956)	\$ (4,775)
GASB 75 - Other Post Employment Benefits	<u>(13,804)</u>	<u>(13,445)</u>
Total Net Pension & OPEB Expense**	<u>\$ (18,760)</u>	<u>\$ (18,220)</u>

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

** These "Negative Expenses" for FY25 and FY24 are a decrease of expenses and cause Net Position to be increased.

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

Unrestricted Net Position Impacted by GASB 68 (Pension) and 75 (OPEB)					
(In Thousands)					
	Without Pension & OPEB	Pension Adjustment	OPEB Adjustment	With Pension and OPEB	Difference
Unrestricted Net Position at June 30, 2023	61,641	(30,249)	(65,376)	(33,984)	
Unrestricted net increase (decrease) for FY 2024	7,219	4,775	13,445	25,439	
Unrestricted Net Position at June 30, 2024	68,860	(25,474)	(51,931)	(8,545)	\$ (77,405)
Unrestricted net increase (decrease) for FY 2025	6,002	4,956	13,804	24,762	
Unrestricted Net Position at June 30, 2025	\$ 74,862	\$ (20,518)	\$ (38,127)	\$ 16,217	\$ (58,645)

The net pension liability balance in the June 30, 2025 and 2024 financial statements amounted to approximately \$18.4 million and \$22.1 million, respectively. The total net OPEB liability balance in the June 30, 2025 and 2024 financial statements amounted to approximately \$20.8 million and \$23.5 million, respectively. Combined, the pension and OPEB liabilities at June 30, 2025 and 2024 were \$39.2 million and \$45.6 million respectively.

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

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

As part of the university being required to implement GASB 87 and 96, right of use assets (“Leased assets”) are recorded within the financial statements under capital assets. These leased assets represent the University's authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor. The leased assets under GASB 87 are for buildings with the MSCBA, equipment with a vendor and space rental with the Assistance Corporation and under GASB 96 are for software with vendors. These leased assets are amortized on a straight-line basis over the lease term for each lease. The total remaining unamortized leased assets related to lease liabilities were \$178.5 million and \$186.6 million at June 30, 2025 and 2024, respectively.

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The table below shows the significant impacts of GASB 87 and 96 on assets and liabilities in the Statements of Net Position and on interest expense in the Statement of Revenues, Expenses & Changes in Net Position.

	<i>(In Thousands)</i>		
	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
Capital Assets - Leased	\$ 218,966	\$ 219,597	\$ 219,597
Capital Assets - SBITA	6,026	6,896	5,546
Capital Assets Total - Leased & SBITA	<u>\$ 224,992</u>	<u>\$ 226,493</u>	<u>\$ 225,143</u>
Accumulated Amortization	<u>(46,516)</u>	<u>(39,861)</u>	<u>(29,488)</u>
Net Leased & SBITA Assets	<u>\$ 178,476</u>	<u>\$ 186,632</u>	<u>\$ 195,655</u>
<hr/>			
Leased & SBITA Liability	<u>\$ 195,168</u>	<u>\$ 199,196</u>	<u>\$ 212,461</u>
<hr/>			
Impact on Net Position from GASB 87 & 96	<u>\$ (16,692)</u>	<u>\$ (12,564)</u>	<u>\$ (16,806)</u>

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Statement of Net Position Summary & Analysis

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2025, 2024 and 2023 follows on the next page. Note that this information includes the impact of the Pension, OPEB and Lease accounting standards:

Statement of Net Position Summary & Analysis

(In Thousands)

	2025	2024	2023
<u>Assets:</u>			
Current Assets	\$ 127,265	\$ 125,285	\$ 111,544
Capital and Right to Use Assets (net)	323,119	335,643	347,079
Noncurrent Assets	1,150	1,282	1,902
Total Assets	<u>451,534</u>	<u>462,210</u>	<u>460,525</u>
Deferred Outflows of Resources	7,696	10,143	11,824
Total Assets and Deferred Outflows	<u>\$ 459,230</u>	<u>\$ 472,353</u>	<u>\$ 472,349</u>
<u>Liabilities:</u>			
Current Liabilities	\$ 39,802	\$ 43,918	\$ 37,355
Noncurrent Liabilities	255,088	268,754	286,724
Total Liabilities	<u>294,890</u>	<u>312,672</u>	<u>324,079</u>
Deferred Inflows of Resources	41,437	57,197	65,669
<u>Net Position:</u>			
Net investment in capital assets	92,590	97,611	103,032
Restricted	14,096	13,418	13,553
Unrestricted	16,217	(8,545)	(33,984)
Total Net Position	<u>122,903</u>	<u>102,484</u>	<u>82,601</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 459,230</u>	<u>\$ 472,353</u>	<u>\$ 472,349</u>

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Highlights for Statement of Net Position Summary & Analysis

Total assets decreased in FY 2025 by \$10.7 million or 2.3% from the prior year compared with a 0.4% increase of \$1.7 million in FY 2024. Most of the changes within the asset categories are primarily associated with an increase in cash and investments of \$2.5 million which is offset by a decrease in receivables and other assets of \$0.7 million and capital and right to use assets of \$12.5 million. The decrease of capital and right to use assets was due to depreciation (\$9.9 million), amortization of right to use assets (\$10.4 million) exceeding the capital asset additions of \$12.5 million by \$7.8 million. Decreases in deferred outflows are primarily related to adjustments in actuarial pension and OPEB costs from FY 2024 to FY 2025.

Total liabilities decreased in FY 2025 by \$17.8 million or 5.7% over the prior year. This change is attributable to decreases in pension and OPEB liabilities of \$6.4 million, bonds and notes payable of \$2.7 million, lease and SBITA liability of \$4.0 million, accruals and deferred revenue of \$4.1 million and federal financial assistance loans of \$0.6 million. The decrease in deferred inflows of \$15.8 million are primarily due to the decreases for Pension and OPEB determined by actuarial calculations of \$14.8 million.

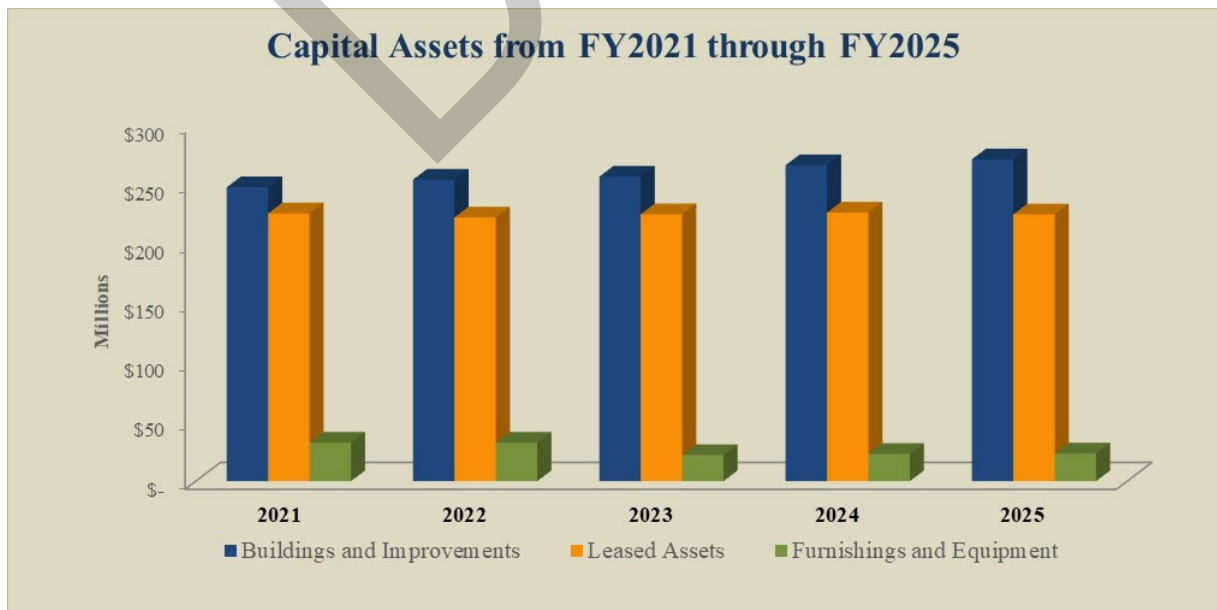
For fiscal 2025, 2024 and 2023, total net position amounted to \$122.9 million, \$102.5 million, and \$82.6 million, respectively. The University's net position in the investment in capital assets (e.g., land, buildings, equipment, and leases) less any related debt used to acquire those assets is the largest positive component of the total net position, which is consistent with prior years and is detailed below in the next section. The University uses its capital assets to provide services to students, faculty, and staff; consequently, these assets are not available for future spending. Although the University's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as room rents, auxiliary and other fees, since the capital assets themselves are not in cash form and cannot be used to satisfy these liabilities.

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A summarized comparison of the University's capital assets categories at June 30, 2025, 2024 and 2023 is as follows:

Capital Asset Summary			
<i>(In Thousands)</i>			
	2025	2024	2023
Building and improvements	\$ 271,431	\$ 266,517	\$ 256,836
Construction in Progress	2,714	2,548	6,668
Land	2,536	2,536	2,536
Furniture and Equipment	23,319	23,022	22,036
Leased buildings	204,307	204,344	204,344
Leased space	13,791	14,658	14,657
Leased equipment	868	596	596
Leased software	6,026	6,897	5,546
Total capital assets	524,992	521,118	513,219
Less:			
Accumulated depreciation	(155,356)	(145,614)	(136,652)
Accumulated Amortization	(46,516)	(39,861)	(29,488)
Total capital assets, net	\$ 323,120	\$ 335,643	\$ 347,079

The following graph shows the progression of certain gross capital asset values over the last five years:



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Capital Assets Changes

The University's total capital asset changes as of June 30, 2025, 2024 and 2023 are depicted below:

Changes in Capital Assets			
	<i>(In Thousands)</i>		
	2025	2024	2023
<u>Building and Land Improvements</u>			
Meier Hall Renovation/Roof Repair	\$ -	\$ 1,298	\$ 686
Bertolon Roof	2,076	-	-
Ellison Roof and Steampipe	762	647	-
Sullivan Building Repairs	-	2,807	-
Information Technology	290	908	1,545
Parking and Softball Field Improvements	1,861	-	-
Various Other Improvements	24	-	293
Energy and Lighting	-	4,175	2,155
Net Additions to Buildings and Improvements	5,013	9,835	4,679
<u>Construction in Progress ("CIP")</u>			
Various Ongoing Renovation Projects*	3,918	5,802	7,177
Energy and Lighting Projects		213	1,306
Project BOLD	922	940	-
Decarbonization	502	-	-
Additions to Construction in Progress	5,342	6,955	8,483
Transfer of Construction in Progress to Capital Assets	(5,176)	(11,075)	(4,679)
Net Additions (Reductions) to CIP	166	(4,120)	3,804
<u>Furniture & Equipment</u>			
Vehicles	234	-	-
Facilities and fitness	146	883	199
IT		357	-
Net Additions to Furniture and Equipment	380	1,240	199
<u>Leased Assets</u>			
Leased buildings	(37)	-	-
Leased space	(5)	-	160
Leased equipment	272		
Leased software	2,059	1,351	2,618
Net Additions (Reductions) to Leased Assets	2,289	1,351	2,778
Total Net Asset Additions	7,848	8,306	11,460
Depreciation Expense for the Year	9,926	9,369	9,425
Amortization Expense for the Year	10,446	10,373	10,272
Loss on Disposal		-	219
Net Decrease in Capital Assets	\$ (12,524)	\$ (11,436)	\$ (8,456)

* These various CIP projects consist of roofing, building renovations, IT and softball field upgrade.

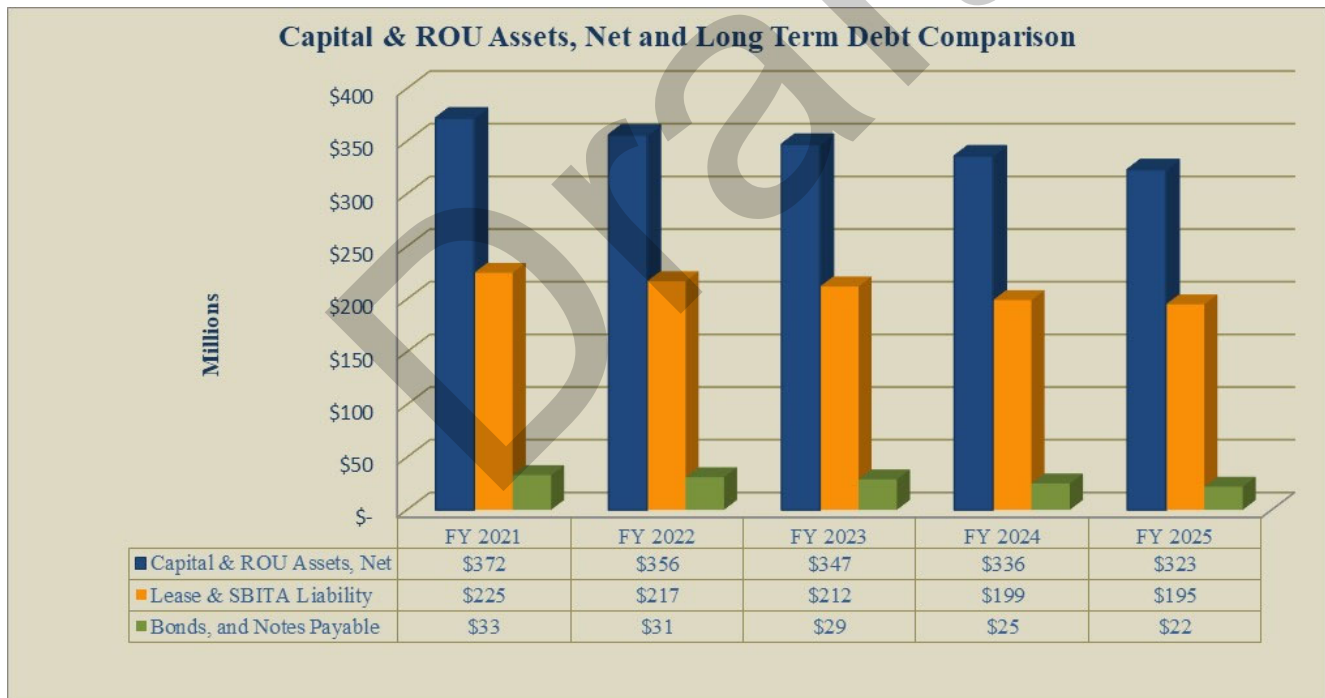
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Net Investment in Capital and ROU Assets and Long-Term Debt Comparison

The University is a lessee of multiple long-term leases for buildings, equipment, and office space from the MSCBA, a vendor, and the Assistance Corporation under GASB 87, *Leases*. Long-term leases for software vendors are covered under GASB 96, *Subscription-Based Information Technology Arrangements*. Lease payments reduce the principal of the lease liability obligation recorded in the Statement of Net Position; interest expense is recorded within the Statement of Revenues and Expenses. The University paid interest on these leases and software subscription arrangements of \$7.0 million and \$7.1 million for the years ended June 30, 2025 and 2024, respectively.

The University paid interest on Bonds and Notes Payables of \$465 thousand and \$471 thousand for the years ended June 30, 2025 and 2024, respectively.

The following graph displays long-term debt for the Lease Liability and Bond and Notes Payables on the university's books and the Net Investment in Capital Assets balances for fiscal years ended 2021 through 2025:



It should be noted that the asset category “Capital and ROU 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 and ROU assets but also includes any related debt liabilities and deferred inflow of resources that are attributable to the acquisition, construction, improvement or refinancing of those Capital and ROU assets.

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

The Statement of Revenues, Expenses and Changes in Net Position Summary shows how the University's net position changed during the last three fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., the accrual for compensated absences). A summarized comparison of the University's operating and non-operating revenues and expenses and the resulting increase or decrease in net position at June 30, 2025, 2024 and 2023 follows. Note that this information includes the impact of the GASB 68 Pensions, GASB 75 OPEB, GASB 87 Leases and GASB 96 Subscription-Based Information Technology Arrangements accounting standards.

Statement of Revenues, Expenses and Changes in Net Position Summary			
(In Thousands)			
	2025	2024	2023
<u>Operating Revenues:</u>			
Tuition and Fees, Net	\$ 52,468	\$ 51,291	\$ 55,548
Federal, State, and Private Grants	39,320	29,078	22,749
Sales and Services	595	585	433
Auxiliary and Other	24,911	23,516	22,862
Total Operating Revenues	<u>117,294</u>	<u>104,470</u>	<u>101,592</u>
<u>Operating Expenses:</u>			
Compensation, benefits and other *	115,277	111,352	100,559
Supplies and services	35,876	33,939	29,507
Utilities	4,471	3,948	3,540
Depreciation	9,926	9,369	9,424
Amortization	10,446	10,373	10,272
Scholarships	24,562	18,163	12,701
Total Operating Expenses	<u>200,558</u>	<u>187,144</u>	<u>166,003</u>
<u>Non-Operating Revenues (Expenses):</u>			
State appropriations	93,850	89,565	78,474
Federal Grants	44	748	1,536
State Grants	-	-	4,700
Gifts	3,690	4,206	4,246
Investment Income (Loss), net	9,008	10,765	7,296
MSCBA funds received	400	771	1,118
Interest Expense	(6,773)	(7,297)	(7,611)
Other Non-Operating Expenses	-	-	(219)
Total Non-Operating Revenues, Net	<u>100,219</u>	<u>98,758</u>	<u>89,540</u>
Capital Grants	<u>3,464</u>	<u>3,799</u>	<u>6,287</u>
Increase in Net Position	<u>\$ 20,419</u>	<u>\$ 19,883</u>	<u>\$ 31,416</u>
* This total is comprised of the following:			
Compensation and Benefits	\$134,037	\$ 129,572	\$ 118,120
Pension and OPEB expense	(18,760)	(18,220)	(17,561)
	<u>\$115,277</u>	<u>\$ 111,352</u>	<u>\$ 100,559</u>

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Highlights for Operating Revenues

The increase in total operating revenues of \$12.8 million (12.3%) in FY 2025 resulted primarily from the following:

Tuition and Fees, net: Tuition and fees, net of certain scholarships and fellowships increased by 2.3% (\$1.2 million) in FY 2025. The increase is due an increase in tuition and fees revenues of \$2.4 million offset by an increase in scholarship allowance of \$1.2 million.

Federal, State and Private Grants: Federal, state and private grant revenues increased \$10.2 million or 35.2% over FY 2025. This change is primarily due to increased federal (\$2.6 million) and state (\$4.1 million) grant revenue for student financial aid.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues increased \$1.4 million or 5.9% in FY 2025. This was due to higher housing and meal plan revenue associated with rate increases over FY 2024.

Highlights for Operating Expenses

The increase in total operating expenses of \$13.4 million (7.2%) in FY 2025 over prior year resulted primarily from the following:

Compensation and Benefits: Compensation and benefits showed an increase during FY 2025 of \$3.9 million (3.5%). This was primarily due to changes in Collective Bargaining Agreement (CBA) contractual agreements, and its related compensation increases, including unpaid increase payments retroactive to the prior fiscal year.

Depreciation and Amortization (GASB 87 and 96): Depreciation for buildings, building improvements and other assets and amortization on leased assets increased \$0.6 million or 3.2% when compared to FY2024.

Changes in GASB 68, *Pensions* and GASB 75, *OPEB* Activity: GASB 68 for pensions resulted in a negative expense (decrease of expenses) of \$5.0 million in FY 2025. GASB 75 for other post-employment benefits resulted in a negative expense (decrease of expenses) of \$13.8 million in FY 2025. This is due to actuarial computations and changes in the discount rate utilized in calculating theses liabilities, as provided by the Commonwealth's Comptroller's Office.

Changes in GASB 87 *Leases* and GASB 96 *Subscription-Based Information Technology Arrangements (SBITA)* Activity:

GASB 87 for Leases resulted in interest expense of \$6.2 million for FY 2025, with a decrease of \$492 thousand from FY 2024. GASB 96 for SBITA's resulted in interest expense of \$154 thousand for FY 2025, with a decrease of \$27 thousand from FY 2024.

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Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2025 of \$1.5 million (1.5%) resulted primarily from the following:

State Appropriations: State appropriations increased by \$4.3 million (4.8%) in FY 2025 over prior year, primarily to support employee payroll and related fringe benefit costs, including retroactive and current year salary increases due to CBA changes in compensation. Greater than half (70.7%) of the University's payroll and fringe is funded by state general appropriations.

Federal Grants: Federal grants in the amount of \$44 thousand and \$748 thousand in FY 2025 and FY 2024 respectively, represented funds received from FEMA for reimbursement of expenses incurred due to the COVID pandemic.

Gifts: During FY 2025 gifts transferred from the Salem State University Foundation decreased \$516 thousand (12.3%) from FY 2024.

Investment Income, net: Investment income decreased by \$1.8 million in FY 2025 and is attributable to less favorable market conditions compared to FY 2024.

Interest Expense on Bonds and Notes: Interest expense decreased by \$524 thousand in FY 2025 and is attributable to reduced interest associated with the prior year end of year bond refunding.

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 2025 is \$9.8 million, cash actually decreased by \$3.1 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 in the Statement of Net Position as a deduction from revenue rather than how they are reported in the GAAP report as a contra revenue in some cases and an expense in other cases. At the bottom line, Increase in Net Position per the management report is the same as per the GAAP-basis audited Statement of Revenues and Expenses for completed years.

The next page shows the Managed Revenue and Expense report for the three fiscal years 2025, 2024 and 2023. Managed Net Income was positive for each of the three years. Managed Net Income for FY 2025 was approximately \$9.8 million, which represents a 34.3% increase over the prior year.

SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
(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)

	FY2025	FY2024	FY2023
Managed Revenue:			
Net Tuition and Fees	\$ 27,906	\$ 33,128	\$ 42,848
Federal, State, Private Grants and Assistance	39,364	29,826	28,984
Auxiliary Enterprises	24,709	23,360	22,710
State General Appropriations	93,850	89,565	78,474
Other Revenue	12,108	10,288	7,975
Total Managed Revenue	197,937	186,167	180,991
Year over Year Change	6.3%	2.9%	-0.8%
Managed Expenses:			
Compensation	134,037	129,571	118,120
Support	29,516	27,780	26,229
Facility-related	24,591	21,522	20,679
Total Managed Expenses	188,144	178,873	165,028
Year over Year Change	5.2%	8.4%	-0.1%
Managed Net Income	9,793	7,294	15,963
Non-Cash Revenue/(Expenses):			
Capital Grants	3,464	3,799	6,287
Depreciation	(9,926)	(9,369)	(9,425)
Unrealized Gains/(Losses)	1,387	5,424	4,152
GASB 68 Pension	4,956	4,775	5,896
GASB 75 OPEB	13,804	13,445	11,665
GASB 87 Leases	(4,059)	(5,938)	(3,163)
GASB 96 Leases	93	(23)	60
GASB Lease Refunding Gain Amortization	907	476	200
Loss on Disposal of Capital Assets	-	-	(219)
Total Non-Cash Revenue/(Expenses)	10,626	12,589	15,453
Year over Year Change	-15.6%	18.5%	595.3%
Total Increase in Net Position	\$ 20,419	\$ 19,883	\$ 31,416

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

Statement of Cash Flows

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

A summarized comparison of the University's cash flows and the resulting increase in cash at June 30, 2025, 2024 and 2023 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)		
	2025	2024	2023
Operating Activities	\$ 11,083	\$ 17,453	\$ 19,982
Non-Capital Financing Activities	2,315	5,121	8,745
Capital Financing Activities	(19,865)	(17,764)	(19,591)
Investing Activities	3,376	3,249	1,615
Net Increase/(Decrease) in Cash	\$ (3,091)	\$ 8,059	\$ 10,751

Highlights for Cash Flows

The overall decrease in cash and cash equivalents for FY 2025 amounted to \$3.1 million. Cash applied to Operating Activities decreased over FY 2024 due to lower tuition and fees receipts coupled with higher payments outpacing increases in grants and state appropriations. Cash provided by Non-Capital Financing Activities in FY 2025 was lower than the prior year primarily from a reduction in COVID pandemic related funding received from FEMA. Cash applied to Capital Financing Activities in FY 2025 was higher than the prior year primarily due to the timing of deferred bond refinancing credits affecting interest payments. Cash provided by Investing Activities in FY 2025 was fairly consistent with the prior year.

Compliance with Debt Policy

In FY 2025, the University did not undertake significant new debt for projects. Therefore, the University was not required by its debt policy to perform a feasibility study with financial ratios.

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(Unaudited)

Looking Ahead to FY 2026

Salem State's 2023–2028 Strategic Plan, approved in May 2023, continues to serve as a guiding framework for our commitment to student success and life readiness. University leadership meets regularly to ensure steady progress toward our strategic goals, with formal progress reviews held three times annually.

In alignment with this commitment, the FY26 budget includes sustained and expanded funding for initiatives launched through the Strategic Planning Committee. It also supports new efforts focused on enhancing student success, reinforcing our dedication to preparing students for meaningful lives and careers.

Throughout its 171-year history, Salem State has remained true to the values of its founders, continuing its work to meet the needs of those it serves on the North Shore. The demographics of these communities have shifted over time, and our student body has always mirrored the demographics of our communities. Today, the cities and towns we serve have growing Hispanic populations, which has positioned us to become the Commonwealth's first public, four-year institution to achieve the federal Hispanic Serving Institution (HSI) designation.

For Salem State University, our status as a developing HSI and Minority Serving Institution is not just a source of pride. It is also the latest iteration of our institution's work to serve all the students who call the North Shore home. That is why we stand by our servingness approach, knowing it is more important than ever. As the Commonwealth's Civic Engagement University, Salem State submitted our application to the Carnegie Foundation for continued recognition as a Community Engagement university.

SSU BOLD addresses the major capital needs of the university identified in the Campus Master Vision. SSU BOLD will unify the campus, both physically and holistically, establishing a compact and efficient campus core that will maximize programmatic synergies and streamline operations. At the same time, in modernizing facilities on North Campus, Salem State is enhancing the academic experience for students by fostering innovation and providing critical resources, while positioning us well to serve the North Shore region and prepare its future workforce.

SSU BOLD broke ground in spring 2025. It is anticipated that both projects, along with an associated decarbonization initiative, will be completed by summer 2027 in time for fall classes.

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
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Statements of Net Position

June 30, 2025 and 2024

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2025 University</u>	<u>2024 University</u>	<u>2025 Assistance Corporation</u>	<u>2024 Assistance Corporation</u>
Current Assets:				
Cash and cash equivalents	\$ 58,997,684	\$ 62,089,050	\$ 477,967	\$ 296,295
Investments	63,290,851	57,655,481	-	-
Accounts, grants and other receivable, net	4,725,301	5,307,641	10,685	1,526
Loans receivable	76,285	155,390	-	-
Lease receivable, current portion	-	-	335,185	349,675
Other current assets	174,530	77,457	4,950	2,495
Total Current Assets	127,264,651	125,285,019	828,787	649,991
Non-Current Assets:				
Investments	100,000	100,000	-	-
Loans receivable, net of current portion	299,863	431,680	-	-
Lease receivable, net of current portion	-	-	10,804,705	10,897,427
Capital assets, net	323,119,621	335,643,456	19,241,077	19,802,417
Debt service reserve	750,150	750,150	-	-
Total Non-Current Assets	324,269,634	336,925,286	30,045,782	30,699,844
Total Assets	451,534,285	462,210,305	30,874,569	31,349,835
Deferred Outflow of Resources:				
Deferred outflows for pensions	3,428,085	3,896,980	-	-
Deferred outflows for other post employment benefits	4,267,904	6,246,020	-	-
Total Deferred Outflows of Resources	7,695,989	10,143,000	-	-
Total Assets and Deferred Outflows of Resources	\$ 459,230,274	\$ 472,353,305	\$ 30,874,569	\$ 31,349,835

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY

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Statements of Net Position

June 30, 2025 and 2024

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2025	2024	2025	2024
	University	University	Assistance Corporation	Assistance Corporation
Current Liabilities:				
Accounts payable and accrued expenses	\$ 5,970,278	\$ 8,073,998	\$ 52,247	\$ 65,455
Accrued payroll	11,117,549	10,170,934	-	-
Accrued compensated absences	7,387,378	7,013,706	-	-
Accrued workers' compensation	249,306	249,306	-	-
Unearned revenues	5,894,430	9,390,284	3,456	4,732
Note payable	53,090	102,677	42,230	30,546
Bonds payable	1,343,399	2,591,499	-	-
Lease liability	6,058,543	4,533,758	298,178	219,353
SBITA liability	1,469,951	1,522,366	-	-
Deposits	267,552	269,751	-	-
Total Current Liabilities	39,811,476	43,918,279	396,111	320,086
Non-Current Liabilities:				
Accrued compensated absences	4,948,657	4,743,935	-	-
Accrued workers' compensation	1,818,923	1,818,923	-	-
Notes payable, net of current portion	-	53,090	1,305,369	953,603
Bond payable, net of current portion	20,786,726	22,130,133	-	-
Lease Liability, net of current portion	185,918,033	191,789,962	10,240,670	10,538,848
SBITA Liability, net of current portion	1,721,799	1,349,925	-	-
Loans payable - Federal financial assistance programs	674,358	1,240,831	-	-
Net pension liability	18,433,165	22,110,554	-	-
Net other post employment benefits liability	20,776,453	23,516,399	-	-
Other non-current liabilities	-	-	51,666	31,544
Total Non-Current Liabilities	255,078,114	268,753,752	11,597,705	11,523,995
Total Liabilities	294,889,590	312,672,031	11,993,816	11,844,081
Deferred Inflows of Resources:				
Public- private partnerships	202,076	265,188	-	-
Deferred inflows for pensions	5,511,846	7,259,455	-	-
Deferred inflows for other post employment benefits	21,619,815	34,662,336	-	-
Deferred inflows for bond refunding	14,103,471	15,009,727	-	-
Deferred inflows for leases	-	-	9,238,067	9,673,738
Total Deferred Inflows of Resources	41,437,208	57,196,706	9,238,067	9,673,738
Net Position:				
Net investment in capital assets	92,590,743	97,610,893	7,354,630	8,060,067
Restricted:				
Nonexpendable	110,000	110,000	-	-
Expendable	13,986,126	13,308,310	-	-
Unrestricted	16,216,607	(8,544,635)	2,288,056	1,771,949
Total Net Position	122,903,476	102,484,568	9,642,686	9,832,016
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 459,230,274	\$ 472,353,305	\$ 30,874,569	\$ 31,349,835

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, 2025 and 2024

	<u>Primary Government</u>		<u>Component Unit</u>	
	2025	2024	2025	2024
	<u>University</u>	<u>University</u>	<u>Assistance Corporation</u>	<u>Assistance Corporation</u>
Operating Revenues:				
Tuition and fees	\$ 73,152,530	\$ 70,736,948	\$ -	\$ -
Less: scholarships and fellowships	(20,684,653)	(19,445,696)	-	-
Net tuition and fees	52,467,877	51,291,252	-	-
Federal grants and contracts	15,009,399	12,372,171	-	-
State grants and contracts	22,449,263	15,340,783	-	-
Private grants and contracts	1,861,750	1,364,938	-	-
Sales and services of educational departments	594,948	585,059	-	-
Auxiliary enterprises	24,708,941	23,360,468	-	-
Lease revenue	-	-	1,074,035	1,100,530
Other operating revenues	202,065	155,496	54,073	67,232
Total Operating Revenues	117,294,243	104,470,167	1,128,108	1,167,762
Operating Expenses:				
Educational and general:				
Instruction	56,600,254	55,739,755	-	-
Public service	1,160,101	1,059,959	-	-
Academic support	18,802,880	18,491,871	-	-
Student services	20,623,686	20,541,508	-	-
Institutional support	20,870,751	16,467,444	-	-
Operation and maintenance of plant	24,711,910	23,952,581	-	-
Scholarships	24,561,771	18,163,261	-	-
Depreciation & Amortization	20,372,228	19,741,542	721,998	715,834
Auxiliary enterprises	12,854,164	12,985,556	763,451	773,438
Total Operating Expenses	200,557,745	187,143,477	1,485,449	1,489,272
Net Operating Loss	(83,263,502)	(82,673,310)	(357,341)	(321,510)
Non-Operating Revenues (Expenses):				
State appropriations, net	93,849,763	89,565,045	183,973	208,059
Federal grants	43,693	748,215	-	-
Gifts	3,689,612	4,205,907	-	-
Investment income (loss), net	9,008,320	10,765,020	654,345	661,271
MSCBA funds received	399,756	770,999	-	-
Interest expense	(6,773,174)	(7,297,634)	(670,307)	(664,343)
Net Non-Operating Revenues	100,217,970	98,757,552	168,011	204,987
Increase (Decrease) in Net Position Before Capital Grants	16,954,468	16,084,242	(189,330)	(116,523)
Capital grants	3,464,440	3,799,063	-	-
Total Increase (Decrease) in Net Position	\$ 20,418,908	\$ 19,883,305	\$ (189,330)	\$ (116,523)

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
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Statements of Changes in Net Position

For the Years Ended June 30, 2025 and 2024

	University				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance at June 30, 2023	\$ 103,031,709	\$ 110,000	\$13,443,133	\$(33,983,579)	\$ 82,601,263
Changes in net position for 20234	(5,420,816)	-	(134,823)	25,438,944	19,883,305
Balance at June 30, 2024	97,610,893	110,000	13,308,310	(8,544,635)	102,484,568
Changes in net position for 2025	(5,020,150)	-	677,816	24,761,242	20,418,908
Balance, June 30, 2025	\$ 92,590,743	\$ 110,000	\$13,986,126	\$ 16,216,607	\$122,903,476

	Assistance Corporation				
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance at June 30, 2023, as restated	\$ 8,533,555	\$ -	\$ -	\$ 1,414,984	\$ 9,948,539
Changes in net position for 2024	(473,488)	-	-	356,965	(116,523)
Balance at June 30, 2024	8,060,067	-	-	1,771,949	9,832,016
Changes in net position for 2025	(705,437)	-	-	516,107	(189,330)
Balance, June 30, 2025	\$ 7,354,630	\$ -	\$ -	\$ 2,288,056	\$ 9,642,686

See accompanying notes to the financial statements.

SALEM STATE UNIVERSITY
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Statements of Cash Flows

For the Years Ended June 30, 2025 and 2024

	Primary Government	
	2025 University	2024 University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 53,030,383	\$ 52,027,633
Grants and contracts	35,117,043	33,577,304
Payments to suppliers and vendors	(40,669,956)	(36,999,433)
Payments to employees	(96,111,802)	(92,497,618)
Payments for benefits	(7,795,915)	(7,867,424)
Payments to students	(24,561,771)	(18,163,261)
Loans issued to students	(1,536)	(99,953)
Collection of loans to students	223,672	404,415
Auxiliary enterprises receipts	24,858,238	23,164,511
Sales and services of educational departments	614,134	537,950
Other	216,635	163,072
Net Cash Applied to Operating Activities	(55,080,875)	(45,752,804)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	66,164,144	63,205,919
FEMA funds	-	2,283,848
Tuition remitted to State	(1,021,377)	(761,214)
Student interest received (paid)	(572,080)	(263,026)
Gifts	3,907,655	3,860,579
Net Cash Provided by Non-Capital Financing Activities	68,478,342	68,326,106
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(3,011,631)	(2,708,629)
Principal paid on bonds payable, notes payable and lease liabilities	(8,930,737)	(8,164,323)
Interest paid on bonds payable, notes payable, and lease liabilities	(7,922,164)	(7,317,442)
Debt service reserve releases	-	425,925
Net Cash Applied to Capital Financing Activities	(19,864,532)	(17,764,469)
Cash Flows from Investing Activities:		
Investment income	4,068,463	4,514,144
Proceeds from sale of investments	61,303,469	14,193,557
Purchase of investments	(61,996,233)	(15,457,984)
Net Cash Provided by Capital Financing Activities	3,375,699	3,249,717
Net Increase in Cash and Equivalents	(3,091,366)	8,058,550
Cash and Cash Equivalents, Beginning of the Year	62,089,050	54,030,500
Cash and Cash Equivalents, End of the Year	\$ 58,997,684	\$ 62,089,050

See accompanying notes to financial statements.

SALEM STATE UNIVERSITY

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Statements of Cash Flows - Continued

For the Years Ended June 30, 2025 and 2024

	Primary Government	
	2025	2024
	University	University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (83,263,501)	\$ (82,673,310)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	20,372,228	19,741,542
Bad debts	79,578	87,798
Fringe benefits provided by State	28,706,996	27,120,340
Payments to suppliers and vendors provided by State	399,756	770,999
Changes in assets and liabilities:		
Accounts receivable	331,277	433,015
Accounts payable and accrued liabilities	(987,609)	908,214
Accrued payroll and benefits	1,525,002	2,148,293
Other assets	(133,906)	(26,069)
Loans to/from students	220,245	314,256
Deposits	(11,522)	14,340
Unearned revenues	(3,558,966)	3,627,668
Deferred inflows	(14,790,130)	(18,219,693)
Deferred outflows	2,447,012	1,681,429
Net pension liability	(3,677,389)	1,163,564
Net OPEB liability	(2,739,946)	(2,845,190)
Net Cash Applied to Operating Activities	\$ (55,080,875)	\$ (45,752,804)

Cash Flow Information

	Primary Government	
	2025	2024
	University	University
For purposes of the statement of cash flows, cash and equivalents are comprised of the following at June 30:		
Cash and cash equivalents	\$ 43,745,660	\$ 47,748,243
Restricted cash and cash equivalents	8,608,098	7,735,073
Deposits held by State Treasurer	2,561,136	2,195,298
Cash held by State Treasurer	4,082,790	3,573,856
Deposits held by MSCBA and DCAMM	-	837,180
	\$ 58,997,684	\$ 62,089,650

Supplemental Investing and Financing Activities

	Primary Government	
	2025	2024
	University	University
Acquisition of capital assets	\$ 7,906,948	\$ 8,305,789
Accounts and notes payable beginning of year	998,283	550,574
Accounts and notes payable end of year	(98,229)	(998,283)
SBITA acquisitions	(2,330,931)	(1,350,388)
Payments made by DCAMM and State	(3,464,440)	(3,799,063)
Cash payments for capital assets	\$ 3,011,631	\$ 2,708,629
Bond refunding	\$ -	\$ (10,620,041)
Unrealized gain (loss) on marketable securities	\$ 1,387,260	\$ 5,423,835
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 28,706,996	\$ 27,120,340

See accompanying notes to financial statements.

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

**Statements of Financial Position of
Salem State University Alumni Association and Foundation, Inc**

June 30, 2025 and 2024

	<u>Assets</u>	
	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 2,822,242	\$ 2,702,063
Restricted cash and cash equivalents	1,711,532	2,200,236
Certificates of deposit	816,817	779,987
Pledges receivable, net	1,041,791	5,897,883
Other current assets	216,989	158,703
Total Current Assets	6,609,371	11,738,872
Non-Current Assets:		
Investments securities	79,547,122	68,053,656
Long-term pledges receivable, net	876,780	472,246
Total Non-Current Assets	80,423,902	68,525,902
Total Assets	\$ 87,033,273	\$ 80,264,774
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 864,483	\$ 940,764
Net Assets:		
Without donor restrictions:		
Operating	3,223,734	2,856,854
Board designated	1,396,934	1,065,083
Total net assets without donor restrictions	4,620,668	3,921,937
With donor restrictions	81,548,122	75,402,073
Total Net Assets	86,168,790	79,324,010
Total Liabilities and Net Assets	\$ 87,033,273	\$ 80,264,774

See accompanying notes to the financial statements.

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

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

For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support:			
Contributions and gifts of cash and other financial assets	\$ 794,867	\$ 3,472,579	\$ 4,267,446
Investment return appropriated for operations	1,769,404	-	1,769,404
Investment return - other	171,038	1,991,750	2,162,788
Contributions and gifts of nonfinancial assets	67,473	1,755	69,228
Speaker series	-	-	-
Provision for losses on pledges receivable	-	-	-
	<u>2,802,782</u>	<u>5,466,084</u>	<u>8,268,866</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>3,387,109</u>	<u>(3,387,109)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>6,189,891</u>	<u>2,078,975</u>	<u>8,268,866</u>
Operating Expenses:			
Program services	4,818,851	-	4,818,851
Management services	459,692	-	459,692
Fundraising	<u>220,894</u>	<u>-</u>	<u>220,894</u>
Total Operating Expenses	<u>5,499,437</u>	<u>-</u>	<u>5,499,437</u>
Changes in Net Assets from Operating Activities	<u>690,454</u>	<u>2,078,975</u>	<u>2,769,429</u>
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,769,404)	(1,769,404)
Investment return, net	<u>8,277</u>	<u>5,836,478</u>	<u>5,844,755</u>
Changes in Net Assets for Non-Operating Activities	<u>8,277</u>	<u>4,067,074</u>	<u>4,075,351</u>
Total Increase in Net Assets	<u>698,731</u>	<u>6,146,049</u>	<u>6,844,780</u>
Net Assets, Beginning of Year	<u>3,921,937</u>	<u>75,402,073</u>	<u>79,324,010</u>
Net Assets, End of Year	<u>\$ 4,620,668</u>	<u>\$ 81,548,122</u>	<u>\$ 86,168,790</u>

See accompanying notes to the financial statements.

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

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

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains and Other Support:			
Contributions and gifts of cash and other financial assets	\$ 931,553	\$ 13,101,227	\$ 14,032,780
Investment return appropriated for operations	1,522,883	-	1,522,883
Investment return - other	135,976	1,417,721	1,553,697
Contributions and gifts of nonfinancial assets	54,553	5,735	60,288
Provision for losses on pledges receivable	-	1,000,000	1,000,000
	<u>2,644,965</u>	<u>15,524,683</u>	<u>18,169,648</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>3,685,205</u>	<u>(3,685,205)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>6,330,170</u>	<u>11,839,478</u>	<u>18,169,648</u>
Operating Expenses:			
Program services	4,916,442	-	4,916,442
Management services	363,025	-	363,025
Fundraising	<u>128,221</u>	<u>-</u>	<u>128,221</u>
Total Operating Expenses	<u>5,407,688</u>	<u>-</u>	<u>5,407,688</u>
Changes in Net Assets from Operating Activities	<u>922,482</u>	<u>11,839,478</u>	<u>12,761,960</u>
Non-Operating Activities:			
Investment return appropriated for operations	-	(1,522,883)	(1,522,883)
Investment return, net	<u>-</u>	<u>6,073,315</u>	<u>6,073,315</u>
Changes in Net Assets for Non-Operating Activities	<u>-</u>	<u>4,550,432</u>	<u>4,550,432</u>
Transfers	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Total Increase in Net Assets	872,482	16,439,910	17,312,392
Net Assets, Beginning of Year	<u>3,049,455</u>	<u>58,962,163</u>	<u>62,011,618</u>
Net Assets, End of Year	<u>\$ 3,921,937</u>	<u>\$ 75,402,073</u>	<u>\$ 79,324,010</u>

See accompanying notes to the financial statements.

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Notes to the Financial Statements

June 30, 2025 and 2024

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

Organization

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

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. The pandemic has had a significant impact on the University’s students, housing and other operations and its resources.

The University has applied for FEMA grant funds for costs associated with COVID-19. For the years ended June 30, 2025 and 2024 approximately \$44,000 and \$748,000, respectively, has been approved by FEMA and recognized as grant revenue by the University.

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.

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Notes to the Financial Statements – Continued

June 30, 2025 and 2024

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

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

In 1995, Salem State University Assistance Corporation (the “Assistance Corporation”) was formed because of legislation established by the Commonwealth of Massachusetts. The Assistance Corporation was created to promote the orderly growth and development of the University and to assist the University in securing physical and financial resources necessary for the acquisition and development of a site formerly known as the GTE Sylvania plant. In June 2012, legislation was approved further defining the parameters of this “site” to include other such properties determined by the Assistance Corporation to fulfill its mission. The Assistance Corporation financial statements have been prepared using the economic resources measurement and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board* (“GASB”).

The Assistance Corporation owns and operates commercial lease properties at this site in Salem, Massachusetts and is legally separate from the University, and the University is not financially accountable for the Assistance Corporation. The Assistance Corporation has been included because of the nature and significance of its relationship with the University.

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

The Salem State University Alumni Association and 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.

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Notes to the Financial Statements – Continued

June 30, 2025 and 2024

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

Salem State University Alumni Association and Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board (“FASB”) guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue and lease recognition criteria and presentation features are different from GASB revenue and lease recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information within their report.

During the years ended June 30, 2025 and 2024, the Foundation distributed scholarships in the amount of \$1,766,555 and \$1,253,994, 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 Facilities, Salem State University, 352 Lafayette Street, Salem, MA 01970.

The University has determined that it functions as a business-type activity, as defined by the GASB. The basic financial statements and required supplementary information for general-purpose governments consist of management’s discussion and analysis, basic financial statements and required supplementary information. The University presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined University wide basis.

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements – Continued

June 30, 2025 and 2024

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

Basis of Presentation and Accounting – continued

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

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

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

Net Position

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

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

Restricted:

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

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Net Position - continued

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

Unrestricted: All other categories of net position. Unrestricted net assets may be designated 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 receivables are stated at the amount the University expects to collect from outstanding balances. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risks in the receivable portfolio, the estimated value of underlying collateral and current economic conditions.

Pledges Receivable - Foundation

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

The Foundation provides an allowance for doubtful accounts equal to estimated pledge defaults. The estimated defaults are based on historical collection experience together with a review of the current status of the existing receivables.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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, 2025 and 2024

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 are 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.

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.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies - Continued

Loans Receivable and Payable- continued

Perkins Loan Program Closeout

In accordance with federal requirements, the University completed the liquidation and closeout of the Federal Perkins Loan (Perkins) program during fiscal year 2025. As part of the closeout process, the university returned its federal capital contribution to the U.S. Department of Education (DOE) and assigned any outstanding Perkins loan receivables to DOE. Consequently, the administration and collection of any loans assigned under the program will be solely the responsibility of the DOE. The university has no further responsibility or liability related to the Perkins program subsequent to the closeout during fiscal year 2025. There are no Perkins loan balances within the accompanying financial statements for FY25. See Note 7 for changes in the Perkins and NSL Loan Program.

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 and construction in process, are depreciated using the straight-line method over estimated useful lives which range from 3 to 40 years.

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

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

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Capital Assets - continued

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

The University, in accordance with a management and services agreement between the MSCBA and the Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a certified occupancy report, the current rent schedule and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations and operating costs. These obligations may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts are included in the residential life auxiliary enterprises in the accompanying statements of revenue and expenses. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. The leases the University has with the MSCBA are recorded in the financial statements as right to use assets and lease liabilities under the requirements of GASB 87.

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

Contributions - Foundation

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

Deposits Held by Other State Agencies

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Pensions

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

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

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

Interest Costs

During 2025 and 2024, total interest costs incurred were as follows:

	<u>2025</u>	<u>2024</u>
Interest expense on bonds & notes	\$ 464,858	\$ 470,542
Equipment lease interest - GASB 87	16,150	5,598
Building lease interest - GASB 87	465,874	484,436
MSCBA lease interest - GASB 87	5,698,629	6,182,823
Software lease interest - GASB 96	127,663	154,235
Total	<u>\$6,773,174</u>	<u>\$7,297,634</u>

Tax Status

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

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Use of Estimates

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

Adopted and Upcoming Governmental Accounting Pronouncements

GASB Statement 101 – *Compensated Absences* is effective for fiscal years beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences. This GASB has been adopted by the university and has been included within our financial statements and has had no material effect on them.

GASB Statement 102 - *Certain Risk Disclosures* is effective for fiscal years beginning after June 15, 2024. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This GASB has been adopted by the university and has been included within our financial statements and has had no material effect on them.

GASB Statement 103 - *Financial Reporting Model Improvements* is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Adopted and Upcoming Governmental Accounting Pronouncements - continued

GASB Statement 104 – *Disclosure of Certain Capital Assets* is effective for fiscal years beginning after June 15, 2025. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets.

Management has not completed its review of the requirements of GASB Statement 103 and GASB Statement 104 and their applicability.

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, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents - Unrestricted	\$43,745,660	\$42,777,288
Cash and cash equivalents - Restricted	8,608,098	12,706,028
Cash held by State Treasurer	4,082,790	3,573,256
Deposits held by State Treasurer	2,561,136	2,195,298
Deposits held by MSCBA and DCAMM	-	837,180
Total	<u>\$58,997,684</u>	<u>\$62,089,050</u>

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.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Custodial Credit Risk- continued

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

Amounts that may be exposed to custodial risk at June 30, 2025 and 2024 were \$53,720,026 and \$56,788,095, 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, 2025, and 2024, the fair values of the University's deposits held at the MMDT were \$42,121,576 and \$54,387,879, respectively. At June 30, 2025, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 59% at 30 days or less; 20% at 31-90 days; 14% at 91-180 days and 7% at 181 days or more. At June 30, 2024, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 72% at 30 days or less; 13% at 31-90 days; 4% at 91-180 days and 11% at 181 days or more.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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, 2025 and 2024 through Massachusetts Management Accounting Reporting System (“MMARS”) were recorded in the sums of \$2,561,136 and \$2,195,298, respectively.

Liabilities to be funded by state appropriations at June 30, 2025 and 2024 were \$4,082,790 and \$3,573,256, 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 classified as Level 1 and 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.

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Notes to the Financial Statements – Continued

June 30, 2025 and 2024

Note 4 - **Investments – Continued**

University

The University's investments at fair value measurement are as follows at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 2,660,921	\$ -	\$ -	\$ 2,660,921
U.S. equities	968,160	-	-	968,160
Corporate bonds	8,655,985	-	-	8,655,985
U.S. treasuries	6,972,426	-	-	6,972,426
Emerging markets bonds	1,677,342	-	-	1,677,342
International emerging	977,108	-	-	977,108
Small and Mid-Cap equities	600,683	-	-	600,683
Total mutual funds	22,512,625	-	-	22,512,625
Common stocks	33,041,078	-	-	33,041,078
Corporate bonds	-	\$ 5,159,734	-	5,159,734
Government agencies	824,450	-	-	824,450
U.S. Treasury bonds	1,852,964	-	-	1,852,964
Total investment assets	<u>\$ 58,231,117</u>	<u>\$ 5,159,734</u>	<u>\$ -</u>	<u>\$ 63,390,851</u>

The University's investments at fair value measurement are as follows at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
International equities	\$ 3,837,004	\$ -	\$ -	\$ 3,837,004
U.S. equities	1,648,295	-	-	1,648,295
Corporate bonds	17,257,361	-	-	17,257,361
International emerging	965,669	-	-	965,669
Small and Mid-Cap equities	1,266,265	-	-	1,266,265
Total mutual funds	24,974,594	-	-	24,974,594
Common stocks	26,319,745	-	-	26,319,745
Corporate bonds	-	6,461,142	-	6,461,142
Total investment assets	<u>\$ 51,294,339</u>	<u>\$ 6,461,142</u>	<u>\$ -</u>	<u>\$ 57,755,481</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 4 - **Investments – Continued**

Foundation

The Foundation's investments at fair value measurement are as follows at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 34,425,893	\$ -	\$ -	\$ 34,425,893
Corporate bonds	-	18,991,362	-	18,991,362
Mutual funds:				
Corporate bonds	1,339,958	-	-	1,339,958
International equities	6,725,359	-	-	6,725,359
Large cap equities	653,666	-	-	653,666
Small and mid-cap equities	2,756,980	-	-	2,756,980
Total mutual funds	11,475,963	-	-	11,475,963
Money market	5,054,070	-	-	5,054,070
Exchange-traded funds	3,038,646	-	-	3,038,646
U.S. Government Obligations	5,953,738	-	-	5,953,738
State municipal bonds	-	435,852	-	435,852
Certificates of deposits	-	933,403	-	933,403
Variable rate bonds	-	55,012	-	55,012
Total assets at fair value	<u>\$ 59,948,310</u>	<u>\$ 20,415,629</u>	<u>\$ -</u>	<u>\$ 80,363,939</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 4 - **Investments – Continued**

Foundation - continued

The Foundation's investments at fair value measurement are as follows at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 31,554,263	\$ -	\$ -	\$ 31,554,263
Corporate bonds	-	13,399,635	-	13,399,635
Mutual funds:				
Corporate bonds	342,804	-	-	342,804
International equities	1,307,929	-	-	1,307,929
Large cap equities	934,236	-	-	934,236
International emerging	1,233,540	-	-	1,233,540
Small and mid-cap equities	1,017,428	-	-	1,017,428
U.S. bonds and notes	2,457,641	-	-	2,457,641
Total mutual funds	7,293,578	-	-	7,293,578
Money market	9,004,026	-	-	9,004,026
Exchange-traded funds	2,043,471	-	-	2,043,471
U.S. Government Obligations	4,197,691	-	-	4,197,691
State municipal bonds	-	389,212	-	389,212
Certificates of deposits	-	896,573	-	896,573
Variable rate bonds	-	55,194	-	55,194
Total assets at fair value	<u>\$ 54,093,029</u>	<u>\$ 14,740,614</u>	<u>\$ -</u>	<u>\$ 68,833,643</u>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2025 and 2024, investments totaled \$63,390,851 and \$57,755,481, 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, 2025 and 2024, there were no individual investments that represented 5% or more of the University's portfolio. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal policies approved by the University's Board of Trustees.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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, 2025 Investment Maturity in Years				
Investment Type:	Fair Value	Less than 1	1-5	6-10
Corporate bonds	\$ 5,159,734	\$773,230	\$ 2,992,816	\$ 1,393,688
Government Agency bonds	824,450	-	824,450	-
US Treasury bonds	1,852,964	-	1,131,430	721,534
Total bonds	7,837,148	\$773,230	\$ 4,948,696	\$ 2,115,222
Corporate bond funds	10,333,327			
US Treasury bond funds	6,972,426			
Total fixed income	25,142,901			
Equity securities	38,247,950			
Total investments	\$ 63,390,851			

June 30, 2024 Investment Maturity in Years				
Investment Type:	Fair Value	Less than 1	1-5	6-10
Corporate bonds	\$ 6,461,142	\$122,992	\$3,677,227	\$2,660,923
Total fixed income	6,461,142	\$122,992	\$3,677,227	\$2,660,923
Corporate bond funds	17,257,361			
Equity securities	34,036,978			
Total investments	\$57,755,481			

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 4 - **Investments - Continued**

University - continued

The following table summarizes the quality ratings of the University's debt investments at June 30, 2025:

	Quality Ratings							
	Fair Value	Baa1	Baa2	A1	A2	A3	Aa1	Not Rated
Corporate bonds	\$ 5,159,734	\$1,604,456	\$1,194,709	\$ 147,421	\$ 535,065	\$1,482,661	\$ -	\$ 195,422
Government Agency bonds	824,450						824,450	
US Treasury bonds	1,852,964						1,852,964	
Total bonds	\$ 7,837,148	\$1,604,456	\$1,194,709	\$ 147,421	\$ 535,065	\$1,482,661	\$2,677,414	\$ 195,422

The following table summarizes the quality ratings of the University's debt investments at June 30, 2024:

	Quality Ratings						
	Fair Value	Baa1	Baa2	A1	A2	A3	Not Rated
Corporate bonds	\$ 6,461,142	\$2,270,332	\$1,978,795	\$142,505	\$641,609	\$1,239,698	\$ 188,203

Investment Income, net

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

	University 2025	University 2024	Foundation 2025	Foundation 2024
Interest and dividends	\$ 4,197,626	\$ 4,819,724	\$ 2,162,788	\$ 1,560,945
Net realized and unrealized gain	5,081,925	6,193,252	6,235,081	6,373,373
Investment fees	(271,231)	(247,956)	(390,326)	(307,306)
Total investment income	\$ 9,008,320	\$10,765,020	\$ 8,007,543	\$ 7,627,012

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

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

	<u>2025</u>	<u>2024</u>
Student accounts	\$ 6,536,943	\$ 7,551,393
Grants	911,230	1,028,053
Other	<u>1,419,329</u>	<u>1,403,127</u>
Total gross receivables	8,867,502	9,982,573
Less: allowance for doubtful accounts	<u>(4,142,201)</u>	<u>(4,674,932)</u>
Total accounts, grants and other receivables, net	<u>\$ 4,725,301</u>	<u>\$ 5,307,641</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>2025</u>	<u>2024</u>
Receivable in less than one year	\$ 1,067,601	\$ 5,897,883
Between one to five years	1,007,725	616,632
Receivable after five years	10,000	20,000
Less: allowance for doubtful accounts	<u>(100,000)</u>	<u>(120,000)</u>
Total pledges receivables	1,985,326	6,414,515
Less: discount to net present value at 4.0%	<u>(66,755)</u>	<u>(44,386)</u>
Pledges receivable, net	1,918,571	6,370,129
Less: current portion of receivable	<u>(1,041,791)</u>	<u>(5,897,883)</u>
Long-term pledges receivable, net	<u>\$ 876,780</u>	<u>\$ 472,246</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 7 - Loans Receivable and Payable

Loans receivable and payable consist 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.

Perkins Loan Program Closeout

In accordance with federal requirements, the University completed the liquidation and closeout of the Federal Perkins Loan (Perkins) program during fiscal year 2025. The university has no further responsibility or liability related to the Perkins program subsequent to the closeout during fiscal year 2025.

Loans receivable from students include the following at June 30:

	<u>2025</u>	<u>2024</u>
Perkins	\$ -	\$ 152,110
Nursing	<u>376,148</u>	<u>434,960</u>
Total loans receivable	<u>376,148</u>	587,070
Less: amount due in one year	<u>(76,285)</u>	(155,390)
Long-term loan receivables	<u>\$ 299,863</u>	<u>\$ 431,680</u>

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

	<u>2025</u>	<u>2024</u>
Perkins	\$ -	\$ 573,092
Nursing	<u>674,358</u>	<u>667,739</u>
Total loans payable	<u>\$ 674,358</u>	<u>\$ 1,240,831</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 8 - Capital Assets

University

Capital asset activity for the University for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Disposals	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated or amortized:					
Land	\$ 2,536,173	\$ -	\$ -	\$ -	\$ 2,536,173
Construction in process	2,548,388	5,342,481	-	(5,176,441)	2,714,428
Total capital assets not depreciated or amortized	5,084,561	5,342,481	-	(5,176,441)	5,250,601
Capital assets depreciated and amortized:					
Buildings	90,030,416	-	-	-	90,030,416
Buildings and land improvements	176,487,391	-	(117,010)	5,029,946	181,400,327
Furniture and equipment	23,022,054	233,536	(83,275)	146,495	23,318,810
Leased buildings - MSCBA	204,343,570	-	(37,042)	-	204,306,528
Leased space - SSUAC	14,657,474	-	(866,427)	-	13,791,047
Leased equipment	596,060	272,004	-	-	868,064
Intangible Right-to-Use Software agreements	6,896,451	2,058,927	(2,929,202)	-	6,026,176
Total capital assets depreciated and amortized	516,033,416	2,564,467	(4,032,956)	5,176,441	519,741,368
Total capital assets	521,117,977	7,906,948	(4,032,956)	-	524,991,969
Less: accumulated depreciation and amortization:					
Buildings	40,229,332	1,928,974	-	-	42,158,306
Building improvements	84,425,395	7,593,320	(100,000)	-	91,918,715
Furniture and equipment	20,958,656	403,747	(83,275)	-	21,279,128
Leased buildings - MSCBA	32,031,905	7,971,483	-	-	40,003,388
Leased space - SSUAC	3,457,098	647,738	(861,924)	-	3,242,912
Leased equipment	501,944	139,280	-	-	641,224
Intangible Right-to-Use Software agreements	3,870,191	1,687,686	(2,929,202)	-	2,628,675
Total accumulated depreciation and amortization	185,474,521	20,372,228	(3,974,401)	-	201,872,348
Capital assets, net	\$ 335,643,456	\$ (12,465,280)	\$ (58,555)	\$ -	\$ 323,119,621

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 8 - **Capital Assets – Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Disposals	Transfer to Capital Assets	Ending Balance
Capital assets not depreciated or amortized:					
Land	\$ 2,536,173	\$ -	\$ -	\$ -	\$ 2,536,173
Construction in process	6,668,028	6,955,401	-	(11,075,041)	2,548,388
Total capital assets not depreciated or amortized	9,204,201	6,955,401	-	(11,075,041)	5,084,561
Capital assets depreciated or amortized:					
Buildings	90,030,416	-	-	-	90,030,416
Buildings and land improvements	166,805,186	-	(153,143)	9,835,348	176,487,391
Furniture and equipment	22,036,036	-	(253,675)	1,239,693	23,022,054
Leased buildings - MSCBA	204,343,570	-	-	-	204,343,570
Leased space - SSUAC	14,657,474	-	-	-	14,657,474
Leased equipment	596,060	-	-	-	596,060
Intangible Right-to-Use Software agreements	5,546,063	1,350,388	-	-	6,896,451
Total capital assets depreciated and amortized	504,014,805	1,350,388	(406,818)	11,075,041	516,033,416
Total capital assets	513,219,006	8,305,789	(406,818)	-	521,117,977
Less: accumulated depreciation and amortization:					
Buildings	38,300,356	1,928,976	-	-	40,229,332
Building improvements	77,580,476	6,998,062	(153,143)	-	84,425,395
Furniture and equipment	20,770,660	441,671	(253,675)	-	20,958,656
Leased buildings - MSCBA	24,051,594	7,980,311	-	-	32,031,905
Leased space - SSUAC	2,647,996	809,102	-	-	3,457,098
Leased equipment	376,458	125,486	-	-	501,944
Intangible Right-to-Use Software agreements	2,412,257	1,457,934	-	-	3,870,191
Total accumulated depreciation and amortization	166,139,797	19,741,542	(406,818)	-	185,474,521
Capital assets, net	\$ 347,079,209	\$ (11,435,753)	\$ -	\$ -	\$ 335,643,456

BOLD Project (BOLD)

The university's project BOLD is designed to address major capital needs of the university identified in the Campus Master Vision plan by modernizing facilities on North Campus. This includes the sale of South Campus (Net Book Value at 6/30/25 approximates \$434,000); the renovation of the Horace Mann Building; and the construction of a Meier Hall Addition. The estimated cost of project BOLD approximates \$108 million, of which the university will contribute \$59.6 million through the issuance of bonds through the MSCBA, the proceeds of the sale of South Campus, campaign contributions and other funding while DCAMM will pay for the remainder of the total project cost.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 8 - **Capital Assets - Continued**

Assistance Corporation

Capital asset activity of the Assistance Corporation for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets at historical cost:			
Land	\$ 8,023,132	\$ -	\$ 8,023,132
Buildings	1,508,859	-	1,508,859
Building improvements	4,561,604	158,490	4,720,094
Furniture and equipment	218,305	2,168	220,473
Leased equipment	11,111	-	11,111
Leased building	11,321,248	-	11,321,248
Total capital assets at historical cost	<u>25,644,259</u>	<u>160,658</u>	<u>25,804,917</u>
Less accumulated depreciation:			
Buildings	820,832	37,721	858,553
Building improvements	2,675,887	144,657	2,820,544
Furniture and equipment	207,277	3,152	210,429
Leased equipment	6,790	3,704	10,494
Leased building	2,131,056	532,764	2,663,820
Total accumulated depreciation	<u>5,841,842</u>	<u>721,998</u>	<u>6,563,840</u>
Capital assets, net	<u>\$ 19,802,417</u>	<u>\$ (561,340)</u>	<u>\$ 19,241,077</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 8 - **Capital Assets - Continued**

Assistance Corporation – continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Ending Balance
Capital assets at historical cost:			
Land	\$ 8,023,132	\$ -	\$ 8,023,132
Buildings	1,508,859	-	1,508,859
Building improvements	4,535,521	26,083	4,561,604
Furniture and equipment	218,305	-	218,305
Leased equipment	11,111	-	11,111
Leased building	11,321,248	-	11,321,248
Total capital assets at historical cost	<u>25,618,176</u>	<u>26,083</u>	<u>25,644,259</u>
Less accumulated depreciation:			
Buildings	783,111	37,721	820,832
Building improvements	2,537,740	138,147	2,675,887
Furniture and equipment	203,779	3,498	207,277
Leased equipment	3,086	3,704	6,790
Leased building	1,598,292	532,764	2,131,056
Total accumulated depreciation	<u>5,126,008</u>	<u>715,834</u>	<u>5,841,842</u>
Capital assets, net	<u>\$ 20,492,168</u>	<u>\$ (689,751)</u>	<u>\$ 19,802,417</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Accounts payable and accrued expenses include the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accounts payable - trade	\$ 3,227,079	\$ 4,633,713
Accrued interest payable	1,315,595	1,546,281
Tuition due to state	156,123	140,026
State grant refundable	438,046	831,845
Other	833,435	922,133
Total accounts payable and accrued expenses	<u>\$ 5,970,278</u>	<u>\$ 8,073,998</u>

Note 10 - **Unearned Revenues**

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

	<u>2025</u>	<u>2024</u>
Tuition and fees	\$ 2,440,210	\$ 2,109,104
Grants	3,424,940	7,242,291
Other	29,280	38,889
Total unearned revenue	<u>\$ 5,894,430</u>	<u>\$ 9,390,284</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 11 - Long-Term Liabilities

Long-term liabilities of the University at June 30, 2025 consist of:

	Beginning Balance	Additions/ (Remeasurements)	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 24,396,416	\$ -	\$ 2,578,061	\$ 21,818,355	\$ 1,329,953
Bond premiums	325,216	-	13,446	311,770	13,446
Loans payable	1,240,831	-	566,473	674,358	-
Note payable	155,767	-	102,677	53,090	53,090
Total bonds, loans and note payable	<u>26,118,230</u>	<u>-</u>	<u>3,260,657</u>	<u>22,857,573</u>	<u>1,396,489</u>
Other long-term liabilities:					
Lease liability	196,323,720	272,004	4,619,148	191,976,576	6,058,543
SBITA liability	2,872,291	2,032,106	1,712,647	3,191,750	1,469,951
Accrued compensated absences	11,757,641	578,394	-	12,336,035	7,387,378
Workers' compensation	2,068,229	-	-	2,068,229	249,306
Net pension liability	22,110,554	-	3,677,389	18,433,165	-
Net OPEB liability	23,516,399	-	2,739,946	20,776,453	-
Total other long-term liabilities	<u>258,648,834</u>	<u>2,882,504</u>	<u>12,749,130</u>	<u>248,782,208</u>	<u>15,165,178</u>
Total long-term liabilities	<u>\$ 284,767,064</u>	<u>\$ 2,882,504</u>	<u>\$ 16,009,787</u>	<u>\$ 271,639,781</u>	<u>\$ 16,561,667</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Long-term liabilities of the University at June 30, 2024 consist of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond, loans and note payable:					
Bonds payable	\$ 28,058,270	\$ -	\$ 3,661,854	\$ 24,396,416	\$ 2,578,052
Bond premiums	76,145	330,819	81,748	325,216	13,447
Loans payable	1,531,278	-	290,447	1,240,831	-
Note payable	357,694	-	201,927	155,767	102,677
Total bonds, loans and note payable	<u>30,023,387</u>	<u>330,819</u>	<u>4,235,976</u>	<u>26,118,230</u>	<u>2,694,176</u>
Other long-term liabilities:					
Lease liability	209,404,350		13,080,630	196,323,720	4,533,758
SBITA liability	3,056,714	1,350,388	1,534,811	2,872,291	1,522,366
Accrued compensated absences	10,774,591	983,050	-	11,757,641	7,013,706
Workers' compensation	2,068,229	-	-	2,068,229	249,306
Net pension liability	20,946,990	1,163,564	-	22,110,554	-
Net OPEB liability	26,361,589	-	2,845,190	23,516,399	-
Total other long-term liabilities	<u>272,612,463</u>	<u>3,497,002</u>	<u>17,460,631</u>	<u>258,648,834</u>	<u>13,319,136</u>
Total long-term liabilities	<u>\$ 302,635,850</u>	<u>\$ 3,827,821</u>	<u>\$ 21,696,607</u>	<u>\$ 284,767,064</u>	<u>\$ 16,013,312</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 11 - Long-Term Liabilities - Continued

MSCBA Bonds Payable University

On January 24, 2024, Revenue Bond Series 2014A, 2014B, and 2014C, 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 2024A. The purpose of the issuance was to provide budgetary savings to the University. The refunding resulted in an economic gain of approximately \$7.4 million and a deferred gain of approximately \$760 thousand. The first principal payment is due on May 1, 2024, and the final payment is due on May 1, 2049, with an interest rate that ranges from 2.25% to 3.05%. Total principal related to 2024A partial refunding was \$20,755,924. As of June 30, 2025 and 2024 the outstanding amounts related to all MSCBA bond series was \$18,928,668 and \$21,081,141 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 2.44%. The outstanding balance of this obligation including unamortized bond premium was \$42,305 and \$509,533 at June 30, 2025 and 2024, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

MSCBA Bonds Payable University - continued

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 2.25%. The outstanding balance of this obligation including unamortized bond premium was \$124,473 and \$223,788 at June 30, 2025 and 2024, respectively.

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 3.02%. The outstanding balance of this obligation including unamortized bond premium was \$8,480,580 and \$9,920,924 at June 30, 2025 and 2024, respectively. A debt service reserve remains for these bonds in the amount of \$86,688 at June 30, 2025 and 2024.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

MSCBA Bonds Payable University - continued

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 2.91% 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 \$8,682,001 and \$8,789,717 at June 30, 2025 and 2024 respectively. A debt service reserve remains for the 2014 bonds in the amount of \$644,687 at June 30, 2025 and 2024.

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 3.05% 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 \$1,462,667 and \$1,463,456 at June 30, 2025 and 2024, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

MSCBA Bonds Payable University - continued

Property Acquisition - Garage Bond:

MSCBA held excess bond proceeds on behalf of the University for future real estate Acquisitions. These bond proceeds were used for property acquisitions on behalf of the Assistance Corporation during June 2017. This bond amount consists of principal in the amount of \$136,642 and \$173,723 as of June 30, 2025 and 2024, respectively. There was a reduction of this bond by MSCBA during 2018. The average annual coupon rate is approximately 2.49% over the life of the issue, and the term of this debt extends to June 30, 2044. A debt service reserve remains for these excess bond proceeds in the amount of \$18,775 at June 30, 2025 and 2024.

Other Bonds Payable University

In September 2010, the Commonwealth of Massachusetts issued Clean Renewable Energy Bonds (“CREBS”) at 3.5%. From this bond issue, the University received \$289,995 for the purpose of acquiring and installing solar panels on the O’Keefe Center. The University makes semi-annual payments of interest and principal. The bond holder is Century Bank. The term of the bond extends to May 2027. The outstanding balance of the obligation was \$34,118 and \$51,176 at June 30, 2025 and 2024, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Other Bonds Payable University - continued

Clean Energy Investment Program:

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

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

The total project cost for Phase 1 is \$1,694,560 and is to be repaid over 15 years at 4.0% interest per annum. Annual payments of principal and interest for Phase 1 in the amount of \$152,411 commenced in January 2015. The total project cost for Phase 2 is \$2,291,402 and is to be repaid over 15 years at 3.75% interest per annum. Annual payments of principal and interest for Phase 2 in the amount of \$202,505 commenced in January 2015. The total project cost for the University for Phase 3 is \$2,801,950 and will be repaid over 20 years at 3.0% interest per annum commenced on January 1, 2018. The annual payments of principal and interest for Phase 3 amount to \$188,335 per annum. The outstanding balance of the obligations for Phase 1, 2 and 3 was \$3,167,339 and \$3,589,315 at June 30, 2025 and 2024, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 11 - Long-Term Liabilities - Continued

Bond Payable Maturities University

Maturities of the bonds payable subsequent to June 30, 2025 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2026	\$ 1,329,953	\$ 13,447	\$ 654,955	\$ 1,998,355
2027	1,107,984	13,447	609,209	1,730,640
2028	2,628,307	13,447	573,760	3,215,514
2029	2,512,610	13,447	500,427	3,026,484
2030	931,196	13,447	437,834	1,382,477
2031-2035	6,667,742	67,235	1,723,947	8,458,924
2036-2040	1,909,468	67,235	825,006	2,801,709
2041-2045	3,676,055	66,990	498,888	4,241,933
2046-2049	1,055,040	43,075	85,313	1,183,428
Total	<u>\$ 21,818,355</u>	<u>\$ 311,770</u>	<u>\$ 5,909,339</u>	<u>\$ 28,039,464</u>

Notes Payable University

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

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

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

Maturity of notes payable subsequent to June 30, 2025 amount to \$53,090 for principal and \$1,311 for to be paid during 2026.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Lease Liability University

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

Significant lease terms are described below for fiscal year 2025:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/25
MSCBA - Atlantic Hall	10/31/2049	Varies	Implicit Rate	3.55%	\$ 33,431,734
MSCBA - Marsh Hall	10/31/2049	Varies	Implicit Rate	3.13%	49,842,384
MSCBA - Marsh Dining Commons	4/30/2040	Varies	Implicit Rate	3.04%	3,985,846
MSCBA - Viking Hall	10/31/2048	Varies	Implicit Rate	3.11%	57,512,823
MSCBA - Viking Hall (Starbucks)	10/31/2046	Varies	Implicit Rate	3.13%	4,428,615
MSCBA - Peabody/Bowditch Hall	10/31/2039	Varies	Implicit Rate	3.53%	6,085,905
MSCBA - Parking Lot (Canal St.)	10/31/2049	Varies	Implicit Rate	2.71%	26,601
MSCBA - Parking Garage	10/31/2041	Varies	Implicit Rate	3.05%	22,197,442
MSCBA - 03A - Renewal	10/31/2049	Varies	Implicit Rate	4.31%	24,846
MSCBA - 04A - Renewal	10/31/2049	Varies	Implicit Rate	3.99%	55,781
MSCBA - 05A - Renewal	10/31/2049	Varies	Implicit Rate	3.12%	214,300
MSCBA - 10B - Renewal	10/31/2049	Varies	Implicit Rate	4.97%	229,564
MSCBA - 99A Pooled Debt Service	10/31/2028	Varies	Implicit Rate	30.70%	1,452,881
SSUAC - 287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,180,260
SSUAC - 331 Lafayette	10/31/2042	Varies	IBR	3.75%	7,078,597
Fowler Equipment	6/30/2030	Varies	IBR	6.24%	228,998
					<u><u>\$ 191,976,576</u></u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Lease Liability University - continued

Significant lease terms are described below for fiscal year 2024:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/24
MSCBA - Atlantic Hall	10/31/2049	Varies	Implicit Rate	3.55%	34,646,004
MSCBA - Marsh Hall	10/31/2049	Varies	Implicit Rate	3.13%	50,918,894
MSCBA - Marsh Dining Commons	4/30/2040	Varies	Implicit Rate	3.04%	4,190,003
MSCBA - Viking Hall	10/31/2048	Varies	Implicit Rate	3.11%	57,724,285
MSCBA - Viking Hall (Starbucks)	10/31/2046	Varies	Implicit Rate	3.13%	4,560,867
MSCBA - Peabody/Bowditch Hall	10/31/2039	Varies	Implicit Rate	3.53%	6,509,050
MSCBA - Parking Lot (Canal St.)	10/31/2049	Varies	Implicit Rate	2.71%	36,839
MSCBA - Parking Garage	10/31/2041	Varies	Implicit Rate	3.05%	22,346,954
MSCBA - 03A - Renewal	10/31/2049	Varies	Implicit Rate	4.31%	24,861
MSCBA - 04A - Renewal	10/31/2049	Varies	Implicit Rate	3.99%	55,815
MSCBA - 05A - Renewal	10/31/2049	Varies	Implicit Rate	3.12%	672,100
MSCBA - 10B - Renewal	10/31/2049	Varies	Implicit Rate	4.97%	264,097
MSCBA - 99A Pooled Debt Service	10/31/2028	Varies	Implicit Rate	30.70%	1,650,859
SSUAC- 287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,361,115
SSUAC - 331 Lafayette	10/31/2042	Varies	IBR	3.75%	7,261,638
Ricoh Copiers	3/31/2025	Varies	IBR	3.75%	100,339
					<u>\$196,323,720</u>

MSCBA

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

Payments to MSCBA are due in semi-annual installments that occur during the fall and spring academic semesters. For the year ended June 30, 2025, debt service payments and operating costs paid by the University was \$10,441,056 and \$1,862,997, respectively. For the year ended June 30, 2024, debt service payments and operating costs paid by the University was \$8,039,456 and \$1,928,430, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Lease Liability University - continued

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2025 and 2024 was \$6,180,653 and \$6,672,857, respectively. The amortization of the right of use assets are amortized on a straight-line basis over the lease term for each lease. The remaining unamortized right of use asset related to lease obligations was \$175,078,115 and \$183,606,157 at June 30, 2025 and 2024, respectively.

Related Party Leases

The University leases property located at 287-291 Lafayette Street from the Assistance Corporation, beginning in August 2014. These terms stipulate 240 monthly payments varying between approximately \$28,000 and \$42,000. There were no other payments made other than the monthly payments for the years ended June 30, 2025 and 2024. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$4,461,156 and \$4,760,018 at June 30, 2025 and 2024, respectively.

The University leases property located at 331 Lafayette Street from the Assistance Corporation, beginning in October 2017. These terms stipulate 268 monthly payments varying between approximately \$34,000 and \$58,000. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$6,086,980 and \$6,440,359 at June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024 the University made payments of principal and interest totaling \$828,188 and \$973,660, respectively, to the Assistance Corporation for the above disclosed related party leases.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

For the years ended June 30, 2025 and 2024, the total right of use assets were \$218,965,639 and \$219,597,104, respectively. For the years ended June 30, 2025 and 2024, the accumulated amortization related to the right of use assets was \$43,887,524 and \$35,990,947, respectively.

Future Lease Payments

Lease payments due subsequent to June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	\$ 6,058,543	\$ 6,668,821	\$ 12,727,364
2027	6,546,298	6,370,372	12,916,670
2028	5,794,617	6,060,678	11,855,295
2029	6,312,844	5,612,316	11,925,160
2030	8,389,914	5,381,037	13,770,951
2031-2035	44,426,235	22,572,981	66,999,216
2036-2040	53,599,314	14,601,944	68,201,258
2041-2045	38,918,836	6,656,465	45,575,301
2046-2049	21,929,975	1,480,820	23,410,795
	<u>\$ 191,976,576</u>	<u>\$ 75,405,434</u>	<u>\$ 267,382,010</u>

SBITA Liability University

The University has entered into subscription-based information technology arrangements (SBITAs) for various software and vendors. There were no payments made for additional services not included in the annual SBITA payments. The University has no options to renew these agreements and there is no option to purchase the software products.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

SBITA Liability University - continued

Significant arrangement terms are described below for fiscal year 2025:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	SBITA Liability 6/30/25
Blackbaud	6/30/2026	Varies	IBR	4.75%	86,895
BlackBeltHelp	6/30/2027	Varies	IBR	7.25%	122,945
Carahsoft - Elasticsearch	7/31/2026	Varies	IBR	7.25%	60,281
Carahsoft Technology Corporation AKiPS	9/7/2027	Varies	IBR	6.24%	47,817
Instructure	7/31/2026	Varies	IBR	7.25%	258,434
PageUp People Limited	6/30/2027	Varies	IBR	7.25%	244,254
Parchment	6/30/2027	Varies	IBR	7.25%	42,479
SHI- Microsoft	6/30/2026	Varies	IBR	7.25%	333,341
Siteimprove	10/31/2027	Varies	IBR	6.24%	67,402
Software House International Mindbreeze Inspire	8/16/2027	Varies	IBR	7.25%	117,103
TargetX 2023	11/21/2028	Varies	IBR	6.24%	213,472
Terra Dotta LLC	6/30/2029	Varies	IBR	6.24%	55,032
Touchnet 2026 to 2030	6/30/2030	Varies	IBR	6.24%	1,542,295
					<u>\$ 3,191,750</u>

Significant arrangement terms are described below for fiscal year 2024:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	SBITA Liability 6/30/24
TouchNet Information Systems Inc.	6/30/2025	Varies	IBR	7.75%	\$ 319,873
Connection_Adobe	9/26/2025	Varies	IBR	4.75%	220,591
Pantheon	5/31/2026	Varies	IBR	4.75%	17,445
Blackbaud New	6/30/2026	Varies	IBR	4.75%	163,619
SHI - Microsoft 2023	6/30/2026	Varies	IBR	7.25%	645,626
Carahsoft - Elasticsearch	7/31/2026	Varies	IBR	7.25%	116,755
Instructure, Inc. 2023	7/31/2026	Varies	IBR	7.25%	488,179
TargetX 2023	11/21/2028	Varies	IBR	7.25%	276,471
PowerSchool Holdings LLC	12/14/2025	Varies	IBR	7.25%	37,296
BlackBeltHelp	6/30/2027	Varies	IBR	7.25%	172,193
PageUp People Limited	6/30/2027	Varies	IBR	7.25%	361,931
Sitero LLC	4/30/2027	Varies	IBR	7.25%	52,312
					<u>\$ 2,872,291</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

SBITA Liability University – continued

Lease interest expense for the years ended June 30, 2025 and 2024 was \$127,663 and \$154,235, respectively. For the years ended June 30, 2025 and 2024, the total right to use software arrangement assets were \$6,026,176 and \$6,896,451, respectively. For the years ended June 30, 2025 and 2024 the accumulated amortization related to the right of use assets was \$2,628,675 and \$3,870,191, respectively.

Future SBITA Payments

SBITA payments due subsequent to June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest	Total
2026	1,469,951	119,789	1,589,740
2027	691,889	115,128	807,017
2028	379,592	66,958	446,550
2029	323,243	41,879	365,122
2030	327,075	21,006	348,081
	<u>\$ 3,191,750</u>	<u>\$ 364,760</u>	<u>\$ 3,556,510</u>

Long-term Liabilities – Assistance Corporation

Long-term liabilities for the Assistance Corporation at June 30, 2025 consisted of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Bonds and notes payable:						
Notes payable	\$ 984,149	\$ 400,000	\$ 36,550	\$ 1,347,599	\$ 42,230	\$ 1,305,309
Other long-term liabilities:						
Security deposits	31,544	25,492	5,370	51,666	-	51,666
Lease liability	10,758,201	-	219,353	10,538,848	298,178	10,240,670
Total	<u>\$ 11,773,894</u>	<u>\$ 425,492</u>	<u>\$ 261,273</u>	<u>\$ 11,938,113</u>	<u>\$ 340,408</u>	<u>\$ 11,597,645</u>

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Notes Payable Assistance Corporation - continued

Long-term liabilities for the Assistance Corporation at June 30, 2024 consisted of:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Bonds and notes payable:						
Notes payable	\$ 1,012,869	\$ -	\$ 28,720	\$ 984,149	\$ 30,546	\$ 953,603
Other long-term liabilities:						
Security deposits	30,377	16,268	15,101	31,544	-	31,544
Lease liability	10,945,744	-	187,543	10,758,201	219,353	10,538,848
Total	<u>\$ 11,988,990</u>	<u>\$ 16,268</u>	<u>\$ 231,364</u>	<u>\$ 11,773,894</u>	<u>\$ 249,899</u>	<u>\$ 11,523,995</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.

The Assistance Corporation also maintains a loan with a bank which was funded during the year ended June 30, 2025. The loan is a five-year adjustable-rate mortgage due October 2034 with payments in the amount of \$3,079, including principal and interest at 6.81% due monthly. Interest will be adjusted to the Federal Home Loan Bank of Boston 5-year Classic Advance Rate plus 2.50% in October 2029 and each five-year period thereafter. Minimum interest on this loan is 6.50%. A final balloon payment representing the outstanding balance is due in October 2034. The loan is secured by a mortgage on real estate owned by the Assistance Corporation.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Notes Payable Assistance Corporation - continued

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

Years Ending June 30,	Principal	Interest	Total
2026	\$ 42,230	\$ 63,592	\$ 105,822
2027	44,243	61,579	105,822
2028	46,359	59,463	105,822
2029	48,585	57,237	105,822
2030	50,925	54,897	105,822
2031-2035	542,875	223,274	766,149
2036-2038	572,382	44,751	617,133
Total	<u>\$ 1,347,599</u>	<u>\$ 564,793</u>	<u>\$ 1,912,392</u>

Lease Liability Assistance Corporation

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

Lease interest expense for the years ended June 30, 2025 and 2024 was \$612,927 and \$624,192, respectively. The right of use asset was amortized on a straight-line basis over the lease term. There were no additional payments made as part of these agreements.

For the years ended June 30, 2025 and 2024, the total right of use assets were \$11,332,359. For the years ended June 30, 2025 and 2024 the total accumulated amortization related to the right of use assets was \$2,674,314 and \$2,137,846, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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

Lease Liability Assistance Corporation - continued

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

Years Ending June 30,	Principal	Interest	Total
2026	\$ 298,178	\$ 598,269	\$ 896,447
2027	327,272	580,377	907,649
2028	358,741	560,740	919,481
2029	392,372	539,237	931,609
2030	428,300	515,741	944,041
2031-2035	2,771,341	2,146,485	4,917,826
2036-2040	4,483,984	1,120,461	5,604,445
2041-2043	1,478,660	105,907	1,584,567
	<u>\$ 10,538,848</u>	<u>\$ 6,167,217</u>	<u>\$ 16,706,065</u>

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.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - Pensions – Continued

Benefit Provisions

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

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

Contributions

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

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

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

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - Pensions – Continued

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$12,306,453, \$10,612,983, and \$9,714,980, for the years ended June 30, 2025, 2024, and 2023, 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 18.63%, 16.69%, and 16.70% of annual covered payroll for the fiscal years ended June 30, 2025, 2024, and 2023, respectively. The University contributed \$2,244,561, \$1,971,828, and \$2,225,712, for the fiscal years ended June 30, 2025, 2024, and 2023, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2025, 2024 and 2023, the University reported a liability of \$18,433,165 \$22,110,550, and \$20,946,990, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2025, the reporting date, was measured as of June 30, 2024, 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, 2024 rolled forward to June 30, 2024. The net pension liability as of June 30, 2024, the reporting date, was measured as of June 30, 2023, 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, 2023 rolled forward to June 30, 2023.

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 2025 and 2024. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2024 and 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2025 and 2024, the University's proportion was 0.130% and 0.151%, respectively.

For the year ended June 30, 2025 the University recognized pension income of \$4,956,100. For the year ended June 30, 2024 the University recognized pension income of \$4,755,251.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - Pensions – Continued

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

	<u>2025</u>	<u>2024</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 923,861	\$ 785,432
Net difference between projected and actual Investment earnings	-	595,061
Change in plan actuarial assumptions, net	132,282	371,605
Changes in proportion from Commonwealth	-	182
Changes in proportion due to internal allocation	127,381	172,872
Contributions subsequent to the measurement date	<u>2,244,561</u>	<u>1,971,828</u>
Total deferred outflows related to pension	<u>\$ 3,428,085</u>	<u>\$ 3,896,980</u>
	<u>2025</u>	<u>2024</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 236,163	\$ 546,350
Net differences between projected and actual earnings on pension plan investments	239,676	-
Changes in proportion from Commonwealth	118,467	168,914
Changes in proportion due to internal allocation	<u>4,917,540</u>	<u>6,544,191</u>
Total deferred inflows related to pension	<u>\$ 5,511,846</u>	<u>\$ 7,259,455</u>

The University's contributions of \$2,244,561 and \$1,971,828 made during the fiscal years ending 2024 and 2023, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - 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>	
2025	\$ 4,601,533
2026	(8,855,035)
2027	(991,233)
2028	916,413
Total	<u>\$ (4,328,322)</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, 2024</u>	<u>June 30, 2023</u>
Inflation	2.50%	2.50%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2024 and 2023, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 set forward 1 year for females
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - Pensions – Continued

The 2025 pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of January 2024 and rolled forward to June 30, 2024. The 2024 pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 2023 and rolled forward to June 30, 2023.

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	2025		2024	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	36%	4.6%	37%	4.9%
Private Equity	16%	7.4%	16%	7.4%
Core Fixed Income	15%	2.1%	15%	1.9%
Portfolio Completion Strategies	10%	3.7%	10%	3.8%
Real Estate	10%	3.9%	10%	3.0%
Value Added Fixed Income	9%	5.1%	8%	5.1%
Timber/Natural Resources	4%	4.4%	4%	4.3%
	<u>100%</u>		<u>100%</u>	

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 12 - Pensions – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2024 and 2023. 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:

2025		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 25,896,214	\$ 18,433,165	\$ 12,119,439
2024		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.00%	7.00%	8.00%
\$ 30,387,975	\$ 22,110,554	\$ 15,105,681

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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 deceased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

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

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

Benefits Provided

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

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, 2025 and 2024, and as of the valuation date (January 1, 2024 and 2023), 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 7.49% and 7.83% of annual covered payroll for the fiscal years ended June 30, 2025 and 2024, respectively. The University contributed \$902,557 and \$925,007 for the fiscal years ended June 30, 2025 and 2024, 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, 2025 and 2024, the University reported a liability of \$20,776,453 and \$23,516,399, 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, 2024 and 2023, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 and 2023, 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 2024 and 2023. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2024 and 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2024 and 2023, the University's proportion was 0.152% and 0.166%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 13 - Other Post-Employment Benefits – Continued

For the year ended June 30, 2025 the University recognized income related to OPEB of \$13,743,163. For the year ended June 30, 2024 the University recognized income related to OPEB of \$13,444,640. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	<u>2025</u>	<u>2024</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 902,557	\$ 925,007
Changes in OPEB plan actuarial assumptions	405,056	1,033,088
Differences between expected and actual experience	577,498	956,479
Net differences between projected and actual earnings on OPEB plan investments	-	76,865
Changes in the proportion from Commonwealth	-	2,154
Changes in the proportion due to internal allocation	<u>2,382,793</u>	<u>3,252,427</u>
Total deferred outflows related to OPEB	<u>\$ 4,267,904</u>	<u>\$ 6,246,020</u>
	<u>2025</u>	<u>2024</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 4,635,509	\$ 6,065,725
Differences between expected and actual experience	1,604,943	2,641,476
Difference between projected and actual investment earnings	8,261	-
Changes in proportion due to internal allocations.	15,171,001	25,730,108
Changes in OPEB from Commonwealth	<u>200,101</u>	<u>225,027</u>
Total deferred inflows related to OPEB	<u>\$21,619,815</u>	<u>\$34,662,336</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 13 - Other Post-Employment Benefits – Continued

Contributions

The University's contributions of \$902,557 and \$925,007 made during the fiscal years 2024 and 2023, 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>	
2025	\$ (5,161,112)
2026	(5,024,794)
2027	(3,815,473)
2028	(3,214,804)
2029	<u>(1,038,285)</u>
	<u>\$ (18,254,468)</u>

Actuarial Assumptions

The total OPEB liability for 2025 and 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2024	June 30, 2023
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published SAO-Getzen trend rate model, version 2024_1b. Medicare and non-Medicare benefits range from 3.94% to 8.03%	Developed based on the most recent published SAO-Getzen trend rate model, version 2023_1f. Medicare and non-Medicare benefits range from 5.79% to 7.50%

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 13 - Other Post-Employment Benefits – Continued

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2021 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	2025		2024	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	18.0%	96.0%	27.0%	96.0%
POS/PPO	72.0%	0.0%	63.0%	0.0%
HMO	10.0%	4.0%	10.0%	4.0%

The actuarial assumptions used in the January 1, 2024 and 2023 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2024 and 2023 through December 31, 2023 and 2022, depending upon the criteria being evaluated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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, 2025 and 2024, are the same as discussed in the pension footnote.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 13 - Other Post-Employment Benefits – Continued

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	2025		2024	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	36%	4.6%	37%	4.9%
Private Equity	16%	7.4%	16%	7.4%
Core Fixed Income	15%	2.1%	15%	1.9%
Portfolio Completion Strategies	10%	3.7%	10%	3.8%
Real Estate	10%	3.9%	10%	3.0%
Value Added Fixed Income	9%	5.1%	8%	5.1%
Timber/Natural Resources	4%	4.4%	4%	4.3%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability for 2024 and 2023 was 4.61% and 4.34%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.93% and 3.65% 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 2043 and 2042 for the fiscal years 2025 and 2024, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.00% 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, 2025 and 2024

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, 2025		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
3.61%	4.61%	5.61%
\$ 24,197,802	\$ 20,776,453	\$ 17,952,691
June 30, 2024		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
3.30%	4.34%	5.30%
\$ 27,476,616	\$ 23,516,399	\$ 20,266,833

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 14 - **Deferred Inflows of Resources**

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:

	2024		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 17,441,466	\$ 20,776,453	\$ 24,971,445

	2024		
	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 19,704,966	\$ 23,516,399	\$ 28,337,652

(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

Public- Private Partnerships

The University has entered into agreements with a nongovernmental operator for management of the food services operations, vending machines, related dining facilities, and bookstore of the University (the "agreements"). Pursuant to the terms of these agreements, financial commitments totaling approximately \$623,000 were made at the beginning of each agreement and are being amortized over the agreement term expiring in 2025 and 2031. The financial commitments are for facilities' renovations to the University, including areas of the dining facilities, vending machines, and bookstore. This financial commitment is categorized as a public-private partnership under GASB 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*. The University has accounted for these monies as deferred inflows of resources. The balance of deferred inflows of resources at June 30, 2025 and 2024 is approximately \$202,000, and \$265,000, respectively.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 15 - 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>2025</u>	<u>2024</u>
Restricted - nonexpendable:		
Scholarship and fellowship	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Restricted - expendable:		
Scholarship, fellowship loans, gifts and research grants and contracts	<u>\$13,986,126</u>	<u>\$13,308,310</u>

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

Note 16 - Commitments, Contingencies, Concentrations and Constraints

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, 2025 and 2024

Note 16 - **Commitments, Contingencies, Concentrations and Constraints - 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 years 2025 and 2024, 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 university's major capital project, SSU BOLD project, was created to develop new science labs as an addition to Meier Hall and completely renovate the Horace Mann building as the new home of the McGuire Meservey College of Health and Human Services. As part of BOLD, the sale of South Campus is expected to be consummated during FY26. The beginning of construction commenced during the spring of 2025 and is expected to be completed during the summer of 2027. See Note 8 for further details.

Concentrations and Constraints
Providers of Financial Resources

State Appropriations

As disclosed in Note 1, 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. As such, the University receives general state appropriations for a portion of its annual operations for employee salaries and fringe benefits reported on the Statement of Revenues and Expenses and Note 19 of these financial statements.

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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 16 - **Commitments, Contingencies, Concentrations and Constraints - Continued**

Lease Agreements

As disclosed in Note 11, the University is a lessee of multiple long-term leases for buildings, dormitories and improvements owned by the Massachusetts College Building Authority (MSCBA). Repayments are pledged and structured based on student occupancy revenues and resources held by the University. Repayment of lease obligations are dictated based on issued public bond debt with the University receiving notice from the MSCBA regarding payments due in November and May of each year.

Debt

In addition to the leases disclosed in the preceding paragraph, MSCBA provides bond funds for the construction of campus buildings and project improvements. Repayment of bond obligations is dictated based on issued public bond debt with the University receiving notice from the MSCBA regarding payments due in November and May of each year. In addition, the Massachusetts Division of Capital Asset Management and Maintenance (DCAMM) provides resources to fund capital construction and renovation projects on campus. The University will incur debt owed to DCAMM to pay for certain projects or partially pay for the cost of a project that they manage for the university's benefit. This includes repayment for maintenance and other costs on these projects.

Federal Student Financial Assistance and other grants

The University participates in the Federal Financial Assistance (Title IV) programs along with federal grants related to various university programs and operations. These programs allow for grants, scholarship aid, and other awards to be issued to students and the university to cover qualified education and related costs. During the fiscal year ended June 30, 2025 Federal funds expended to students and the university totaled \$40.2 million.

State Student Financial Assistance and other grants

The University participates in the Massachusetts State student financial assistance programs. These programs allow for grants, scholarship aid, and other awards to be issued to students to cover qualified education costs. During the fiscal year ended June 30, 2025 expended Massachusetts funds awarded to students totaled \$22.4 million.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 16 - **Commitments, Contingencies, Concentrations and Constraints - Continued**

Concentrations and Constraints - Continued

Workforce Covered by Collective Bargaining Agreements:

The university is comprised of State Employees hired and employed by the Commonwealth of Massachusetts. The Massachusetts Board of Higher Education negotiates collective bargaining agreements (CBA) with the majority of university employees. During the fiscal years ended June 30, 2025 and 2024, the University employed individuals belonging to the following unions:

American Federation of State, County and Municipal Employees (AFSCME)

The CBA for AFSCME union covers the period from July 1, 2024 to June 30, 2027. This Agreement is entered into by and between the Board of Higher Education and the American Federation of State, County and Municipal Employees Local 1067, Council 93, AFL-CIO and sets forth procedures for the equitable resolution of grievances, the terms of employment with respect to wages and working conditions and means by which the parties may consult periodically on mutually perceived issues.

Association of Professional Administrators (APA)

The CBA for the APA union covers the period from July 1, 2024 to June 30, 2027. This Agreement is entered into by and between the Board of Higher Education and the Association of Professional Administrators, Massachusetts Teachers Association / National Education Association as the exclusive bargaining agent for positions in the bargaining unit. As of June 30, 2025 negotiations between the Board of Higher Education and APA final legislative approval for the above CBA was signed during August 2025.

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 16 - **Commitments, Contingencies, Concentrations and Constraints - Continued**

Concentrations and Constraints - Continued

Workforce Covered by Collective Bargaining Agreements - Continued

Massachusetts State College Association (MSCA)

The CBA for the MSCA covers the period from July 1, 2023, to June 30, 2024. This Agreement is entered into by and between the Board of Higher Education, acting through the Council of Presidents of the State Universities, and the Massachusetts Teachers Association/NEA, acting through the Massachusetts State College Association, as the exclusive collective bargaining agent for members of the bargaining unit. As of June 30, 2025 negotiations between the Board of Higher Education and MSCA are in the process of constructing and obtaining an updated CBA. As of the date of this report, negotiations are still under way for an updated contract with the MSCA.

Limitation on raising tuition rates:

Tuition rates are determined by the Massachusetts Board of Higher Education and cannot be adjusted without their authorization. Fees, however, are established by the University's Board of Trustees and adjusted annually as deemed appropriate.

Note 17 - **Operating Expenses**

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

	<u>2025</u>	<u>2024</u>
Compensation and benefits	\$ 115,276,472	\$ 111,351,500
Supplies and services	35,875,965	33,939,035
Utilities	4,471,309	3,948,139
Depreciation	9,926,040	9,368,709
Amortization	10,446,188	10,372,833
Scholarships	24,561,771	18,163,261
Total operating expenses	<u>\$ 200,557,745</u>	<u>\$ 187,143,477</u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 18 - 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 slightly from 43.20% in 2024 to 43.43% in 2025 which includes 1.62% and 1.85% in payroll taxes, respectively. The retirement portion of the fringe benefit charge increased from 16.69% in 2024 to 18.63% in 2025. 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, 2025, 2024, and 2023 were \$3,035,183, \$3,047,003 and \$2,619,854, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Insurance

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 18 - Fringe Benefit Program - Continued

Insurance-continued

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

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

The GIC is a quasi-independent state agency governed by a 17-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2025 and 2024, the GIC provided health insurance for its members through indemnity, PPO and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 19 - **Massachusetts Management Accounting Reporting System (“MMARS”)**

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

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

	<u>2025</u>	<u>2024</u>
General Appropriations	\$ 65,993,744	\$ 63,025,751
Other Appropriations	<u>170,400</u>	<u>180,168</u>
Total Appropriations	<u>66,164,144</u>	63,205,919
<u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	<u>28,706,996</u>	27,120,340
<u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,021,377)</u>	<u>(761,214)</u>
Total unrestricted appropriations	<u><u>\$ 93,849,763</u></u>	<u><u>\$ 89,565,045</u></u>

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 19 - Massachusetts Management Accounting Reporting System (“MMARS”) - Continued

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

	<u>2025</u>	<u>2024</u>
Revenue per MMARS	\$ 145,144,921	\$ 132,048,144
Revenue per University	<u>145,144,921</u>	<u>132,048,144</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 20 - Pass-Through Student Federal Loans

The University distributed approximately \$25,245,000 and \$27,038,000 for the years ended June 30, 2025 and 2024, respectively for student loans through the William D. Ford Federal Direct Lending Program. These distributions and related funding sources are not included in the accompanying financial statements.

Note 21 - Massachusetts State College Building Authority (“MSCBA”)

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

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

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

SALEM STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2025 and 2024

Note 21 - **Massachusetts State College Building Authority (“MSCBA”) - Continued**

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the years ended June 30, 2025 and 2024 were \$12,304,053 and \$9,967,886, respectively. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset to a lease liability.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Massachusetts State Employees' Retirement System

Year ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2024	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015
Proportion of the collective net pension liability	0.130%	0.151%	0.151%	0.151%	0.233%	0.278%	0.341%	0.347%	0.341%	0.389%
Proportionate share of the collective net pension liability	\$ 18,433,165	\$ 22,110,554	\$ 20,946,990	\$ 15,782,623	\$ 39,993,737	\$ 40,623,739	\$ 45,107,543	\$ 44,564,278	\$ 46,973,396	\$ 44,297,126
College's covered payroll	\$ 11,814,428	\$ 13,327,614	\$ 13,156,710	\$ 12,271,296	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 27,303,392	\$ 25,885,577	\$ 23,448,807
College's proportionate share of the net pension liability as a percentage of its covered payroll	156.02%	165.90%	159.21%	128.61%	223.56%	177.23%	170.43%	163.22%	181.47%	188.91%
Plan fiduciary net position as a percentage of the total pension liability	72.90%	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%

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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 2,244,561	\$ 1,971,828	\$ 2,225,712	\$ 2,119,546	\$ 1,798,972	\$ 2,518,943	\$ 2,764,339	\$ 3,117,853	\$ 2,716,688	\$ 2,446,187
Contributions in relation to the statutorily required contribution	<u>(2,244,561)</u>	<u>(1,971,828)</u>	<u>(2,225,712)</u>	<u>(2,119,546)</u>	<u>(1,798,972)</u>	<u>(2,518,943)</u>	<u>(2,764,339)</u>	<u>(3,117,853)</u>	<u>(2,716,688)</u>	<u>(2,446,187)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 12,048,100	\$ 11,814,428	\$ 13,327,617	\$ 13,156,710	\$ 12,271,296	\$ 17,889,187	\$ 22,921,548	\$ 26,467,350	\$ 27,303,397	\$ 25,885,577
Contribution as a percentage of covered payroll	18.63%	16.69%	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%

Notes:

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

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2025 and 2024

Note 1 - Change in Plan Actuarial and Assumptions

Measurement date – June 30, 2023

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 2021

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

The mortality rates were changed as follows:

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

Measurement Date – June 30, 2020

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

Measurement Date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

SALEM STATE UNIVERSITY
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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2025 and 2024

Note 1 - Change in Plan Actuarial and Assumptions - Continued

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

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, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2024	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.152%	0.166%	0.197%	0.173%	0.249%	0.439%	0.531%	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 20,776,453	\$ 23,516,399	\$ 26,361,589	\$ 27,710,622	\$ 51,462,578	\$ 76,582,635	\$ 98,703,864	\$ 86,677,734	\$ 83,576,460
College's covered payroll	\$ 11,814,428	\$ 13,327,617	\$ 13,156,708	\$ 12,271,298	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 27,303,392	\$ 25,885,577
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	175.86%	176.45%	200.37%	225.82%	287.67%	334.11%	372.93%	317.46%	322.87%
Plan fiduciary net position as a percentage of the total OPEB liability	15.60%	13.80%	13.00%	10.70%	6.40%	6.96%	6.01%	5.39%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

SALEM STATE UNIVERSITY
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Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 902,557	\$ 925,007	\$ 969,945	\$ 1,006,598	\$ 944,662	\$ 1,304,875	\$ 2,015,741	\$ 2,360,585	\$ 2,181,990
Contributions in relation to the statutorily required contribution	<u>(902,557)</u>	<u>(925,007)</u>	<u>(969,945)</u>	<u>(1,006,598)</u>	<u>(944,662)</u>	<u>(1,304,875)</u>	<u>(2,015,741)</u>	<u>(2,360,585)</u>	<u>(2,181,990)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 12,048,100	\$ 11,814,428	\$ 13,327,617	\$ 13,156,708	\$ 12,271,298	\$ 17,889,520	\$ 22,921,548	\$ 26,467,350	\$ 25,885,577
Contribution as a percentage of covered payroll	7.49%	7.83%	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%	8.43%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

June 30, 2025 and 2024

Note 1 - Change in Plan Assumptions

Fiscal year June 30, 2024

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 2023_1f. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.34% (based upon a blend of the Bond Buyer Index rate (3.65%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2023

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Discount Rate

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

SALEM STATE UNIVERSITY
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Notes to the Required Supplementary Information – OPEB (Unaudited)- Continued

June 30, 2025 and 2024

Note 1 - Change in Plan Assumptions – Continued

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Mortality Rates

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

Change in Discount Rate

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

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Salary Scale

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

SALEM STATE UNIVERSITY
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Notes to the Required Supplementary Information – OPEB (Unaudited)- Continued

June 30, 2025 and 2024

Note 1 - Change in Plan Assumptions – Continued

Fiscal year June 30, 2021

Assumptions:

Change in Discount Rate

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

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

SALEM STATE UNIVERSITY
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Notes to the Required Supplementary Information – OPEB (Unaudited)- Continued

June 30, 2025 and 2024

Note 1 - Change in Plan Assumptions - Continued

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

**SUPPLEMENTARY
INFORMATION**

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

June 30, 2025 and 2024

	<u>Assets</u>	
	<u>2025</u>	<u>2024</u>
Assets:		
Cash and equivalents	\$ 2,472,186	\$ 2,303,479
Accounts receivable, net	<u>340,442</u>	<u>533,449</u>
Total Assets	<u>\$ 2,812,628</u>	<u>\$ 2,836,928</u>
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable	\$ 449,767	\$ 410,907
Accrued payroll and fringe benefits	170,691	112,707
Accrued compensated absences	<u>382,441</u>	<u>277,530</u>
Total Liabilities	1,002,899	801,144
Net Position	<u>1,809,729</u>	<u>2,035,784</u>
Total Liabilities and Net Position	<u>\$ 2,812,628</u>	<u>\$ 2,836,928</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues:		
Student fees	\$ 17,236,534	\$ 16,219,267
Less: scholarships and fellowships	(2,029,302)	(2,889,222)
Commissions	22,535	17,913
Leases	383,646	328,986
State grant	35,965	53,501
Total Revenues	<u>15,649,378</u>	<u>13,730,445</u>
Expenses:		
Regular employee compensation	2,615,988	2,229,754
Special employee compensation	612,773	664,126
Fringe benefits	1,242,190	1,109,637
Administrative	23,289	67,579
Facility operational	91,548	94,932
Energy and space rental	1,641,005	1,417,473
Operational services	82,405	74,575
Equipment maintenance	928,994	927,519
Loans and special payments	10,733,547	9,321,183
Information technology	3,694	3,200
Total Expenses	<u>17,975,433</u>	<u>15,909,978</u>
Excess of Expenses over Revenues Before State grants and Transfers	(2,326,055)	(2,179,533)
Net Transfers	<u>2,100,000</u>	<u>1,100,000</u>
Total Increase (Decrease) in Net Position	<u>(226,055)</u>	<u>(1,079,533)</u>
Net Position, Beginning of Year	<u>2,035,784</u>	<u>3,115,317</u>
Net Position, End of Year	<u>\$ 1,809,729</u>	<u>\$ 2,035,784</u>

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

To the Board of Trustees of
Salem State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Salem State University ("the University"), and its discretely presented component units, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated **DATE**.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DATE

Draft

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

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

JUNE 30, 2025

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

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

June 30, 2025

C O N T E N T S

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

To the Board of Trustees of
Salem State University:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salem State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2025. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the University, as of and for the year ended June 30, 2025 and have issued our report thereon dated **DATE**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

DATE

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Salem State University ("the University"), and its discretely presented component units, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated **DATE**.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DATE

Draft

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 357,830	\$ -
Federal Work-Study Program	84.033	N/A	N/A	515,852	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	-
Federal Perkins Loan Program (current year expenditure)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	12,288,297	-
Federal Direct Student Loans	84.268	N/A	N/A	25,244,838	-
Teachers Education Assistance for College Grant	84.379	N/A	N/A	29,706	-
Nursing Student Loans (current year expenditures)	93.364	N/A	N/A	10,859	-
Total Student Financial Assistance Cluster				38,447,382	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Student Support Services	84.042	N/A	N/A	597,638	-
Upward Bound	84.047	N/A	N/A	329,407	-
Total TRIO Cluster				927,045	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards:					
STEM Education (DC Models DRK12)	47.076	N/A	N/A	52,732	-
STEM Education (NSF Racial Equity)				93,243	-
Subtotal - Direct Awards				145,975	-
Pass-through Awards:					
Stem Education (Deep Teaching Residency)	47.076	Florida International University Board of Trustees	N/A	22,154	-
NSF-EAR	47.050	President & Fellows of Harvard College	N/A	12,853	-
Subtotal - Pass-through Awards				35,007	-
U.S. Department of Health and Human Services					
Direct Awards:					
Title X Family Planning Program	93.217	N/A	N/A	-	-
Phonological Research	93.173	N/A	N/A	-	-
Subtotal - Direct Awards				-	-
Total Research and Development Cluster				180,982	-

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

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2025

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Undergraduate International Studies and Foreign Language Programs	84.016	N/A	N/A	35	-
Subtotal - Direct Awards				<u>35</u>	<u>-</u>
Pass-through Awards:					
Fund for the Improvement of Postsecondary Education	84.116	Framingham State University	N/A	9,808	-
HEROES Literacy Grant	84.411B	Ohio State University		<u>6,450</u>	<u>-</u>
				16,258	
Subtotal - Pass-through Awards				<u>16,293</u>	<u>-</u>
U.S. Department of Homeland Security					
Direct Awards:					
FEMA Public Assistance	97.036	N/A	N/A	<u>43,693</u>	<u>-</u>
Subtotal - Pass-through Awards				43,693	-
U.S. Department of Treasury					
Pass-through Awards:					
American Rescue Plan Act	21.027	City of Salem	N/A	<u>1,461</u>	<u>-</u>
Subtotal - Pass-through Awards				1,461	-
U.S. Small Business Administration					
Pass-through Awards:					
SBDC - Core	59.037	University of Massachusetts	N/A	<u>523,415</u>	<u>-</u>
Subtotal - Pass-through Awards				523,415	-
National Oceanic and Atmospheric Administration					
Pass-through Awards					
MIT Sea Grant	11.417	Massachusetts Institute of Technology	N/A	<u>-</u>	<u>-</u>
Subtotal - Pass-through Awards				-	-

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

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2025

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of State Bureau of Education and Cultural Affairs					
Pass-through Awards:					
Steven's Initiative HIVER 2	19.415	IIE: Institute of International Education, Inc.	N/A	8,013	-
IDEA Grant	19.009	World Learning	N/A	-	-
Subtotal - Pass-through Awards				8,013	-
National Endowment for the Humanities					
Pass-through Awards:					
Promotion of the Humanities Research (NEH - CAL Humanities)	45.161	CA State University, Dominguez	N/A	17,545	-
Subtotal - Pass-through Awards				17,545	-
Environmental Protection Agency					
Pass-through Awards:					
National Estuary Program	66.456	Umass Boston	N/A	9,750	-
Healthy Estuary Program (MassBays)	66.456	Umass Boston	N/A	16,373	-
Subtotal - Pass-through Awards				26,123	-
Total Non-Cluster				636,543	-
Total Federal Funds				<u>\$ 40,191,952</u>	<u>\$ -</u>

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

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Salem State University (the “University”) under programs of the Federal Government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Note 4 - Federal Student Loan Programs

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the University and balances and transactions relating to this program are included in the University’s basic financial statements. During the year ended June 30, 2025, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2025, loan balances receivable, net under Perkins was \$0. During the year ended June 30, 2025 the University terminated its participation in the Perkins loan program and returned all outstanding Federal funding related to this program.

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Note 4 - Federal Student Loan Programs - Continued

Nursing Student Loans

The Nursing Student Loan Program is administered by Salem State University. There were \$10,859 of loans disbursed during fiscal year 2025. As of June 30, 2025, the loan balances receivable for this program was \$376,148.

Direct Student Loan Program

The University disbursed \$25,244,838 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the University under the program as of June 30, 2025. The University is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? ___ yes x no

Federal Awards

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

Internal control over major programs:

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

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

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 3)	84.268
Teachers Education Assistance for College Grant	93.364
Nursing Student Loans	93.364
TRIO Cluster	
Student Support Services	84.042
Upward Bound	84.047

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

\$750,000

Auditee qualified as a low-risk auditee?

 x yes no

Section II – Financial Statement Findings:

None.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Section III – Federal Award Findings and Questioned Costs:

Finding number: 2025-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
AL #: 84.063 and 84.268
Award year: 2025

Criteria

The Code of Federal Regulations, consisting of 2 CFR 200.303, 34 CFR 685.309, and 34 CFR 690.83(b)(2), requires that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Additionally, schools are required to certify enrollment at a minimum of every 60 days or every other month.

Condition

During our testing of NSLDS Enrollment Reporting for Salem State University, we noted 1 of the 40 students tested had a status change received by NSLDS outside of the 60-day reporting time frame.

Cause

The University's Registrar was not made aware of the student's status change in a timely manner by the student's academic advisor. As a result, the student's change in status was delayed in reporting to NSLDS. The University's policies and procedures were not properly followed to ensure that student status changes were timely reported to NSLDS.

Effect

The NSLDS system is not updated with the student information which can cause over-awarding should the student transfer to another institution and the student may not properly enter the repayment period.

Questioned Costs

N/A

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Perspective

Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 1 student, or 2.5% of our sample, had a change in status reported outside of the 60-day reporting time frame.

Identification as a Repeat Finding, if applicable

N/A

Recommendation

The University should review their reporting procedures to ensure that students' statuses are timely reported to NSLDS as required by Federal regulations.

View of Responsible Officials

The University agrees with the finding. This issue was the result of human error, as established procedures were not followed in which a student withdrawal was not forwarded to the Registrar's Office, preventing timely reporting to NSLDS. The student's official withdrawal request was not transmitted by the office responsible for approving student leaves and withdrawals to the Registrar's Office for processing, resulting in the absence of the required enrollment update in the student information system.



Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2024

Finding number: 2024-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
Assistance Listing #: 84.063 and 84.268
Award year: 2024

Condition

Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution should determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. Once a recipient's withdrawal date is determined, an institution should complete a Return of Title IV ("R2T4") calculation. The R2T4 is used to calculate the percentage of the payment period or period of enrollment completed, establish the amount of Title IV funds earned by the recipient, and determine the amount required to be returned to the Department of Education.

Award Year 2024: During our testing, we noted 2 students, out of a sample of 40, had returns of Title IV funds that were miscalculated.

Current Year Status:

Corrective action was implemented during the year.



Management's Corrective Action Plan

Year Ended June 30, 2025

Finding number: 2025-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
AL #: 84.063 and 84.268
Award year: 2025

Corrective Action Plan:

This issue was the result of human error, as established procedures were not followed in which a student withdrawal was not forwarded to the Registrar's Office, preventing timely reporting to NSLDS. The student's official withdrawal request was not transmitted by the office responsible for approving student leaves and withdrawals to the Registrar's Office for processing, resulting in the absence of the required enrollment update in the student information system.

In response, the Registrar's Office has implemented a revised procedure for the handling of late leave requests and will coordinate directly with the Financial Aid Office to ensure accurate updates to the NSLDS. Staff in the Advising Office have been retrained on proper transmission protocols, and both the Registrar's Office and Advising Office have instituted additional quality control and tracking measures to ensure that all leaves and withdrawals are processed and reported in a timely and compliant manner.

Timeline for Implementation of Corrective Action Plan:

The corrective action plan was implemented as of October 2025.

Contact Person

Megan Miller, University Registrar