

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

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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

Financial Statements

June 30, 2024 and 2023

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-26
Financial Statements:	
Statements of Net Position	27-28
Statements of Revenues and Expenses	29
Statements of Changes in Net Position	30
Statements of Cash Flows	31-32
Statements of Financial Position of Salem State University Alumni Association and Foundation	33
Statements of Activities and Changes in Net Assets of Salem State University Alumni Association and Foundation	34-35
Notes to the Financial Statements:	
Note 1- Summary of Significant Accounting Policies	36-47
Note 2- Cash and Cash Equivalents and Deposits	47-48
Note 3- Cash and Deposits Held by State Treasurer	49
Note 4- Investments	49-54
Note 5- Accounts, Grants and Other Receivables	54
Note 6- Pledges Receivable	55
Note 7- Loans Receivable and Payable	55-56
Note 8- Capital Assets	57-60
Note 9- Accounts Payable and Accrued Expenses	61
Note 10- Unearned Revenues	61
Note 11- Long- Term Liabilities	62-78

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

Note 12- Pensions	78-84
Note 13- Other Post-Employment Benefits	85-91
Note 14- Deferred Inflows of Resources	92
Note 15- Restricted Net Position	92
Note 16- Commitments and Contingencies	93
Note 17- Operating Expenses	94
Note 18- Fringe Benefit Program	94-96
Note 19- Massachusetts Management Accounting Reporting Reporting System (“MMARS”)	96-97
Note 20- Pass-Through Student Federal Loans	97
Note 21- Massachusetts State College Building Authority (“MSCBA”)	97-98
Required Supplementary Information:	
Schedules of Proportionate Share of Net Pension Liability (Unaudited)	99
Schedules of Contributions - Pension (Unaudited)	100
Notes to the Required Supplementary Information - Pension (Unaudited)	101-102
Schedules of Proportionate Share of Net OPEB Liability (Unaudited)	103
Schedules of Contributions - OPEB (Unaudited)	104
Notes to the Required Supplementary Information - OPEB (Unaudited)	105-108
Supplementary Information:	
Schedules of Net Position – Dormitory Trust Fund Report (Unaudited)	109
Schedules of Revenues, Expenses, and Changes in Net Position – Dormitory Trust Fund Report (Unaudited)	110
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
	111-112

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, 2024 and 2023, 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, 2024 and 2023, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Salem State University Assistance Corporation have been restated to correct a misstatement related to lease income. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, 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.



October 29, 2024

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

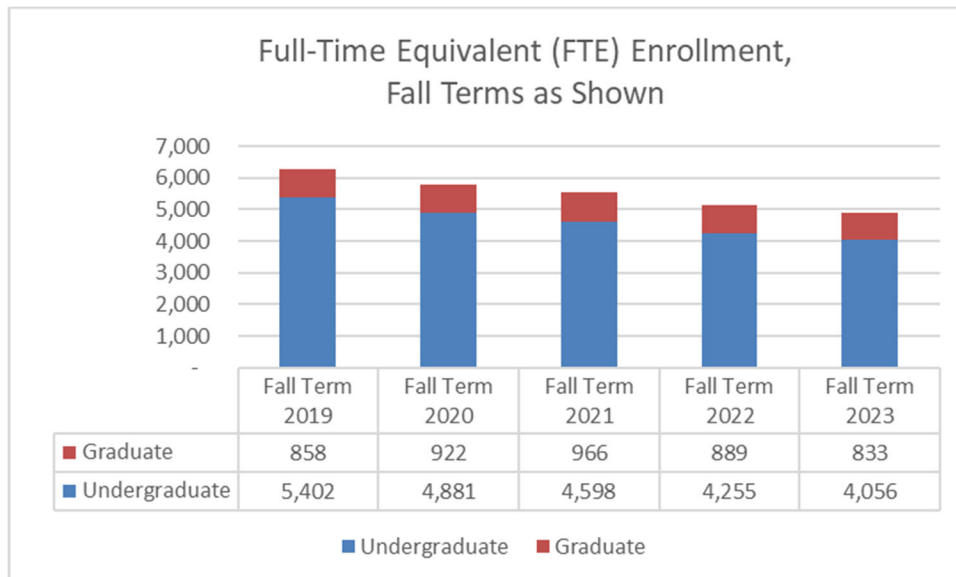
Management’s Discussion and Analysis (Unaudited)

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, 2024 and 2023. 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 2023 semester, Full-Time Equivalent (FTE) Enrollments were 4,056 (undergraduate) and 883 (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)

University students are diverse, hailing from 40 states and 47 countries. Over 44.1% of our first-year students (freshman) have self-identified as students of color (fall semester 2023). The approximate gender breakdown is 39% male and 61% 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 living alumni (nearly 73,000), 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.

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

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

Management's Discussion and Analysis
(Unaudited)

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

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

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

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

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

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

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

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

Management's Discussion and Analysis
(Unaudited)

Salem State's Strategic Goals (2023-2028)

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

Goal I. Academic Excellence and Active Learning

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

Goal II. Civic Engagement and Public Good

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

Goal III. Justice, Diversity, Equity, and Inclusion

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

Goal IV. Environmental Stewardship and Climate Action

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

Goal V. Campus Community and Culture

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

Goal VI. Operational Excellence and Infrastructure

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

Goal VII. Financial Vitality and Sustainability

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

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

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 the Commission 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.

Significant Events and Accomplishments

Salem State had many academic and campus accomplishments to celebrate during FY24. What follows is an itemized list representing a range of these activities.

University Programs, Celebrations, or Recognitions

- Forten Hall Dedication
- Jamie McKeown named recipient of the Dr. Marilyn Flaherty '54 Distinguished Alumnus Award
- Land acknowledgement policy instituted
- Alison King and Tomás Gonzalez – named fellows for Berry IOP
- Dr. Ilyasah Shabazz speech
- Holocaust survivor Endre (Andy) Sarkanay talk
- 50th anniversary of Soundings East publication
- 45th Annual Darwin Festival
- 20th anniversary of the Congressional internship Program
- 10th anniversary of Center for Holocaust and Genocide Studies
- Inaugural New England HIS/MSI Conference Announced, to be held in July 2024

Grants / Awards to Students

- Approximately 1,600 degrees awarded
- Seven theater students honored at 2024 Region 1 Kennedy Center American College Theater Festival
- SSU received US DOE UG International Studies and Foreign Language Grant
- First scholarship financed by investment fund managed by students awarded
- Stipends and Tuition Awards to Interning Bertolon School students
- School of Social Work \$1.9M grant for student internships
- School of Social Work \$1.4M grant to support and to promote diversity in the profession
- Berry Institute of Politics (IOP) 2024 public service internship scholarships announced

Grants / Recognition of Faculty

- SSU Named Top Producer of Fulbright Scholars for the third time
- Vijay Kanagala awarded \$2.3M NSF Grant to study racial equity
- Professors Barbosa and Naidoo named 2024 North Star Collective Fellows

Governance· SSU Alumni Association and SSU Foundation combined into a single board

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

Management's Discussion and Analysis
(Unaudited)

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, 2024 is \$102.5 million, compared to \$82.6 million as of June 30, 2023. Within FY24's net position, the largest component is the net investment in capital assets of \$97.6 million. The University's total unrestricted net position for fiscal year 2024 is negative \$8.5 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, 2024 is \$68.9 million, an increase of \$7.2 million compared to fiscal year 2023.

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

Management's Discussion and Analysis
(Unaudited)

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

The Governmental Accounting Standards Board (GASB) issued two standards that materially impacted the presentation of the university's financial statements some years ago, notably GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (commonly referred to as OPEB.). GASB No. 68 was implemented by Salem State University in its FY 2015 financial statements which required, among other impacts, restating the net position as of June 30, 2014. GASB 75 was implemented by Salem State University in its FY 2018 financial statements which required, among other things, restating net position as of July 1, 2016 in order to provide comparability with FY 2018. The table below shows the impact of GASB 68 (Pension) and GASB 75 (OPEB) on the Statements of Net Position and Revenues, Expenses & Changes in Net Position for FY 2024 and FY 2023.

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

Management's Discussion and Analysis
(Unaudited)

	FY 2024	FY 2023
	<i>(In Thousands)</i>	
Statement of Net Position Excerpts related to GASB 68/75		
Deferred Outflows (like an Asset):		
GASB 68 - Pension	\$ 3,897	\$ 3,325
GASB 75 - Other Post Employment Benefits	<u>6,246</u>	<u>8,500</u>
Total deferred outflows	<u>10,143</u>	<u>11,825</u>
Net Pension & OPEB liability (Non-Current Liability):		
GASB 68 - Pension	<u>(22,111)</u>	(20,947)
GASB 75 - Other Post Employment Benefits	<u>(23,516)</u>	<u>(26,362)</u>
Total Net Pension & OPEB Liability	<u>(45,627)</u>	<u>(47,309)</u>
Deferred Inflows (like a Liability):		
GASB 68 - Pension	<u>(7,259)</u>	(12,626)
GASB 75 - Other Post Employment Benefits	<u>(34,662)</u>	<u>(47,515)</u>
Total deferred inflows	<u>(41,921)</u>	<u>(60,141)</u>
Net position impact - (Decrease)	<u>\$ (77,405)</u>	<u>\$ (95,625)</u>
One-year Change	18,220	17,561
Statement of Revenues, Expenses & Changes in Net Position Excerpts related to GASB 68/75		
Pension & OPEB Expenses:*		
GASB 68 - Pension	\$ (4,775)	\$ (5,896)
GASB 75 - Other Post Employment Benefits	<u>(13,445)</u>	<u>(11,665)</u>
Total Net Pension & OPEB Expense**	<u>\$ (18,220)</u>	<u>\$ (17,561)</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 FY24 and FY23 are a decrease of expenses and cause Net Position to be increased.

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

Management’s Discussion and Analysis
(Unaudited)

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

Unrestricted Net Position Impacted by					
GASB 68 (Pension) and 75 (OPEB)					
<i>(In Thousands)</i>					
	<u>Without</u>	<u>Pension</u>	<u>OPEB</u>	<u>With</u>	<u>Difference</u>
	<u>Pension &</u>	<u>Adjustment</u>	<u>Adjustment</u>	<u>Pension</u>	<u>and OPEB</u>
	<u>OPEB</u>	<u>Adjustment</u>	<u>Adjustment</u>	<u>and OPEB</u>	<u>Difference</u>
Unrestricted Net Position at June 30, 2022	\$ 47,274	\$ (36,145)	\$ (77,041)	\$ (65,912)	
Unrestricted net increase (decrease) for FY 2023	<u>14,367</u>	<u>5,896</u>	<u>11,665</u>	<u>31,928</u>	
Unrestricted Net Position at June 30, 2023	61,641	(30,249)	(65,376)	(33,984)	\$ (95,625)
Unrestricted net increase (decrease) for FY 2024	<u>7,219</u>	<u>4,775</u>	<u>13,445</u>	<u>25,439</u>	
Unrestricted Net Position at June 30, 2024	<u>\$ 68,860</u>	<u>\$ (25,474)</u>	<u>\$ (51,931)</u>	<u>\$ (8,545)</u>	<u>\$ (77,405)</u>

The net pension liability balance in the June 30, 2024 and 2023 financial statements amounted to approximately \$22.1 million and \$20.9 million, respectively. The total net OPEB liability balance in the June 30, 2024 and 2023 financial statements amounted to approximately \$23.5 million and \$26.4 million, respectively. Combined, the pension and OPEB liabilities at June 30, 2024 and 2023 were \$45.6 million and \$47.3 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.

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

Management's Discussion and Analysis
(Unaudited)

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 was \$186.6 million and \$195.7 million at June 30, 2024 and 2023, respectively.

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

(In Thousands)

	6/30/2024	6/30/2023	6/30/22 Restated
Capital Assets - Leased	\$ 219,597	\$ 219,597	\$ 219,437
Capital Assets - SBITA	6,896	5,546	2,928
Capital Assets Total - Leased & SBITA	\$ 226,493	\$ 225,143	\$ 222,365
Accumulated Amortization	(39,861)	(29,488)	(19,216)
Net Leased & SBITA Assets	\$ 186,632	\$ 195,655	\$ 203,149
Leased & SBITA Liability	\$ 199,196	\$ 212,461	\$ 216,781
Impact on Net Position from GASB 87 & 96	\$ (12,564)	\$ (16,806)	\$ (13,632)

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

Management's Discussion and Analysis
(Unaudited)

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, 2024, 2023 and 2022 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)

<u>Assets:</u>	2024	2023	Restated 2022
Current Assets	\$ 125,285	\$ 111,544	\$ 95,500
Capital and Right to Use Assets (net)	335,643	347,079	355,535
Noncurrent Assets	1,282	1,902	2,028
Total Assets	462,210	460,525	453,063
Deferred Outflows of Resources	10,143	11,824	11,358
Total Assets and Deferred Outflows	\$ 472,353	\$ 472,349	\$ 464,421
<u>Liabilities:</u>			
Current Liabilities	\$ 43,918	\$ 37,355	\$ 36,724
Noncurrent Liabilities	268,754	286,724	289,661
Total Liabilities	312,672	324,079	326,385
Deferred Inflows of Resources	57,197	65,669	86,850
<u>Net Position:</u>			
Net investment in capital assets	97,611	103,032	105,488
Restricted	13,418	13,553	11,610
Unrestricted	(8,545)	(33,984)	(65,912)
Total Net Position	102,484	82,601	51,186
Total Liabilities, Deferred Inflows and Net Position	\$ 472,353	\$ 472,349	\$ 464,421

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

Management's Discussion and Analysis
(Unaudited)

Highlights for Statement of Net Position Summary & Analysis

Total assets increased in FY 2024 by \$1.7 million or 0.4% over the prior year compared with a 1.6% increase of \$7.5 million in FY 2023. Most of the changes within the asset categories are primarily associated with an increase in cash and investments of \$15.2 million which is offset by a decrease in receivables of \$2.1 million and capital and right to use assets of \$11.4 million. The decrease of capital and right to use assets was due to depreciation (\$9.4 million), amortization of right to use assets (\$10.4 million) exceeding the capital asset additions of \$8.3 million. Decreases in deferred outflows are primarily related to adjustments in actuarial pension and OPEB costs from FY 2023 to FY 2024. Total liabilities decreased in FY 2024 by \$11.4 million or 3.5% over the prior year. This change is primarily attributable to decreases in pension and OPEB liabilities of \$1.7 million, bonds and notes payable of \$3.6 million and the lease liability of \$13.3 million offset by increases in accruals and deferred revenue of \$7.2 million. The decrease in deferred inflows of \$8.5 million is primarily due to the decreases for Pension and OPEB actuarial calculations of \$18.2 million, offset by increases in deferred gains on bond refunding of \$9.7 million.

For fiscal 2024, 2023 and 2022, total net position amounted to \$102.5 million, \$82.6 million, and \$51.2 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.

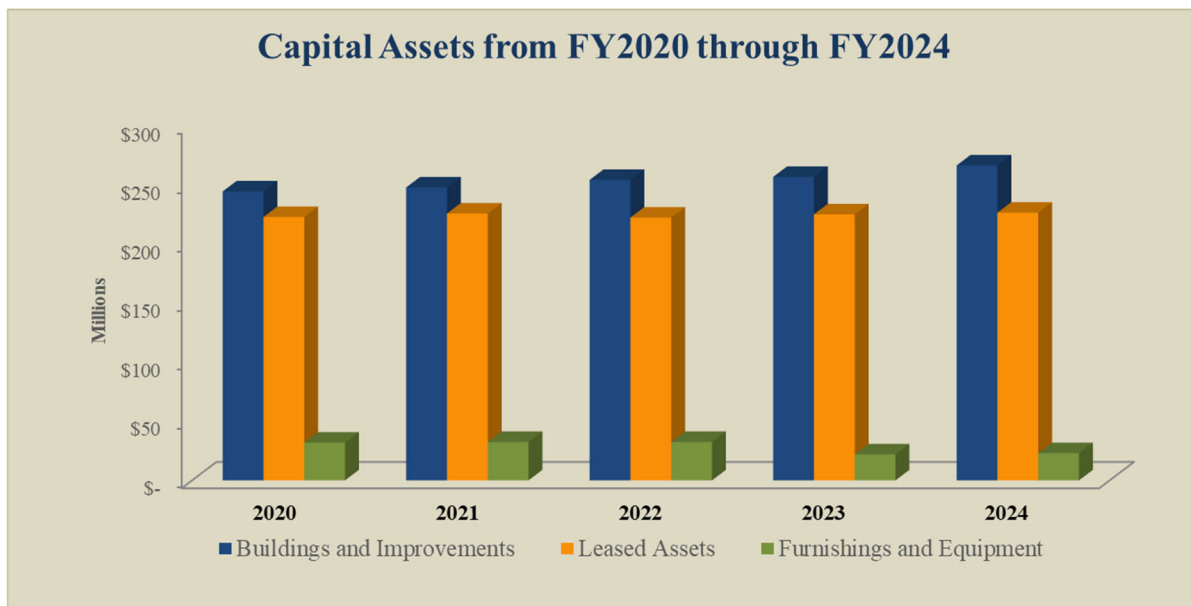
SALEM STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis
(Unaudited)

A summarized comparison of the University's capital assets categories at June 30, 2024, 2023 and 2022 is as follows:

Capital Asset Summary			
	<i>(In Thousands)</i>		
	<u>2024</u>	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
Building and improvements	\$ 266,517	\$ 256,836	\$ 254,252
Construction in Progress	2,548	6,668	2,863
Land	2,536	2,536	2,536
Furniture and Equipment	23,022	22,036	32,547
Leased buildings	204,344	204,344	204,344
Leased space	14,658	14,657	14,497
Leased equipment	596	596	596
Leased software	6,897	5,546	2,928
Total capital assets	521,118	513,219	514,563
Less:			
Accumulated depreciation	(145,614)	(136,652)	(139,812)
Accumulated Amortization	(39,861)	(29,488)	(19,216)
Total capital assets, net	\$ 335,643	\$ 347,079	\$ 355,535

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



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

Management's Discussion and Analysis
(Unaudited)

Capital Assets Changes

The University's total capital asset changes as of June 30, 2024, 2023 and 2022 are depicted below:

Changes in Capital Assets			
	(In Thousands)		
	2024	2023	2022
<u>Building and Land Improvements</u>			
Meier Hall Renovation/Roof Repair	\$ 1,298	\$ 686	\$ -
O'Keefe and Admin Roofing	-	-	4,964
Ellison Roof and Steampipe	647	-	-
Sullivan Building Repairs	2,807	-	-
Information Technology	908	1,545	133
Parking Improvements	-	-	481
Dining Capital Improvements	-	174	-
Various Other Improvements	-	119	726
Energy and Lighting	4,175	2,155	-
Net Additions to Buildings and Improvements	9,835	4,679	6,304
<u>Construction in Progress ("CIP")</u>			
Various Ongoing Renovation Projects*	5,002	6,126	2,121
Energy and Lighting Projects	213	1,306	-
Project Bold	940	-	-
Roofing Projects	-	-	1,176
IT Projects	800	1,051	335
Additions to Construction in Progress	6,955	8,483	3,632
Transfer of Construction in Progress to Capital Assets	(11,075)	(4,679)	(6,304)
Net Additions (Reductions) to CIP	(4,120)	3,804	(2,672)
<u>Furniture & Equipment</u>			
Fitness	-	199	-
Facilities	883	-	-
IT	357	-	-
Net Additions to Furniture and Equipment	1,240	199	-
<u>Leased Assets</u>			
Leased buildings	-	-	(3,426)
Leased space	-	160	-
Leased software	1,351	2,618	-
Net Additions (Reductions) to Leased Assets	1,351	2,778	(3,426)
Total Net Asset Additions	8,306	11,460	206
Depreciation Expense for the Year	9,369	9,425	9,204
Amortization Expense for the Year	10,373	10,272	9,974
Loss on Disposal	-	219	-
Net Decrease in Capital Assets	\$ (11,436)	\$ (8,456)	\$ (18,972)

* These various CIP projects consist of ITS upgrades, steam plant, roofing, and building renovations.

SALEM STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

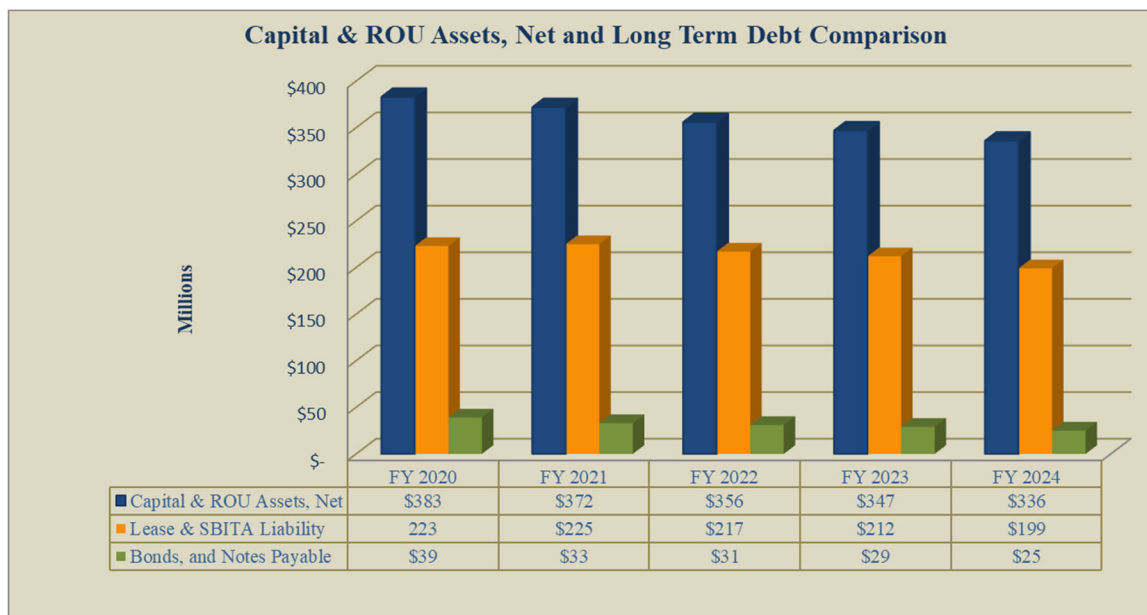
Management’s Discussion and Analysis (Unaudited)

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 \$7.1 million for each of the years ended June 30, 2024 and 2023.

The University paid interest on Bonds and Notes Payables of \$200 thousand and \$503 thousand for the years ended June 30, 2024 and 2023, 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 2020 through 2024:



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.

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

Management's Discussion and Analysis
(Unaudited)

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

The Statement of Revenues, Expenses and Changes in Net Position Summary shows how the University's net position changed during the last three fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., the accrual for compensated absences). A summarized comparison of the University's operating and non-operating revenues and expenses and the resulting increase or decrease in net position at June 30, 2024, 2023 and 2022 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.

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

Management's Discussion and Analysis
(Unaudited)

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

(In Thousands)

	2024	2023	Restated 2022
<u>Operating Revenues:</u>			
Tuition and Fees, Net	\$ 51,291	\$ 55,548	\$ 57,374
Federal, State, and Private Grants	29,078	22,749	21,530
Sales and Services	585	433	311
Auxiliary and Other	23,516	22,862	20,201
Total Operating Revenues	<u>104,470</u>	<u>101,592</u>	<u>99,416</u>
<u>Operating Expenses:</u>			
Compensation, benefits and other *	111,352	100,559	101,464
Supplies and services	33,939	29,507	30,325
Utilities	3,948	3,540	3,730
Depreciation	9,369	9,424	9,204
Amortization	10,373	10,272	10,349
Scholarships	18,163	12,701	19,891
Total Operating Expenses	<u>187,144</u>	<u>166,003</u>	<u>174,963</u>
<u>Non-Operating Revenues (Expenses):</u>			
State appropriations	89,565	78,474	77,309
Federal Grants	748	1,536	20,660
State Grants	-	4,700	-
Gifts	4,206	4,246	3,057
Investment Income (Loss), net	10,765	7,296	(5,896)
MSCBA funds received	771	1,118	156
Gain Early Retirement of Debt	-	-	275
Interest Expense	(7,297)	(7,611)	(8,055)
Other Non-Operating Expenses	-	(219)	-
Total Non-Operating Revenues, Net	<u>98,758</u>	<u>89,540</u>	<u>87,506</u>
Capital Grants	3,799	6,287	2,155
Increase in Net Position	<u>\$ 19,883</u>	<u>\$ 31,416</u>	<u>\$ 14,114</u>
* This total is comprised of the following:			
Compensation and Benefits	\$129,572	\$ 118,120	\$ 118,669
Pension and OPEB expense	(18,220)	(17,561)	(17,205)
	<u>\$111,352</u>	<u>\$ 100,559</u>	<u>\$ 101,464</u>

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

Management's Discussion and Analysis
(Unaudited)

Highlights for Operating Revenues

The increase in total operating revenues of \$2.9 million (2.8%) in FY 2024 resulted primarily from the following:

Tuition and Fees, net: Tuition and fees, net of certain scholarships and fellowships decreased by 7.7% (\$4.3 million) in FY 2024. The decrease is due to continued declining enrollments while the university operated in the aftermath of the COVID-19 pandemic.

Federal, State and Private Grants: Federal, state and private grant revenues increased \$6.3 million or 27.8% over FY 2024. This change is primarily due to increased state grant revenue for student financial aid from the Commonwealth.

Auxiliary Enterprises and Other: Auxiliary enterprises and other revenues increased \$0.6 million or 2.9% in FY 2024. This was due to higher housing and meal plan revenue associated with rate increases over FY 2023.

Highlights for Operating Expenses

The increase in total operating expenses of \$21.1 million (12.7%) in FY 2024 over prior year resulted primarily from the following:

Compensation and Benefits: Compensation and benefits showed an increase during FY 2024 of \$10.8 million (10.7%). This was primarily due to contractual increases, including some payments retroactive to the prior fiscal year, along with increased fringe benefit rates.

Depreciation and Amortization (GASB 87 and 96): Depreciation for buildings, building improvements and other assets and amortization on leased assets remained fairly consistent for FY 2024 when compared to FY2023.

Changes in GASB 68, Pensions Activity: The tenth year of adoption of GASB 68 for pensions resulted in a negative expense (decrease of expenses) of \$4.8 million in FY 2024. This is due to actuarial computations and changes in the discount rate utilized in calculating the pension liability, as provided by the Commonwealth's Comptroller's Office.

Changes in GASB 75, OPEB Activity:

The seventh year of adoption of GASB 75 for other post-employment benefits resulted in a negative expense (decrease of expenses) of \$13.4 million in FY 2024. This is due to actuarial computations and changes in the discount rate utilized in calculating the pension liability, as provided by the Commonwealth's Comptroller's Office.

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

Management's Discussion and Analysis
(Unaudited)

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

Adoption of GASB 96 and GASB 87 resulted in reclassifying activity that formerly flowed through the Statement of Revenues, Expenses, and Changes in Net Position as Supplies and Services expenses to interest expense within the Non-Operating Revenue (Expenses) section and to reduction of principal on the Statement of Net Position.

Highlights for Non-Operating Revenues (Expenses)

The increase in non-operating revenues (expenses) in FY 2024 of \$9.2 million (10.3%) resulted primarily from the following:

State Appropriations: State appropriations increased by \$11.1 million (14.1%) in FY 2024 over prior year, primarily to support employee payroll and related fringe benefit costs, including for retroactive and current year salary increases. Greater than half (69.1%) of the University's payroll and fringe is funded by state general appropriations.

Federal Grants: Federal grants in the amount of \$0.7 million and \$1.5 million in FY 2024 and FY 2023 respectively, represented funds received from FEMA for reimbursement of expenses incurred due to the COVID pandemic. In FY 2022, the University received \$20.7 million in federal grants which was comprised of \$20.3 million of HEERF funding along with \$0.4 million in FEMA reimbursement. Of the \$20.3 million in HEERF funding received in FY 2022, \$9.5 million was for assistance to students and \$10.8 million to the University for offsetting costs and lost revenue related to the COVID pandemic.

Gifts: During FY 2024 gifts transferred from the Salem State University Foundation remained constant around \$4.2 million as compared to FY 2023.

Investment Income, net: Investment income increased by \$3.5 million in FY 2024 and is attributable to favorable market conditions

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

Management's Discussion and Analysis
(Unaudited)

Managed Revenue and Expense Report

The university operates using an internal Managed Revenues and Expenses Report format which is not intended to conform to Generally Accepted Accounting Principles (GAAP); this report distinguishes between managed and non-cash revenue and expense activity. The Managed Revenues and Expenses format allows the reader to focus on the elements of financial activity that university administration must control and manage while displaying certain non-cash GAAP based revenue and expense items in a section at the bottom. Importantly, Managed Revenue and Managed Expense are calculated on an accrual basis; thus, they are not intended to represent cash in and cash out. To illustrate, while the Managed Net Income figure for FY 2024 is \$7.8 million, cash actually increased by \$8.1 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 2024, 2023 and 2022. Managed Net Income was positive for each of the three years. Managed Net Income for FY 2024 was approximately \$7.8 million, which represents a 51.9% decrease 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)

	FY2024	FY2023	FY2022 (Restated)
Managed Revenue:			
Net Tuition and Fees	\$ 33,128	\$ 42,848	\$ 37,483
Federal, State, Private Grants and Assistance	29,826	28,984	42,189
Auxiliary Enterprises	23,360	22,710	20,063
State General Appropriations	89,565	78,474	77,309
Other Revenue	10,288	7,975	5,325
Total Managed Revenue	<u>186,167</u>	<u>180,991</u>	<u>182,369</u>
<i>Year over Year Change</i>	<i>2.9%</i>	<i>-0.8%</i>	<i>9.8%</i>
Managed Expenses:			
Compensation	129,571	118,120	118,669
Support	27,780	26,229	23,044
Facility-related	21,522	20,679	23,422
Total Managed Expenses	<u>178,873</u>	<u>165,028</u>	<u>165,135</u>
<i>Year over Year Change</i>	<i>8.4%</i>	<i>-0.1%</i>	<i>19.3%</i>
Managed Net Income	<u>7,294</u>	<u>15,963</u>	<u>17,234</u>
Non-Cash Revenue/(Expenses):			
Capital Grants	3,799	6,287	2,155
Depreciation	(9,369)	(9,425)	(9,204)
Unrealized Gains/(Losses)	5,424	4,152	(7,559)
GASB 68 Pension	4,775	5,896	6,639
GASB 75 OPEB	13,445	11,665	10,566
GASB 87 Leases	(5,938)	(3,163)	(5,961)
GASB 96 Leases	(23)	60	(32)
GASB Lease Refunding Amortization	476	200	-
Gain on Early Retirement of Debt	-	-	276
Loss on Disposal of Capital Assets	-	(219)	-
Total Non-Cash Revenue/(Expenses)	<u>12,589</u>	<u>15,453</u>	<u>(3,120)</u>
<i>Year over Year Change</i>	<i>-18.5%</i>	<i>595.3%</i>	<i>58.2%</i>
Total Increase in Net Position	<u>\$ 19,883</u>	<u>\$ 31,416</u>	<u>\$ 14,114</u>

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

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, 2024, 2023 and 2022 follows. *It should be noted that for the presentation below, the state appropriation funds are shown in Operating Activities rather than Non-Capital Financing Activities since State appropriations are intended and used to support operations.* According to accounting standards, the state appropriation is presented as required in Non-Capital Financing Activities on the audited Cash Flow Statement of the Financial Statements.

Summary of Cash Flows

	<i>(In Thousands)</i>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Activities	\$ 17,453	\$ 19,982	\$ 9,071
Non Capital Financing Activities	5,121	8,745	23,663
Capital Financing Activities	(17,764)	(19,591)	(17,149)
Investing Activities	3,249	1,615	(16,484)
Net Increase/(Decrease) in Cash	<u>\$ 8,059</u>	<u>\$ 10,751</u>	<u>\$ (899)</u>

Highlights for Cash Flows

The overall increase in cash and cash equivalents for FY 2024 amounted to \$8.1 million. Cash applied to Operating Activities decreased over FY 2023 due to lower tuition and fees coupled with higher payments outpacing increases in grants and state appropriations. Cash provided by Non-Capital Financing Activities in FY 2024 was lower than the prior year primarily from a reduction in COVID pandemic related funding received. Cash applied to Capital Financing Activities in FY 2024 was lower than the prior year primarily from a reduction in principal and interest due to the refunding of bonds. Cash provided by Investing Activities in FY 2024 exceeded the prior year primarily due to improved market conditions.

Compliance with Debt Policy

In FY 2024, 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.

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

Management's Discussion and Analysis
(Unaudited)

Looking Ahead to FY 2025

Salem State's 2023–2028 Strategic Plan was approved in May 2023 and is focused on the unifying commitment of Student Success and Life Readiness. Much work has been done to begin implementation. The FY25 budget includes \$625,000 to fund initiatives to advance the work.

During FY25, the university will host a major conference centered on exploring best practices given our status as an emerging Hispanic Serving Institution (HSI)/Minority Service Institution (MSI.) The university will also refresh its application to the Carnegie Foundation for continued recognition as a Community Engagement university. The university is integrating these two distinctive aspects of our identity to ensure that students who progress through our programs are developed to be successful, empowered advocates for themselves and their communities.

Additionally, to support the university's strategic goal of operational excellence, the budget includes a \$750,000 investment for IT infrastructure and maintenance. The campus is committed to providing up-to-date technological systems. Investments in IT contribute to the efficiency and effectiveness of various university operations both academic and administrative.

The Commonwealth renewed its five-year critical maintenance funding program; the university will receive DCAMM funds for the larger deferred maintenance projects. The Use of DCAMM funds requires the university to fund a portion of each project. Funds to support this obligation are included in the FY25 budget.

SSU BOLD, the major capital project that will develop new science labs as an addition to Meier Hall, completely renovate Horace Mann as the new home of the McGuire Meservey College of Health and Human Services, and sell South Campus, continues. Schematic design is complete and was certified in July 2024. The project has entered the design development phase -- the last, important stage before the beginning of construction. The university is sure to reap benefits from the facility improvements, updated labs, and new classrooms, likely in 2027. The FY25 budget does not include any payment to the Commonwealth for the university's share of the project, as this will be a future item.

Requests for Further Information

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

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

Statements of Net Position

June 30, 2024 and 2023

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>		<u>Component Unit</u>	
	2024 University	2023 University	2024 Assistance Corporation	(Restated) 2023 Assistance Corporation
Current Assets:				
Cash and cash equivalents	\$ 47,748,243	\$ 39,212,279	\$ 296,295	\$ 285,395
Restricted cash and cash equivalents	7,735,073	8,518,602	-	-
Deposits held by State Treasurer	2,195,298	2,967,502	-	-
Cash held by State Treasurer	3,573,256	2,754,865	-	-
Deposits held by MSCBA and DCAMM	837,180	577,252	-	-
Investments	57,655,481	50,197,802	-	-
Accounts, grants and other receivable, net	5,307,641	6,988,557	1,526	1,138
Loans receivable	155,390	275,439	-	-
Lease receivable, current portion	-	-	349,675	483,630
Other current assets	77,457	51,385	2,495	2,675
Total Current Assets	125,285,019	111,543,683	649,991	772,838
Non-Current Assets:				
Investments	100,000	100,000	-	-
Loans receivable, net of current portion	431,680	625,886	-	-
Lease receivable, net of current portion	-	-	10,897,427	11,125,982
Capital assets, net	335,643,456	347,079,209	19,802,417	20,492,168
Debt service reserve	750,150	1,176,075	-	-
Total Non-Current Assets	336,925,286	348,981,170	30,699,844	31,618,150
Total Assets	462,210,305	460,524,853	31,349,835	32,390,988
Deferred Outflow of Resources:				
Deferred outflows for pensions	3,896,980	3,324,916	-	-
Deferred outflows for other post employment benefits	6,246,020	8,499,513	-	-
Total Deferred Outflows of Resources	10,143,000	11,824,429	-	-
Total Assets and Deferred Outflows of Resources	\$ 472,353,305	\$ 472,349,282	\$ 31,349,835	\$ 32,390,988

See accompanying notes to the financial statements.

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

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary Government</u>		<u>Component Unit</u>	
	2024	2023	2024	(Restated) 2023
	<u>University</u>	<u>University</u>	<u>Assistance Corporation</u>	<u>Assistance Corporation</u>
Current Liabilities:				
Accounts payable and accrued expenses	\$ 8,073,998	\$ 6,490,156	\$ 65,455	\$ 61,453
Accrued payroll	10,170,934	9,005,690	-	-
Accrued compensated absences	7,013,706	6,309,857	-	-
Accrued workers' compensation	249,306	249,306	-	-
Unearned revenues	9,390,284	5,691,506	4,732	5,282
Note payable	102,677	201,927	30,546	29,439
Bonds payable	2,591,499	2,660,082	-	-
Lease liability	4,533,758	5,242,326	219,353	187,542
SBITA liability	1,522,366	1,248,244	-	-
Deposits	269,751	255,411	-	-
Total Current Liabilities	43,918,279	37,354,505	320,086	283,716
Non-Current Liabilities:				
Accrued compensated absences	4,743,935	4,464,734	-	-
Accrued workers' compensation	1,818,923	1,818,923	-	-
Notes payable, net of current portion	53,090	155,767	953,603	983,430
Bond payable, net of current portion	22,130,133	25,474,333	-	-
Lease Liability, net of current portion	191,789,962	204,162,024	10,538,848	10,758,202
SBITA Liability, net of current portion	1,349,925	1,808,470	-	-
Loans payable - Federal financial assistance programs	1,240,831	1,531,278	-	-
Net pension liability	22,110,554	20,946,990	-	-
Net other post employment benefits liability	23,516,399	26,361,589	-	-
Other non-current liabilities	-	-	31,544	30,377
Total Non-Current Liabilities	268,753,752	286,724,108	11,523,995	11,772,009
Total Liabilities	312,672,031	324,078,613	11,844,081	12,055,725
Deferred Inflows of Resources:				
Public- private partnerships	265,188	336,298	-	-
Deferred inflows for pensions	7,259,455	12,626,204	-	-
Deferred inflows for other post employment benefits	34,662,336	47,515,280	-	-
Deferred inflows for bond refunding	15,009,727	5,191,624	-	-
Deferred inflows for leases	-	-	9,673,738	10,386,724
Total Deferred Inflows of Resources	57,196,706	65,669,406	9,673,738	10,386,724
Net Position:				
Net investment in capital assets	97,610,893	103,031,709	8,060,067	8,533,555
Restricted:				
Nonexpendable	110,000	110,000	-	-
Expendable	13,308,310	13,443,133	-	-
Unrestricted	(8,544,635)	(33,983,579)	1,771,949	1,414,984
Total Net Position	102,484,568	82,601,263	9,832,016	9,948,539
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 472,353,305	\$ 472,349,282	\$ 31,349,835	\$ 32,390,988

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, 2024 and 2023

	Primary Government		Component Unit	
	2024	2023	2024	(Restated) 2023
	University	University	Assistance Corporation	Assistance Corporation
Operating Revenues:				
Tuition and fees	\$ 70,736,948	\$ 74,159,486	\$ -	\$ -
Less: scholarships and fellowships	(19,445,696)	(18,611,121)	-	-
Net tuition and fees	51,291,252	55,548,365	-	-
Federal grants and contracts	12,372,171	12,238,979	-	-
State grants and contracts	15,340,783	9,569,590	-	-
Private grants and contracts	1,364,938	940,101	-	81,995
Sales and services of educational departments	585,059	432,982	-	-
Auxiliary enterprises	23,360,468	22,710,462	-	-
Lease revenue	-	-	1,100,530	1,202,122
Other operating revenues	155,496	151,353	67,232	53,920
Total Operating Revenues	104,470,167	101,591,832	1,167,762	1,338,037
Operating Expenses:				
Educational and general:				
Instruction	55,739,755	51,642,944	-	-
Public service	1,059,959	1,212,802	-	-
Academic support	18,491,871	15,684,154	-	-
Student services	20,541,508	18,520,182	-	-
Institutional support	16,467,444	13,915,730	-	-
Operation and maintenance of plant	23,952,581	20,420,301	-	-
Scholarships	18,163,261	12,700,771	-	-
Depreciation & Amortization	19,741,542	19,696,979	715,834	714,906
Auxiliary enterprises	12,985,556	12,209,468	773,438	957,480
Total Operating Expenses	187,143,477	166,003,331	1,489,272	1,672,386
Net Operating Loss	(82,673,310)	(64,411,499)	(321,510)	(334,349)
Non-Operating Revenues (Expenses):				
State appropriations, net	89,565,045	78,474,052	208,059	201,928
Federal grants	748,215	1,535,633	-	-
State grants	-	4,699,752	-	-
Gifts	4,205,907	4,246,152	-	-
Investment income (loss), net	10,765,020	7,296,501	661,271	668,277
MSCBA funds received	770,999	1,117,990	-	-
Gain early retirement of debt	-	-	-	-
Interest expense	(7,297,634)	(7,610,794)	(664,343)	(675,008)
Other non-operating expense	-	(219,371)	-	-
Net Non-Operating Revenues	98,757,552	89,539,915	204,987	195,197
Increase (Decrease) in Net Position Before Capital Grants	16,084,242	25,128,416	(116,523)	(139,152)
Capital grants	3,799,063	6,287,265	-	-
Total Increase (Decrease) in Net Position	\$ 19,883,305	\$ 31,415,681	\$ (116,523)	\$ (139,152)

See accompanying notes to the financial statements.

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

Statements of Changes in Net Position

For the Years Ended June 30, 2024 and 2023

	University				Total
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	
Balance at June 30, 2022	\$ 105,487,917	\$ 110,000	\$11,499,800	\$(65,912,135)	\$ 51,185,582
Changes in net position for 2023	(2,456,208)	-	1,943,333	31,928,556	31,415,681
Balance at June 30, 2023	103,031,709	110,000	13,443,133	(33,983,579)	82,601,263
Changes in net position for 2024	(5,420,816)	-	(134,823)	25,438,944	19,883,305
Balance, June 30, 2024	\$ 97,610,893	\$ 110,000	\$13,308,310	\$ (8,544,635)	\$102,484,568

	Assistance Corporation				Total
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	
Balance at June 30, 2022	\$ 8,974,451	\$ -	\$ -	\$ 1,113,240	\$ 10,087,691
Changes in net position for 2023	(440,896)	-	-	469,988	29,092
Balance at June 30, 2023	8,533,555	-	-	1,583,228	10,116,783
Prior period adjustment	-	-	-	(168,244)	(168,244)
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, June 30, 2024	\$ 8,060,067	\$ -	\$ -	\$ 1,771,949	\$ 9,832,016

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

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	Primary Government	
	2024	2023
	University	University
Cash Flows from Operating Activities:		
Tuition and fees	\$ 52,027,633	\$ 55,689,643
Grants and contracts	33,577,304	24,179,708
Payments to suppliers and vendors	(36,999,433)	(31,980,403)
Payments to employees	(92,497,618)	(87,765,954)
Payments for benefits	(7,867,424)	(7,838,920)
Payments to students	(18,163,261)	(12,700,771)
Loans issued to students	(99,953)	(145,969)
Collection of loans to students	404,415	239,479
Auxiliary enterprises receipts	23,164,511	22,862,760
Sales and services of educational departments	537,950	461,016
Other	163,072	110,768
	(45,752,804)	(36,888,643)
Net Cash Applied to Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
State appropriations	63,205,919	56,870,968
FEMA funds	2,283,848	397,784
State funds	-	4,699,752
Tuition remitted to State	(761,214)	(751,390)
Student interest received (paid)	(263,026)	(7,977)
Gifts	3,860,579	4,406,957
	68,326,106	65,616,094
Net Cash Provided by Non-Capital Financing Activities		
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(2,708,629)	(1,818,445)
Principal paid on bonds payable, notes payable and lease liabilities	(8,164,323)	(10,011,616)
Interest paid on bonds payable, notes payable, and lease liabilities	(7,317,442)	(7,761,047)
Debt service reserve releases	425,925	-
	(17,764,469)	(19,591,108)
Net Cash Applied to Capital Financing Activities		
Cash Flows from Investing Activities:		
Investment income	4,514,144	2,916,475
Proceeds from sale of investments	14,193,557	10,972,341
Purchase of investments	(15,457,984)	(12,274,288)
	3,249,717	1,614,528
Net Cash Provided by Capital Financing Activities		
Net Increase in Cash and Equivalents	8,058,550	10,750,871
Cash and Cash Equivalents, Beginning of the Year	54,030,500	43,279,629
Cash and Cash Equivalents, End of the Year	\$ 62,089,050	\$ 54,030,500

See accompanying notes to financial statements.

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2024 and 2023

	Primary Government	
	2024	2023
	University	University
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (82,673,310)	\$ (64,411,499)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	19,741,542	19,696,979
Bad debts	87,798	(91,321)
Fringe benefits provided by State	27,120,340	22,354,474
Payments to suppliers and vendors provided by State	770,999	1,169,756
Changes in assets and liabilities:		
Accounts receivable	433,015	1,203,499
Accounts payable and accrued liabilities	908,214	(240,461)
Accrued payroll and benefits	2,148,293	119,700
Other assets	(26,069)	97,617
Loans to/from students	314,256	95,810
Deposits	14,340	(5,358)
Unearned revenues	3,627,668	682,744
Deferred inflows	(18,219,693)	(20,909,575)
Deferred outflows	1,681,429	(466,342)
Net pension liability	1,163,564	5,164,367
Net OPEB liability	(2,845,190)	(1,349,033)
Net Cash Applied to Operating Activities	\$ (45,752,804)	\$ (36,888,643)

Cash Flow Information

	Primary Government	
	2024	2023
	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	\$ 47,748,243	\$ 39,212,279
Restricted cash and cash equivalents	7,735,073	8,518,602
Deposits held by State Treasurer	2,195,298	2,967,502
Cash held by State Treasurer	3,573,856	2,754,865
Deposits held by MSCBA and DCAMM	837,180	577,252
	\$ 62,089,650	\$ 54,030,500

Supplemental Investing and Financing Activities

	Primary Government	
	2024	2023
	University	University
Acquisition of capital assets	\$ 8,305,789	\$ 11,100,861
Accounts and notes payable beginning of year	550,574	172,963
Accounts and notes payable end of year	(998,283)	(550,574)
SBITA acquisitions	(1,350,388)	(2,617,540)
Payments made by DCAMM and State	(3,799,063)	(6,287,265)
Cash payments for capital assets	\$ 2,708,629	\$ 1,818,445
Bond refunding	\$ (10,620,041)	\$ -
Unrealized gain (loss) on marketable securities	\$ 5,423,835	\$ 4,151,544
Fringe benefits paid by the Commonwealth of Massachusetts	\$ 27,120,340	\$ 22,354,474

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, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 2,702,063	\$ 2,722,297
Restricted cash and cash equivalents	2,200,236	411,137
Certificates of deposit	779,987	500,000
Pledges receivable, net	5,897,883	2,681,070
Other current assets	158,703	76,486
Total Current Assets	<u>11,738,872</u>	<u>6,390,990</u>
Non-Current Assets:		
Investments securities	68,053,656	54,354,491
Long-term pledges receivable, net	472,246	1,844,765
Total Non-Current Assets	<u>68,525,902</u>	<u>56,199,256</u>
Total Assets	<u>\$ 80,264,774</u>	<u>\$ 62,590,246</u>
	<u>Liabilities and Net Position</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 940,764	\$ 578,628
Net Assets:		
Without donor restrictions:		
Operating	2,856,854	2,820,512
Board designated	1,065,083	228,943
Total net assets without donor restrictions	<u>3,921,937</u>	<u>3,049,455</u>
With donor restrictions	<u>75,402,073</u>	<u>58,962,163</u>
Total Net Assets	<u>79,324,010</u>	<u>62,011,618</u>
Total Liabilities and Net Assets	<u>\$ 80,264,774</u>	<u>\$ 62,590,246</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	3,685,205	(3,685,205)	-
	<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	128,221	-	128,221
	<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	-	6,073,315	6,073,315
Investment return, net	-	(1,522,883)	(1,522,883)
	<u>-</u>	<u>4,550,432</u>	<u>4,550,432</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	<u>872,482</u>	<u>16,439,910</u>	<u>17,312,392</u>
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.

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, 2023

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

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2024 and 2023

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. The University has submitted costs incurred during FY21 through FY24 totaling approximately \$2,725,000. For the years ended June 30, 2024 and 2023 approximately \$748,000 and \$1,536,000, respectively, has been approved by FEMA and recognized as grant revenue by the University.

The State appropriated \$0 and 4.7 million in grant funds to the University during FY 2024 and FY 2023, respectively, for the mitigation of the financial impacts of the coronavirus pandemic and maintenance projects, in accordance with section 2A of chapter 102 of the acts on 2021, an act relative to immediate COVID-19 recovery.

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

Notes to the Financial Statements – Continued

June 30, 2024 and 2023

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

Basis of Presentation and Accounting

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

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

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

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

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.

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

Notes to the Financial Statements – Continued

June 30, 2024 and 2023

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, 2024 and 2023, the Foundation distributed scholarships in the amount of \$1,253,994 and \$980,709, respectively, directly to students of the University.

Complete financial statements for the Foundation and the Assistance Corporation are also available from the Office of the Vice President for Finance and Business, Salem State University, 352 Lafayette Street, Salem, MA 01970.

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

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

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

Notes to the Financial Statements – Continued

June 30, 2024 and 2023

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

Basis of Presentation and Accounting – continued

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

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

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

Net Position

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

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

Restricted:

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Net Position - continued

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

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

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

Cash and Cash Equivalents and Deposits

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

Accounts Receivable

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

Pledges Receivable - Foundation

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

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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Investments

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Investments - continued

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

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

Loans Receivable and Payable

Loans receivable consist primarily of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The Federal Government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL loan programs provided by the Federal Government is refundable to the Federal Government upon ending (liquidation) of the University's participation in the programs. The amount due to the Federal Government upon liquidation is included as a noncurrent liability in the accompanying financial statements. See Note 7 for changes in the Perkins Loan Program.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Loans Receivable and Payable- continued

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

Capital Assets

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Pensions

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

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

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

Interest Costs

During 2024 and 2023, total interest costs incurred were as follows:

	2024	2023
Interest expense on bonds & notes	\$ 470,542	\$ 502,791
Equipment lease interest - GASB 87	5,598	10,386
Building lease interest - GASB 87	484,436	495,054
MSCBA lease interest - GASB 87	6,182,823	6,550,774
Software lease interest - GASB 96	154,235	51,789
Total	\$7,297,634	\$7,610,794

Tax Status

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Use of Estimates

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

Upcoming Governmental Accounting Pronouncements

GASB Statement 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. 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.

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.

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Salem State University Assistance Corporation- Prior Period Adjustment

The previously issued financial statements as of and for the year ended June 30, 2023, were restated due to an accounting error of the calculation for lease income. This error had no effect on the net position as of June 30, 2022. The following statements were affected by the restatement:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2023:			
Lease receivable	\$ 11,257,386	\$ 352,226	\$ 11,609,612
Deferred inflows	9,866,254	520,470	10,386,724
Net position	10,116,783	(168,244)	9,948,539
Year Ended June 30, 2023:			
Lease income	\$ 1,370,366	\$ (168,244)	\$ 1,202,122

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, 2024 and 2023 were \$55,483,316 and \$47,730,881 respectively. This includes amounts held in deposit at the Massachusetts Municipal Depository Trust (“MMDT”) of \$54,387,879 and \$45,934,355 as of June 30, 2024 and 2023, respectively.

Custodial Credit Risk

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023 were \$56,788,095 and \$48,656,064, 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, 2024, and 2023, the fair values of the University's deposits held at the MMDT were \$54,387,879 and \$45,934,355, respectively. 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. At June 30, 2023, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 78% at 30 days or less; 10% at 31-90 days; 8% at 91-180 days and 4% at 181 days or more.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023 through Massachusetts Management Accounting Reporting System (“MMARS”) were recorded in the sums of \$2,195,298 and \$2,967,502, respectively.

Liabilities to be funded by state appropriations at June 30, 2024 and 2023 were \$3,573,256 and \$2,754,865, respectively.

Note 4 - **Investments**

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

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

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

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

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

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

Notes to the Financial Statements – Continued

June 30, 2024 and 2023

Note 4 - **Investments – Continued**

University

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>

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 4 - **Investments – Continued**

Foundation

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>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 4 - **Investments – Continued**

Foundation - continued

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

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 27,235,000	\$ -	\$ -	\$ 27,235,000
Corporate bonds	-	10,422,537	-	10,422,537
Mutual funds:				
Corporate bonds	450,077	-	-	450,077
International equities	673,003	-	-	673,003
Large cap equities	1,371,104	-	-	1,371,104
International emerging	1,239,240	-	-	1,239,240
Small and mid-cap equities	950,940	-	-	950,940
U.S. bonds and notes	1,893,773	-	-	1,893,773
Total mutual funds	6,578,137	-	-	6,578,137
Money market	3,839,980	-	-	3,839,980
Exchange-traded funds	1,714,985	-	-	1,714,985
U.S. Government Obligations	4,000,666	-	-	4,000,666
State municipal bonds	-	391,638	-	391,638
Certificates of deposits	-	616,586	-	616,586
Variable rate bonds	-	54,962	-	54,962
Total assets at fair value	<u>\$ 43,368,768</u>	<u>\$ 11,485,723</u>	<u>\$ -</u>	<u>\$ 54,854,491</u>

University

The University categorizes short-term investments according to the level of risk assumed by the University. At June 30, 2024 and 2023, investments totaled \$57,755,481 and \$50,297,802, 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, 2024 and 2023, there were no individual investments that represented 5% or more of the University's portfolio. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts as well as internal policies approved by the University's Board of Trustees.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

June 30, 2023 Investment Maturity in Years				
Investment Type:	Fair Value	Less than 1	1-5	6-10
Corporate bonds (mutual funds)	\$ 5,356,750	\$569,741	\$3,343,617	\$1,443,392
Total fixed income	5,356,750	<u>\$569,741</u>	<u>\$3,343,617</u>	<u>\$1,443,392</u>
Corporate bonds	15,249,460			
Equity securities	29,691,592			
Total investments	<u>\$50,297,802</u>			

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 4 - **Investments - Continued**

Investment Income, net

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

	University 2024	University 2023	Foundation 2024	Foundation 2023
Interest and dividends	\$ 4,819,724	\$ 3,162,010	\$ 1,560,945	\$ 1,309,343
Net realized and unrealized gain	6,193,252	4,356,123	6,373,373	3,669,241
Investment fees	(247,956)	(221,632)	(307,306)	(248,849)
 Total investment income	\$10,765,020	\$ 7,296,501	\$ 7,627,012	\$ 4,729,735

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

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

	2024	2023
Student accounts	\$ 7,551,393	\$ 8,485,685
Grants	1,028,053	2,738,668
Other	1,403,127	827,877
Total gross receivables	9,982,573	12,052,230
Less: allowance for doubtful accounts	(4,674,932)	(5,063,673)
Total accounts, grants and other receivables, net	\$ 5,307,641	\$ 6,988,557

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 5,897,883	\$ 3,685,270
Between one to five years	616,632	2,021,616
Receivable after five years	20,000	30,000
Less: allowance for doubtful accounts	<u>(120,000)</u>	<u>(1,120,000)</u>
Total pledges receivables	6,414,515	4,616,886
Less: discount to net present value at 4.0%	<u>(44,386)</u>	<u>(91,051)</u>
Pledges receivable, net	6,370,129	4,525,835
Less: current portion of receivable	<u>(5,897,883)</u>	<u>(2,681,070)</u>
Long-term pledges receivable, net	<u>\$ 472,246</u>	<u>\$ 1,844,765</u>

Note 7 - **Loans Receivable and Payable**

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Loans receivable from students include the following at June 30:

	2024	2023
Perkins	\$ 152,110	\$ 495,814
Nursing	434,960	405,511
Total loans receivable	587,070	901,325
Less: amount due in one year	(155,390)	(275,439)
Long-term loan receivables	\$ 431,680	\$ 625,886

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:

	2024	2023
Perkins	\$ 573,092	\$ 862,652
Nursing	667,739	668,626
Total loans payable	\$ 1,240,831	\$ 1,531,278

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 8 - **Capital Assets**

University

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	<u>9,204,201</u>	<u>6,955,401</u>	<u>-</u>	<u>(11,075,041)</u>	<u>5,084,561</u>
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	<u>504,014,805</u>	<u>1,350,388</u>	<u>(406,818)</u>	<u>11,075,041</u>	<u>516,033,416</u>
Total capital assets	<u>513,219,006</u>	<u>8,305,789</u>	<u>(406,818)</u>	<u>-</u>	<u>521,117,977</u>
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	<u>166,139,797</u>	<u>19,741,542</u>	<u>(406,818)</u>	<u>-</u>	<u>185,474,521</u>
Capital assets, net	<u>\$ 347,079,209</u>	<u>\$ (11,435,753)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 335,643,456</u>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 8 - **Capital Assets – Continued**

University - continued

Capital asset activity for the University for the year ended June 30, 2023 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	2,863,371	8,483,321	-	(4,678,664)	6,668,028
Total capital assets not depreciated or amortized	<u>5,399,544</u>	<u>8,483,321</u>	<u>-</u>	<u>(4,678,664)</u>	<u>9,204,201</u>
Capital assets depreciated and amortized:					
Buildings	90,129,935	-	(99,519)	-	90,030,416
Buildings and land improvements	164,121,656	-	(1,806,720)	4,490,250	166,805,186
Furniture and equipment	32,547,137	199,020	(10,898,535)	188,414	22,036,036
Leased buildings - MSCBA	204,343,570	-	-	-	204,343,570
Leased space - SSUAC	14,497,166	160,308	-	-	14,657,474
Leased equipment	596,060	-	-	-	596,060
Intangible Right-to-Use Software agreements	2,928,523	2,617,540	-	-	5,546,063
Total capital assets depreciated and amortized	<u>509,164,047</u>	<u>2,976,868</u>	<u>(12,804,774)</u>	<u>4,678,664</u>	<u>504,014,805</u>
Total capital assets	<u>514,563,591</u>	<u>11,460,189</u>	<u>(12,804,774)</u>	<u>-</u>	<u>513,219,006</u>
Less: accumulated depreciation and amortization:					
Buildings	36,470,901	1,928,974	(99,519)	-	38,300,356
Building improvements	72,259,695	6,908,130	(1,587,349)	-	77,580,476
Furniture and equipment	31,081,530	587,665	(10,898,535)	-	20,770,660
Leased buildings - MSCBA	16,071,729	7,979,865	-	-	24,051,594
Leased space - SSUAC	1,765,330	882,666	-	-	2,647,996
Leased equipment	250,972	125,486	-	-	376,458
Intangible Right-to-Use Software agreements	1,128,064	1,284,193	-	-	2,412,257
Total accumulated depreciation and amortization	<u>159,028,221</u>	<u>19,696,979</u>	<u>(12,585,403)</u>	<u>-</u>	<u>166,139,797</u>
Capital assets, net	<u>\$ 355,535,370</u>	<u>\$ (8,236,790)</u>	<u>\$ (219,371)</u>	<u>\$ -</u>	<u>\$ 347,079,209</u>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 8 - **Capital Assets - Continued**

Assistance Corporation

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	25,618,176	26,083	25,644,259
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	5,126,008	715,834	5,841,842
Capital assets, net	\$ 20,492,168	\$ (689,751)	\$ 19,802,417

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 8 - **Capital Assets - Continued**

Assistance Corporation – continued

Capital asset activity of the Assistance Corporation for the year ended June 30, 2023 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	4,451,317	84,204	4,535,521
Furniture and equipment	213,700	4,605	218,305
Leased equipment	-	11,111	11,111
Leased building	11,321,248	-	11,321,248
Total capital assets at historical cost	25,518,256	99,920	25,618,176
Less accumulated depreciation:			
Buildings	745,378	37,733	783,111
Building improvements	2,400,415	137,325	2,537,740
Furniture and equipment	199,781	3,998	203,779
Leased equipment	-	3,086	3,086
Leased building	1,065,528	532,764	1,598,292
Total accumulated depreciation	4,411,102	714,906	5,126,008
Capital assets, net	\$ 21,107,154	\$ (614,986)	\$ 20,492,168

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Accounts payable and accrued expenses include the following at June 30, 2024 and 2023:

	2024	2023
Accounts payable - trade	\$ 4,633,713	\$ 3,875,553
Accrued interest payable	1,546,281	1,318,364
Tuition due to state	140,026	185,841
State grant refundable	831,845	-
Other	922,133	1,110,398
Total accounts payable and accrued expenses	\$ 8,073,998	\$ 6,490,156

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:

	2024	2023
Tuition and fees	\$2,109,104	\$2,055,541
Grants	7,242,291	3,578,891
Other	38,889	57,074
Total unearned revenue	\$9,390,284	\$5,691,506

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 11 - **Long-Term Liabilities**

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>

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023 the outstanding amounts related to all MSCBA bond series was \$21,081,141 and \$24,069,531 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 \$509,533 and \$512,676 at June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 \$223,788 and \$826,172 at June 30, 2024 and 2023, 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 \$9,920,924 and \$10,706,346 at June 30, 2024 and 2023, respectively. A debt service reserve remains for these bonds in the amount of \$86,688 and \$240,545 at June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 \$8,789,717 and \$10,219,758 at June 30, 2024 and 2023, respectively. A debt service reserve remains for the 2014 bonds in the amount of \$644,687 and \$894,488 at June 30, 2024 and 2023, respectively.

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 \$1,463,456 and \$1,498,685 at June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 \$173,723 and \$305,894 as of June 30, 2024 and 2023, 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 and \$41,042 at June 30, 2024 and 2023, respectively.

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 \$51,176 and \$68,234 at June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 \$3,589,315 and \$3,996,650 at June 30, 2024 and 2023, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Bond Payable Maturities University

Maturities of the bonds payable subsequent to June 30, 2024 are as follows:

Years Ending June 30,	Principal	Amortization of Premium	Interest	Total
2025	\$ 2,578,052	\$ 13,447	\$ 737,591	\$ 3,329,090
2026	1,329,952	13,447	654,955	1,998,353
2027	1,107,985	13,447	609,209	1,730,641
2028	2,628,307	13,447	573,760	3,215,514
2029	2,512,610	13,447	500,427	3,026,484
2030-2034	4,827,374	67,235	1,883,273	6,777,882
2035-2039	4,681,032	67,235	958,175	5,706,442
2040-2044	3,676,055	67,047	611,816	4,354,918
2045-2049	1,055,049	56,464	117,724	1,229,237
Total	<u>\$ 24,396,416</u>	<u>\$ 325,216</u>	<u>\$ 6,646,930</u>	<u>\$ 31,368,562</u>

Notes Payable University

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Notes Payable University - continued

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

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

Maturities of the notes payable subsequent to June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	\$ 102,677	\$ 6,689	\$ 109,366
2026	53,090	1,311	54,401
Total	\$ 155,767	\$ 8,000	\$ 163,767

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 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
287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,361,115
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>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Lease Liability University - continued

Significant lease terms are described below for fiscal year 2023:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/23
MSCBA - Atlantic Hall	10/31/2049	Varies	Implicit Rate	3.20%	\$ 38,556,359
MSCBA - Marsh Hall	10/31/2049	Varies	Implicit Rate	2.85%	53,998,160
MSCBA - Marsh Dining Commons	4/30/2040	Varies	Implicit Rate	2.02%	4,438,134
MSCBA - Viking Hall	10/31/2048	Varies	Implicit Rate	2.93%	60,151,354
MSCBA - Viking Hall (Starbucks)	10/31/2046	Varies	Implicit Rate	3.01%	4,683,677
MSCBA - Peabody/Bowditch Hall	10/31/2039	Varies	Implicit Rate	3.57%	6,794,434
MSCBA - Parking Lot (Canal St.)	10/31/2049	Varies	Implicit Rate	4.02%	33,712
MSCBA - Parking Garage	10/31/2041	Varies	Implicit Rate	2.75%	24,538,380
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	2.40%	694,908
MSCBA - 10B - Renewal	10/31/2049	Varies	Implicit Rate	4.97%	297,485
MSCBA - 99A Pooled Debt Service	10/31/2028	Varies	Implicit Rate	30.70%	1,796,291
287 Lafayette	6/30/2040	Varies	IBR	3.75%	5,525,213
331 Lafayette	10/31/2042	Varies	IBR	3.75%	7,425,430
Enterprise Center Suite 100	6/30/2024	Varies	IBR	7.25%	160,309
Ricoh Copiers	3/31/2025	Varies	IBR	3.75%	229,829
					<u>\$ 209,404,350</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, 2024, debt service payments and operating costs paid by the University was \$8,039,456 and \$1,928,430, respectively. For the year ended June 30, 2023, debt service payments and operating costs paid by the University was \$10,589,355 and \$1,672,706, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023 was \$6,943,435 and \$7,056,213, 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 \$183,606,157 and \$192,521,056 at June 30, 2024 and 2023, 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, 2024 and 2023. 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 \$4,760,018 and \$5,057,519 at June 30, 2024 and 2023, 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 \$6,440,359 and \$6,791,651 at June 30, 2024 and 2023, respectively.

The University leases various suites at the Enterprise Center from the Assistance Corporation. The terms of these agreements stipulate monthly payments varying between approximately \$6,500 and \$13,800. The right of use asset was amortized on a straight-line basis over the lease term. The remaining unamortized right of use asset related to these lease obligations were \$0 at June 30, 2024 and 2023.

During the years ended June 30, 2024 and 2023 the University made payments of principal and interest totaling \$973,660 and \$1,037,221, respectively, to the Assistance Corporation for the above disclosed related party leases.

For the years ended June 30, 2024 and 2023, the total right of use assets were \$219,597,104 and \$219,597,104, respectively. For the years ended June 30, 2024 and 2023, the accumulated amortization related to the right of use assets was \$35,990,947 and \$27,076,048, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Future Lease Payments

Lease payments due subsequent to June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	\$ 4,533,758	\$ 7,039,343	\$ 11,573,101
2026	6,012,844	6,708,859	12,721,703
2027	6,506,260	6,403,854	12,910,114
2028	5,763,587	6,097,341	11,860,928
2029	6,264,109	5,640,332	11,904,441
2030-2034	44,568,761	24,266,899	68,835,660
2035-2039	52,107,136	16,568,417	68,675,553
2040-2044	42,434,395	8,189,054	50,623,449
2045-2049	28,132,870	2,507,007	30,639,877
	<u>\$ 196,323,720</u>	<u>\$ 83,421,106</u>	<u>\$ 279,744,826</u>

SBITA Liability University

The University has entered into subscription-based information technology arrangements (SBITAs) for various software products which were initiated in fiscal years ended ranging from June 30, 2021 to 2024. 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.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

SBITA Liability University - continued

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
					\$ 2,872,291

Significant arrangement terms are described below for fiscal year 2023:

Description	Maturity Date	Payment Amount	Rate Type	Interest Rate	SBITA Liability 6/30/23
TouchNet Information Systems Inc.	6/30/2025	Varies	IBR	4.75%	\$ 615,966
Konica Minolta	10/25/2024	Varies	IBR	4.75%	72,552
Connection_Adobe	9/26/2025	Varies	IBR	4.75%	431,179
Pantheon	5/31/2026	Varies	IBR	4.75%	34,102
Instructure	7/31/2026	Varies	IBR	7.25%	735,407
SHI- Microsoft	6/30/2026	Varies	IBR	7.25%	1,003,953
Carahsoft - Elasticsearch	6/30/2026	Varies	IBR	7.25%	163,555
					\$ 3,056,714

Lease interest expense for the years ended June 30, 2024 and 2023 was \$154,235 and \$51,789, respectively. For the years ended June 30, 2024 and 2023, the total right to use software arrangement assets were \$6,896,451 and \$5,546,063, respectively. For the years ended June 30, 2024 and 2023, the accumulated amortization related to the right of use assets was \$3,870,191 and \$2,412,257, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

SBITA Liability University - continued

Future SBITA Payments

SBITA payments due subsequent to June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	1,522,366	165,570	1,687,936
2026	1,008,595	96,598	1,105,193
2027	264,796	25,222	290,018
2028	76,534	5,549	82,083
	<u>\$ 2,872,291</u>	<u>\$ 292,939</u>	<u>\$ 3,165,230</u>

Long-term Liabilities – Assistance Corporation

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>

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Notes Payable Assistance Corporation - continued

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

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

Notes Payable Assistance Corporation

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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
2025	\$ 30,546	\$ 38,325	\$ 68,871
2026	31,775	37,096	68,871
2027	33,053	35,818	68,871
2028	34,382	34,489	68,871
2029	35,765	33,106	68,871
2030-2034	201,598	142,757	344,355
2035-2038	617,030	69,614	686,644
Total	<u>\$ 984,149</u>	<u>\$ 391,205</u>	<u>\$ 1,375,354</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, 2024 and 2023 was \$624,192 and \$633,837, 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, 2024 and 2023, the total right of use assets were \$11,332,359. For the years ended June 30, 2024 and 2023 the total accumulated amortization related to the right of use assets was \$2,137,846 and \$1,601,378, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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
2025	\$ 219,353	\$ 612,927	\$ 832,280
2026	298,178	598,269	896,447
2027	327,272	580,377	907,649
2028	358,741	560,740	919,481
2029	392,372	520,320	912,692
2030-2034	2,551,917	2,298,933	4,850,850
2035-2039	4,097,382	1,366,132	5,463,514
2040-2043	2,512,986	223,530	2,736,516
	\$ 10,758,201	\$ 6,761,228	\$ 17,519,429

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.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - **Pensions – Continued**

Contributions - continued

The Commonwealth does not require the University to contribute funding from its local trust funds for employees 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 \$10,612,983, \$9,714,980, and \$9,543,385, for the years ended June 30, 2024, 2023, and 2022, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 16.69%, 16.70%, and 16.11% of annual covered payroll for the fiscal years ended June 30, 2024, 2023, and 2022, respectively. The University contributed \$1,971,828, \$2,225,712, and \$2,119,546, for the fiscal years ended June 30, 2024, 2023, and 2022, 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, 2024, 2023 and 2022, the University reported a liability of \$22,110,554, and \$20,946,990 and \$15,782,623, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 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 net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022.

The 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 2024 and 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2024 and 2023, the University's proportion was 0.151% and 0.151%, respectively.

For the year ended June 30, 2024 the University recognized pension income of \$4,755,251. For the year ended June 30, 2023 the University recognized pension income of \$3,670,003.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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>2023</u>	<u>2022</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 785,432	\$ 521,065
Net difference between projected and actual Investment earnings	595,061	-
Change in plan actuarial assumptions, net	371,605	576,705
Changes in proportion from Commonwealth	182	1,433
Changes in proportion due to internal allocation	172,872	-
Contributions subsequent to the measurement date	<u>1,971,828</u>	<u>2,225,712</u>
Total deferred outflows related to pension	<u>\$ 3,896,980</u>	<u>\$ 3,324,915</u>
	<u>2023</u>	<u>2022</u>
<u>Deferred Inflows of Resources Related to Pension</u>		
Difference between expected and actual experience	\$ 546,350	\$ 817,568
Net differences between projected and actual earnings on pension plan investments	-	111,670
Changes in proportion from Commonwealth	168,914	56,661
Changes in proportion due to internal allocation	<u>6,544,191</u>	<u>11,640,305</u>
Total deferred inflows related to pension	<u>\$ 7,259,455</u>	<u>\$ 12,626,204</u>

The University's contributions of \$1,971,828 and \$2,225,712 made during the fiscal years ending 2023 and 2022, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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:

Years Ending June 30:	
2024	\$ (255,760)
2025	2,663,732
2026	(6,568,808)
2027	(1,173,467)
Total	\$ (5,334,303)

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, 2023</u>	<u>June 30, 2022</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, 2023 and 2022, mortality rates were based on:

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 12 - **Pensions – Continued**

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

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 weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table:

<u>Asset Class</u>	<u>2024</u>		<u>2023</u>	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	37%	4.9%	38%	4.2%
Portfolio Completion Strategies	10%	3.8%	15%	5.0%
Core Fixed Income	15%	1.9%	15%	7.3%
Private Equity	16%	7.4%	10%	2.7%
Real Estate	10%	3.0%	10%	3.3%
Value Added Fixed Income	8%	5.1%	8%	3.7%
Timber/Natural Resources	4%	4.3%	4%	3.9%
	<u>100%</u>		<u>100%</u>	

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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:

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

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

Benefits Provided

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023, and as of the valuation date (January 1, 2023 and 2022), 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 7.83% and 7.28% of annual covered payroll for the fiscal years ended June 30, 2024 and 2023, respectively. The University contributed \$925,007 and \$969,945 for the fiscal years ended June 30, 2024 and 2023, 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, 2024 and 2023, the University reported a liability of \$23,516,399 and \$26,361,589, 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, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2023 and 2022, 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 2023 and 2022. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023 and 2022, the University's proportion was 0.166% and 0.166%, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

For the year ended June 30, 2024 the University recognized income related to OPEB of \$13,444,640. For the year ended June 30, 2023 the University recognized income related to OPEB of \$10,380,877. The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2024	2023
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 925,007	\$ 969,945
Changes in OPEB plan actuarial assumptions	1,033,088	1,941,618
Differences between expected and actual experience	956,479	485,282
Net differences between projected and actual earnings on OPEB plan investments	76,865	40,073
Changes in the proportion from Commonwealth	2,154	12,112
Changes in the proportion due to internal allocation	3,252,427	5,050,484
Total deferred outflows related to OPEB	\$ 6,246,020	\$ 8,499,514
	2024	2023
<u>Deferred Inflows of Resources Related to OPEB</u>		
Change in assumptions	\$ 6,065,725	\$ 9,540,818
Differences between expected and actual experience	2,641,476	4,364,447
Difference between projected and actual investment earnings	-	-
Changes in proportion due to internal allocations.	25,730,108	33,479,828
Changes in OPEB from Commonwealth	225,027	130,187
Total deferred inflows related to OPEB	\$34,662,336	\$47,515,280

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

Contributions

The University's contributions of \$925,007 and \$969,945 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	\$ (7,458,871)
2026	(7,331,303)
2027	(7,182,299)
2028	(5,860,436)
2029	<u>(1,508,414)</u>
	<u>\$ (29,341,323)</u>

Actuarial Assumptions

The total OPEB liability for 2024 and 2023 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023	June 30, 2022
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2023_1f. Medicare and non-Medicare benefits range from 5.79% to 7.50%	Developed based on the most recent published GAO-Getzen trend rate model, version 2022_f4. Medicare and non-Medicare benefits range from 5.00% to 7.60%

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year.

The participation rates are actuarially assumed as below:

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

	2024		2023	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	27%	96.0%	28%	96.0%
POS/PPO	63%	0.0%	60%	0.0%
HMO	10%	4.0%	12%	4.0%

The actuarial assumptions used in the January 1, 2023 and 2022 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2023 and 2022 through December 31, 2022 and 2021, 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, 2024 and 2023, are the same as discussed in the pension footnote.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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 weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table:

<u>Asset Class</u>	<u>2024</u>		<u>2023</u>	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	37%	4.9%	38%	4.2%
Portfolio Completion Strategies	10%	3.8%	15%	5.0%
Core Fixed Income	15%	1.9%	15%	7.3%
Private Equity	16%	7.4%	10%	2.7%
Real Estate	10%	3.0%	10%	3.3%
Value Added Fixed Income	8%	5.1%	8%	3.7%
Timber/Natural Resources	4%	4.3%	4%	3.9%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability for the 2023 and 2022 measurement dates was 4.34% and 4.30%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.65% and 3.54%) as of the measurement date and the expected rate of return. The OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2042 and 2042 for the fiscal years 2024 and 2023, 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.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024	
		Current	
1.00% Decrease		Discount Rate	1.00% Increase
3.34%		4.34%	5.34%
\$	27,476,616	\$	23,516,399
		\$	20,266,833

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

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

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

(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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 14 - **Deferred Inflows of Resources**

Public- Private Partnerships

The University has entered into agreements with a nongovernmental operator for management of the food services operations, vending machines, related dining facilities, and bookstore of the University (the "agreements"). Pursuant to the terms of these agreements, financial commitments totaling approximately \$623,000 were made at the beginning of each agreement and are being amortized over the agreement term expiring in 2025 and 2031. The financial commitments are for facilities' renovations to the University, including areas of the dining facilities, vending machines, and bookstore. This financial commitment is categorized as a public-private partnership under GASB 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*. The University has accounted for these monies as deferred inflows of resources. The balance of deferred inflows of resources at June 30, 2024 and 2023 is approximately \$265,000, and \$336,000, respectively.

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:

	2024	2023
Restricted - nonexpendable:		
Scholarship and fellowship	\$ 110,000	\$ 110,000
Restricted - expendable:		
Scholarship, fellowship loans, gifts and research grants and contracts	\$ 13,308,310	\$ 13,443,133

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 16 - **Commitments and Contingencies**

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters for which the Commonwealth is self-insured.

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

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

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

The U.S. Environmental Protection Agency ("EPA") notified the University in August 1998 that it is a potential responsible party with respect to environmental impacts resulting from contaminated soil upon the removal of underground oil tanks in 1991. The EPA has not closed out their investigation. During fiscal years 2020 and 2019, the University paid no remediation costs and received no communication from federal or state agencies. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the University.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 17 - **Operating Expenses**

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

	2024	2023
Compensation and benefits	\$ 111,351,500	\$ 100,558,968
Supplies and services	33,939,035	29,506,786
Utilities	3,948,139	3,539,827
Depreciation	9,368,709	9,424,769
Amortization	10,372,833	10,272,210
Scholarships	18,163,261	12,700,771
Total operating expenses	\$ 187,143,477	\$ 166,003,331

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 from 39.50% in 2023 to 43.20% in 2024 which includes 1.85% and 2.11% in payroll taxes, respectively. The retirement portion of the fringe benefit charge decreased from 16.70% in 2023 to 16.69% in 2024. 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.

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 18 - **Fringe Benefit Program - Continued**

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2024, 2023, and 2022 was \$3,047,003, \$2,619,854 and \$2,528,349, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Insurance

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

Note 18 - **Fringe Benefit Program - Continued**

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, 2024 and 2023, the GIC provided health insurance for its members through indemnity, PPO and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 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:

	2024	2023
General Appropriations	\$ 63,025,751	\$ 56,688,737
Other Appropriations	180,168	182,231
Total Appropriations	63,205,919	56,870,968
 <u>Add:</u>		
Fringe benefits for benefited employees on the state payroll	27,120,340	22,354,474
 <u>Less:</u>		
Day school tuition remitted to the state and included in tuition and fee revenue	(761,214)	(751,390)
Total unrestricted appropriations	\$ 89,565,045	\$ 78,474,052

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

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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):

	2024	2023
Revenue per MMARS	\$ 132,048,144	\$ 126,775,124
Revenue per University	132,048,144	126,775,124
Difference	-	-

Note 20 - **Pass-Through Student Federal Loans**

The University distributed approximately \$27,038,000 and \$32,369,000 for the years ended June 30, 2024 and 2023, 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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2024 and 2023

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, 2024 and 2023 were \$9,967,886 and \$12,262,061, respectively. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset to a lease liability.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 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
Measurement date	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	June 30, 2014
Valuation date	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	January 1, 2014
Proportion of the collective net pension liability	0.151%	0.151%	0.151%	0.233%	0.278%	0.341%	0.347%	0.341%	0.389%	0.295%
Proportionate share of the collective net pension liability	\$ 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	\$ 21,889,032
College's covered payroll	\$ 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	\$ 21,870,164
College's proportionate share of the net pension liability as a percentage of its covered payroll	165.90%	159.21%	128.61%	223.56%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	70.71%	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>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>	<u>2015</u>
Statutorily required contribution	\$ 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	\$ 2,436,331
Contributions in relation to the statutorily required contribution	<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>	<u>(2,436,331)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 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	\$ 23,448,807
Contribution as a percentage of covered payroll	16.69%	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 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, 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, 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	0.166%	0.197%	0.173%	0.249%	0.439%	0.531%	0.496%	0.441%
Proportionate share of the collective net OPEB liability	\$ 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	\$ 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	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	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
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<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	\$ 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>(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>
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	\$ 25,885,577
Contribution as a percentage of covered payroll	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.

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

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

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2024 and 2023

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
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2024 and 2023

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, 2024 and 2023

	<u>Assets</u>	
	2024	2023
Assets:		
Cash and equivalents	\$ 2,303,479	\$ 3,313,835
Accounts receivable, net	<u>533,449</u>	<u>410,223</u>
Total Assets	<u>\$ 2,836,928</u>	<u>\$ 3,724,058</u>
 <u>Liabilities and Net Position</u>		
Liabilities:		
Accounts payable	\$ 410,907	\$ 240,424
Accrued payroll and fringe benefits	112,707	117,567
Accrued compensated absences	<u>277,530</u>	<u>250,750</u>
Total Liabilities	801,144	608,741
Net Position	<u>2,035,784</u>	<u>3,115,317</u>
Total Liabilities and Net Position	<u>\$ 2,836,928</u>	<u>\$ 3,724,058</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, 2024 and 2023

	2024	2023
Revenues:		
Student fees	\$ 16,219,267	\$ 15,625,246
Less: scholarships and fellowships	(2,889,222)	(2,487,392)
Commissions	17,913	59,566
Leases	328,986	451,091
State grant	53,501	102,864
Total Revenues	13,730,445	13,751,375
Expenses:		
Regular employee compensation	2,229,754	2,105,367
Special employee compensation	664,126	563,317
Fringe benefits	1,109,637	1,017,562
Administrative	67,579	171,157
Facility operational	94,932	124,528
Energy and space rental	1,417,473	1,383,643
Operational services	74,575	54,324
Equipment maintenance	927,519	679,076
Loans and special payments	9,321,183	10,454,683
Information technology	3,200	2,525
Total Expenses	15,909,978	16,556,182
Excess of Expenses over Revenues Before State grants and Transfers	(2,179,533)	(2,804,807)
State grants		3,500,000
Net Transfers	1,100,000	-
Total Increase (Decrease) in Net Position	(1,079,533)	695,193
Net Position, Beginning of Year	3,115,317	2,420,124
Net Position, End of Year	\$ 2,035,784	\$ 3,115,317

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, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 29, 2024.

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.

WithumSmith+Brown, PC

October 29, 2024